31 October 2016

QUARTERLY ACTIVITIES REPORT

September 2016

Australis Oil & Gas
ASX: ATS

Australis is an upstream oil and gas company seeking to provide shareholders value and growth opportunities through the acquisition and accumulation of quality onshore oil and gas assets within emerging and established oil fields in the United States of America and other jurisdictions.

The Company was formed by the founders and key executives of Aurora Oil & Gas Limited, a team with a demonstrated track record of creating and realising shareholder value.

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Australis focussed on building asset position during the Quarter

Australis Oil and Gas Limited ("Australis") is pleased to provide its quarterly activities report for the period ended 30 September 2016.

KEY ACTIVITIES

- Listed on the ASX.
- Continued evaluation of various basins and opportunities in the USA.
- Increased TMS to 35,200 gross acres (17,600 net to Australis).
- Review of 3D seismic acquired and previous well results to better define Portuguese contingent resource structure.

Finance and Corporate

- Commenced trading on the Australian Stock Exchange on 25th July (ASX:ATS), following an Initial Public Offering ("IPO") that raised A$30 million.
- At the time of IPO Australis' portfolio comprised of onshore oil & gas assets in the USA and Portugal.
- Following the IPO process, management continued business development activities identifying and reviewing several unconventional assets in the USA.
- Closing cash of approximately A$30.8 million as at 30 September 2016, no debt and forecast expenditure for the December quarter of A$2.6 million.

Tuscaloosa Marine Shale ("TMS") – An onshore USA unconventional oil play

- 50% Working Interest ("WI") in 35,200 gross contiguous acres within the production defined core fairway of the TMS.
- Independently assessed TMS 2C contingent resource of 13.7 MMboe net to Australis (post royalty) at effective well spacing of 400 acres, conservative EUR's representing an average recovery of 8% as at 1st May, 2016
- Initial acquisition cost of US$1.17/boe based on Independent 2C resource estimates.
- Australis increased its TMS lease position by 740 net acres during the Quarter at an average price of approximately US$200/acre and further brokerage costs of US$130/acre. This equates to a cost of US$0.40/boe based on independent 2C resource estimates.
- Most new TMS leases have a primary term of 5 years.
- At the end of the quarter Australis held 17,600 net contiguous acres.

Lusitanian Basin – conventional gas & oil acreage onshore Portugal

- 100% WI in 620,000 acres across two licensed exploration areas in the Lusitanian Basin.
- Long life concessions with minimal work commitments in years 1 to 3.
- Utilization of 3D seismic to better define contingent resource structure and volumetrics within the concession areas.

FINANCE AND CORPORATE

Corporate Background

Australis was formed in Q3 2014 by the principals and management of Aurora Oil & Gas ("Aurora"), an ASX and TSX listed company focused in the unconventional Eagle Ford Shale and that was sold in June 2014 for an enterprise value of A$2.6 billion.

The Australis strategy is focused on the USA oil and gas industry and seeks to build a portfolio of unconventional assets with attractive acquisition and development economics. Prior to its IPO, Australis was funded through private equity raisings totalling A$37 million, of which Directors and Management contributed over A$11 million. Between Q4 2015 and Q2 2016 Australis secured its initial assets, being a focused contiguous appraisal acreage position within the core performing area of the TMS and a large prospective exploration position onshore in Portugal.

A decision to list the Company was made during Q2 2016 and Australis, following a successful A$30 million IPO raising, commenced trading on the ASX on 25th July 2016. Australis has continued actively pursuing acquisition opportunities in the USA and believes that the market conditions are conducive to transactions on assets at attractive pricing.

In Q2 2016, Australis opened a small office in Houston to assist with managing its existing assets and to participate in the sourcing and evaluation of future opportunities. Several key ex Aurora staff have been recruited but employee numbers will remain modest until development activities commence on an existing or new asset.

Australis Acquisition Strategy - criteria and activities

The Company's strategy is predicated upon a modest oil price recovery in the medium term and it is focused on securing an inventory of future well locations with economics that can generate a substantial return under those circumstances.

Australis is actively seeking and evaluating further acquisition opportunities in North America where the infrastructure and regulatory environment are conducive to effective development. There are several key criteria to our evaluation of opportunities: -

- Strong preference for asset quality rather than simply a low price acquisition. Quality is primarily driven by the reservoir properties, but is also influenced by drilling, completion and operational costs, take away capacity, pricing differentials and alignment with any partners.
- Preference is to retain the well inventory for future development under more profitable conditions. Therefore, asset contractual commitments are a key factor, although development activity might be a component of the acquisition price.
- Preference will be to operate the assets, however, Australis is prepared to take a non-operator role depending on the quality of operator, strategic alignment in development goals and criteria, together with a requirement for some influence over capital spend.

The acquisition cost of any additional assets will be closely related to the risk profile of the future inventory of locations and Australis is seeking a portfolio approach that ensures it has exposure across the range of exploration, appraisal and development asset classes. We believe that the two existing assets closely fit our corporate strategy in the first two categories.

Financial

Australis successfully completed an IPO during the quarter raising A$30 million before costs, predominantly from institutional investors. The Company had closing cash of approximately A$30.8 million as at 30 September 2016, with no debt and forecast expenditure for the 4th (December) quarter of A$2.6 million.

TUSCALOOSA MARINE SHALE – UNCONVENTIONAL OIL ACREAGE ONSHORE USA

Introduction

The Tuscaloosa Marine Shale is a shallow marine cretaceous unconventional shale that is present across central Louisiana and southwest Mississippi. The play is the same geological age as the Eagle Ford Shale in South Texas and the Woodbine Shale in East Texas. It was well known through the 1980s as associated conventional sand horizons were developed through the area with vertical wells. With the advent of unconventional development activity, the TMS was explored from 2010 with localized success.

The play is deep, high pressure and oil weighted. Early results indicated variable production performance and relatively high well costs, driven by operational difficulties encountered whilst drilling and completing the wells. These challenges led to a modest appraisal activity level, with competing plays in the USA offering lower risk development opportunities. However, the activity that did take place delineated a small core area of the play where production results were consistent and very encouraging. This area is shown in the blue oblong in the map below (Figure 1). This delineated core area represents an area of approximately 650,000 acres or 8% of the known TMS geological setting. The activity also addressed many of the operational challenges so that costs and repeatability were improving, however this coincided with the oil commodity price drop in late 2014.

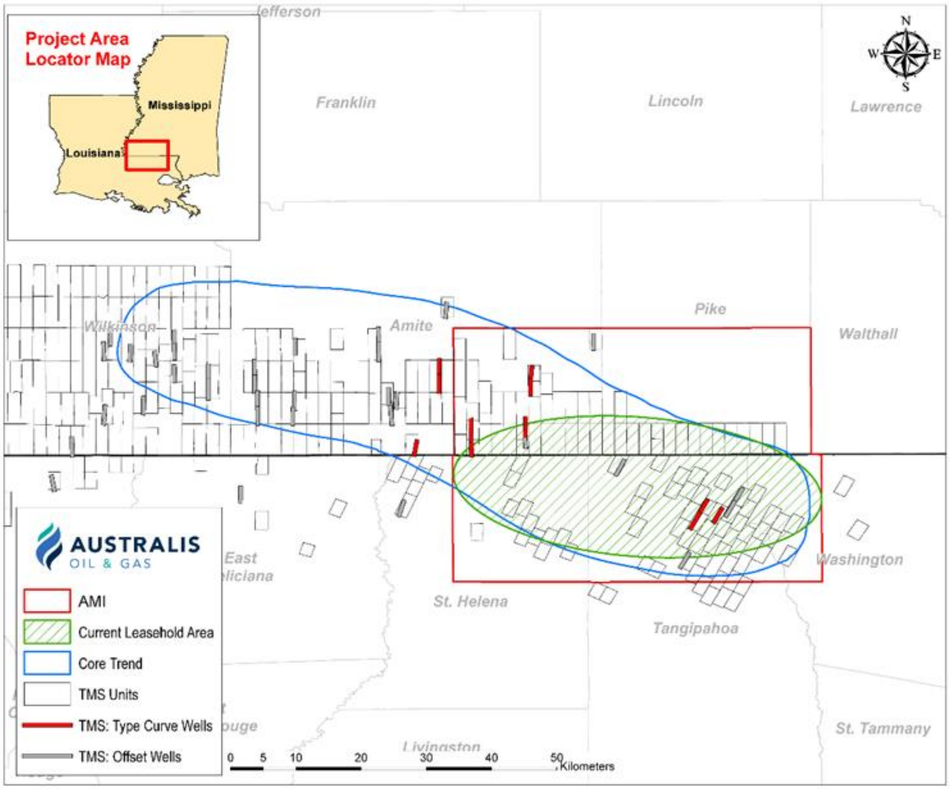

Figure 1: Overview of the TMS Core area, the AMI and approximate lease hold position

In total there are some 57 wells within this core area and Figure 2 below shows the chronological improvement in productivity within the TMS core area for 52 of those wells that were successfully completed and provides a comparison of that performance to oil wells within the Aurora Eagle Ford position.

The light blue solid lines show TMS wells that were drilled before certain dates. It can be clearly seen that the cumulative oil production improved over time, with those wells drilled since Jan-15 being the best thus far. The dark blue line, labelled as TMS Modern Offset wells, are those wells shown in red in Figure 1 above and are the 11 closest wells to the Australis TMS acreage position that have successfully implemented a modern completion design.

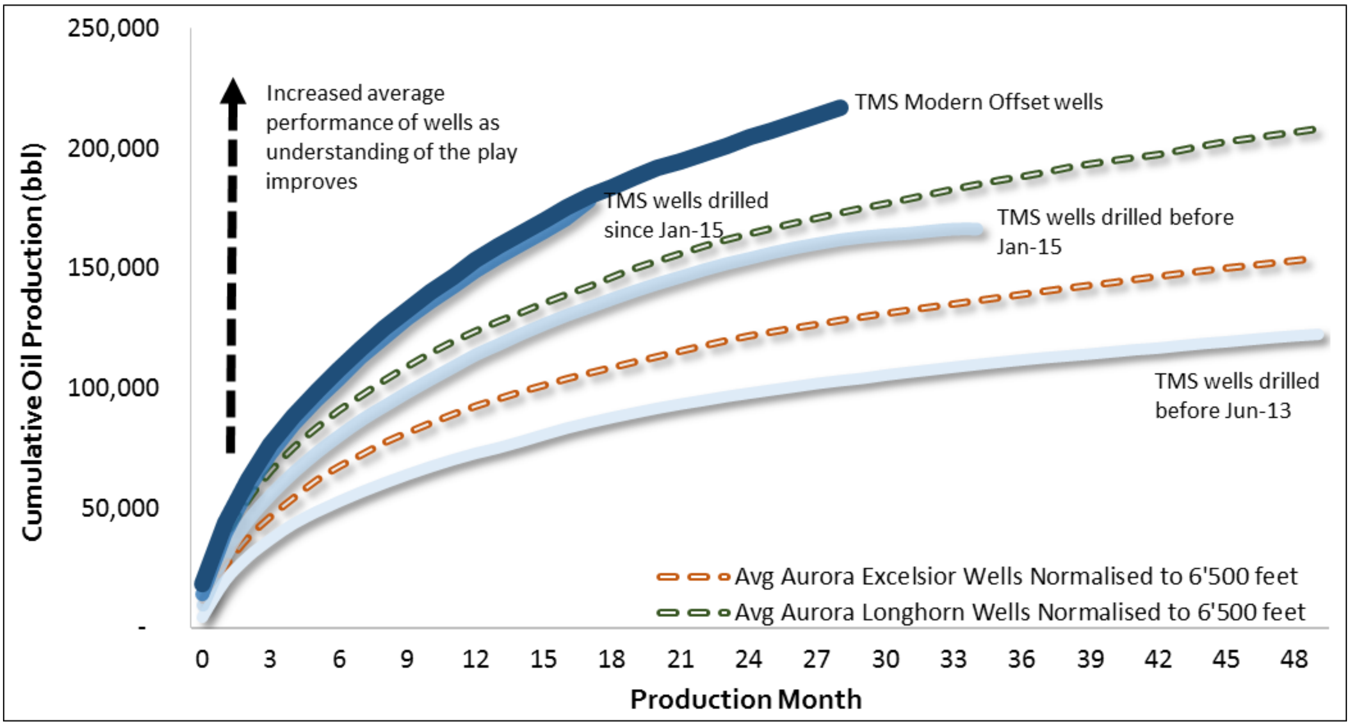

Figure 2: TMS vs Eagle Ford – Cumulative oil production

The dotted lines are cumulative oil production curves taken from public data showing single well oil production in the Eagle Ford on the Aurora acreage in the Eagle Ford Shale. In this case there were 25 wells in Excelsior (orange dotted line) and 15 wells in Longhorn (green dotted line) and because these wells typically have a shorter horizontal section than the average TMS well, they have been normalized up to 6,500 ft on a linear basis. The TMS Modern Offset Wells outperform the Eagle Ford oil wells, despite the latter being scaled up by ~40% by the well length normalization process.

Australis has provided its provisional type curve, which simply history matches the 11 Modern Offset wells closest to the Australis acreage without any assumed productivity improvements. Accordingly, the Australis type curve corresponds to the TMS Modern Offset wells type curve shown in Figure 2 above. The Australis type curve and economics assumptions are:

- Oil EUR 499 Mbbls
- Gas EUR 132 MMscf
- NGL EUR 17 Mbbls
- EUR (20 yr) 538 Mboe (97% liquids)
- Capex per well D, C & T US$11million (6,500 ft lateral)
- Opex US$9,000/well/month + US$6/boe
- NPV(10) breakeven $50WTI/bbl

Offset operators Type Curves range between 600Mboe and 800Mboe. The type curve and associated economics were included in the corporate presentation released to the ASX on 2 September 2016.

TMS acquisition

In late 2015 Australis became aware of a contiguous position of ~33,000 gross acres within the delineated core fairway being available. It was held by a private equity backed company Paloma Resources ("Paloma"), an entity well known and regarded by the management team as a result of previous interactions in the Eagle Ford.

In December 2015 Australis executed a Purchase and Sales Agreement ("PSA") to acquire a 50% working interest in the position. As an addendum to the PSA, Australis and Paloma agreed to a Joint Development Agreement ("JDA") with a set land acquisition budget to the end of 2017 with Paloma as Operator. Within agreed parameters, the JDA contemplates increasing the land position to a target of 45,000 gross acres and to extend the life of the leases. The PSA acquisition took place in two phases, with the final interests being purchased in May 2016.

Prior to the reporting quarter, but subsequent to the transaction, the Australis net acreage position increased from approximately 16,500 acres to 16,860 acres. Thereafter, during the September quarter, the net acreage position of Australis within the TMS grew from approximately 16,860 acres to 17,600 acres, a further increase of 740 net acres. The quarterly net increase comprised of 1,010 new acres leased at an average price of approximately US$200/acre plus a further brokerage cost of $130/acre, offset by 270 acres that expired during this period.

The change in primary term lease life from the effective date of the acquisition to the end of the reporting quarter is illustrated in the graph below. The orange bars show the original lease expiry profile for existing leases purchased with the original acquisition and the blue bars show the relinquishment profile if renewal options on existing leases were exercised. The light green bars show the target of 5 year primary terms associated with the agreed leasing budget as included in the JDA. The darker green show the new leases being secured beginning to fill out the target profile.

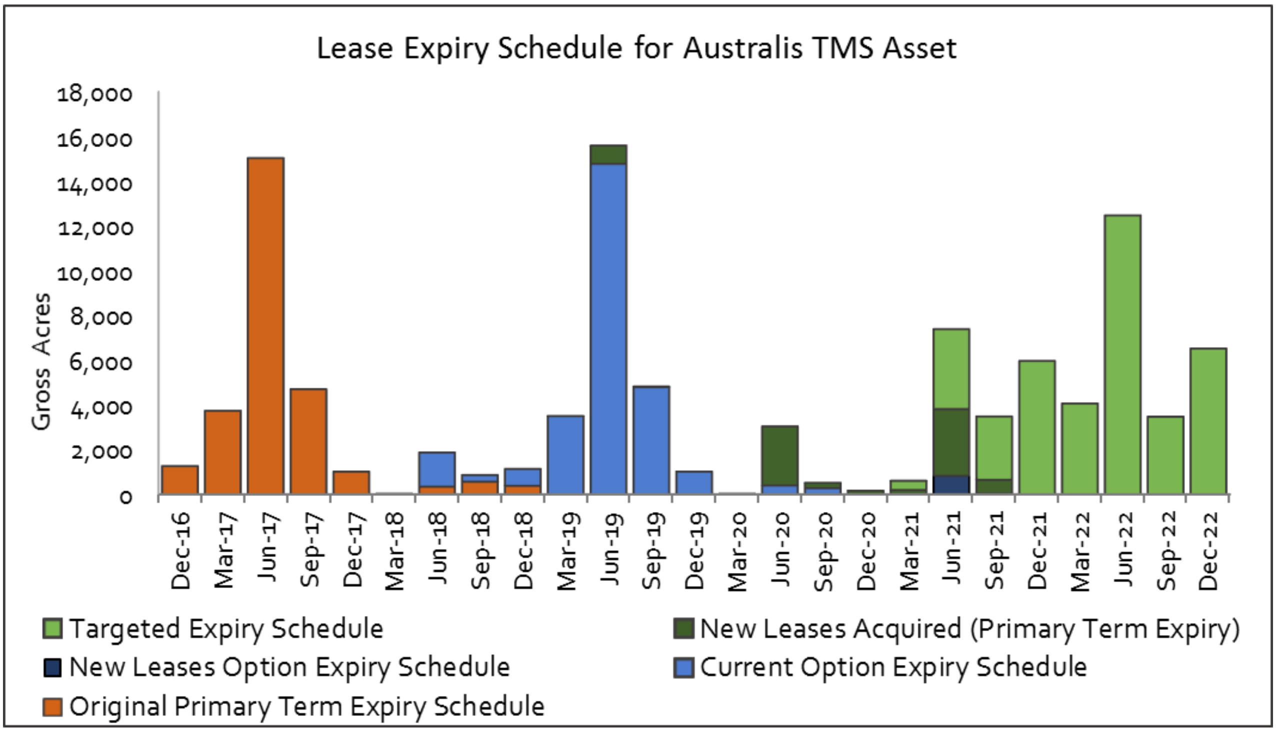

Figure 3 – Progress in leasing primary term position.

A summary of the movement in TMS Project lease position during the September 2016 Quarter is as follows:

Q3 2016 TMS Leases	TMS Project Acres	Net to Australis Acres
Opening Balance	33,720	16,860
New Leases or Re Leasing	2,015	1,008
Expired Lease	(535)	(268)
Closing Balance	35,200	17,600

In addition, Australis holds a net top lease position of approximately 2,700 acres. A top lease is a contractual mechanism used to secure a mineral rights lease where there is an existing lease already in place but the commitments required to hold that lease are unlikely to be met prior to the end of its term. For instance, if a lease is nearing the end of its primary term and requires a well to be drilled otherwise the lease will lapse, then a top lease agreement secures the terms of a new lease that commences as soon as the underlying contract falls away. Typically, a top lease requires ~25% of the lease bonus to be paid up front which is then 'at risk' with the remainder due when the underlying lease lapses.

Within the target area for Australis and Paloma there are a number of 3rd Party leases that are due to lapse in the next 3 – 6 months. Those leases are held by companies that Australis and Paloma believe are unlikely to be in a position to meet the lease obligations, regardless of any oil price impact, and therefore have a high degree of confidence in the successful conversion of its top leasing program.

Australis has received independent contingent resource estimates prepared by South Texas Reservoir Alliance LLC, based on the Australis net TMS acreage position as at 1 May 2016.

	Independent Net Resource Estimate		
	Low 1C	Best 2C	High 3C
Well Spacing (acres)	970	320 - 485	194 - 240
Average Recovery Factor	7.5%	8.0%	9.4%
Oil (MMbbl)	4.6	13.0	29.9
Gas (Bcf)	1.6	4.5	10.5
Oil Equivalent (Mmboe)	4.9	13.7	31.7
Acreage Acquisition Metrics (US$/boe)	$3.29	$1.17	$0.51

Note: Net Contingent Resource to Australis (50% WI) post royalty (40% NRI). The quoted acquisition metrics are based on US$16 million acquisition price for the Company's 50% WI in 33,000 net acres.

The material assumptions and technical parameters underpinning the contingent resource estimate were set out in the Prospectus lodged with ASX on 21 July 2016. Australis is not aware of any new information or data that materially affects the information included in the Prospectus and confirms that all the material assumptions and technical parameters underpinning the estimates in the Prospectus continue to apply and have not materially changed.

LUSITANIAN BASIN – CONVENTIONAL GAS & OIL ACREAGE ONSHORE PORTUGAL

In September 2015 Australis was awarded two onshore exploration concessions in the Lusitanian Basin (known as the Batalha and Pombal Concessions). The concessions cover a total area of 620,000 acres, are in the exploration phase, are valid for a further 7 years and have a modest minimal commitment work program in the first 3 years.

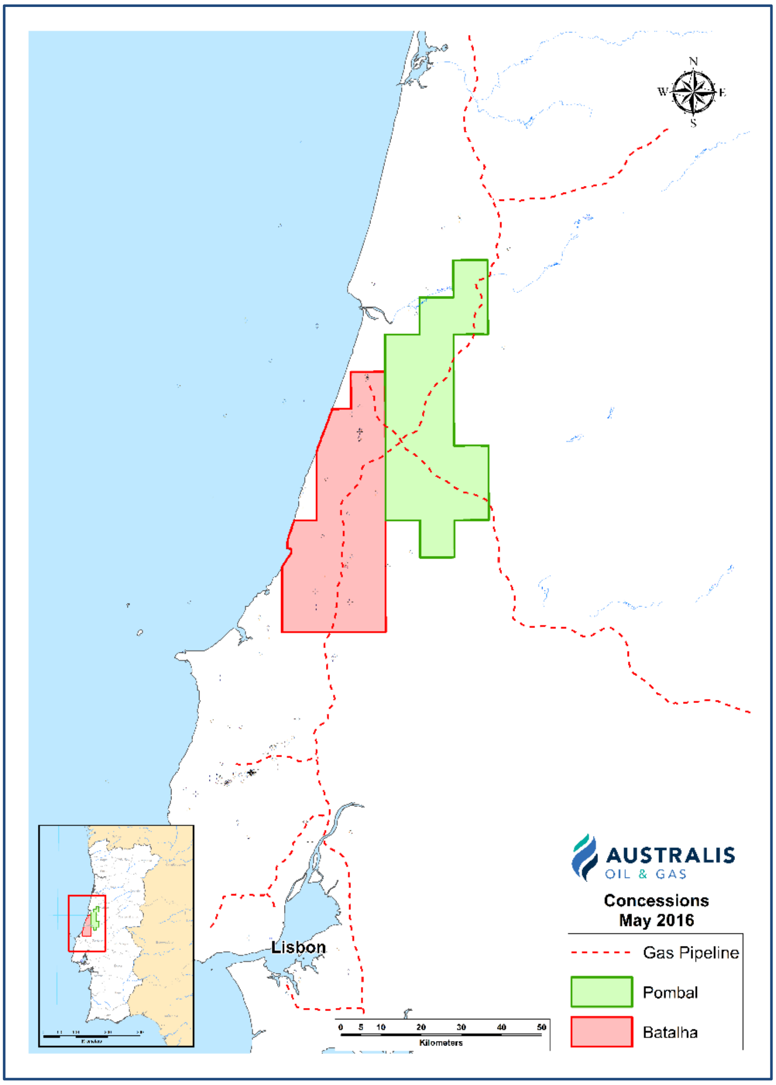

Figure 4: Overview of the Batalha and Pombal Concessions in the Lusitanian Basin

Australis has purchased from the Portuguese government, at nominal cost, aeromagnetic data interpretation study, exploration well logs and 2D seismic lines across both concessions as well as a 3D survey that covers part of the Batalha concession. Australis activity during the first year of the concessions broadly consisted of data review and analysis of the 2D and 3D seismic and other existing information relating to prior wells.

During the reporting quarter the focus has been on the discovered contingent gas resource in the Aljubarrota region of the Batalha concession. Several key wells, the Aljubarrota #2, #2ST 1, #3 and #4 have been analysed in detail, as has the historical structural interpretation of the Lemede and Brenha horizons from which several of these wells tested gas to surface.

Existing petrophysical data from wells drilled previously in the Aljubarrota area basin has been subjected to additional analysis and interpretation. This revealed natural fractures as the most likely production mechanism and has highlighted that there is a locally consistent orientation to those fractures leading to a preferred well trajectory to maximize production. The same data was subjected to specialist unconventional analysis in the USA which confirmed in place volumes.

The structural maps for each horizon have been updated using the available 3D seismic survey data and the resultant maps are shown below and represent an enlarged prospective area.

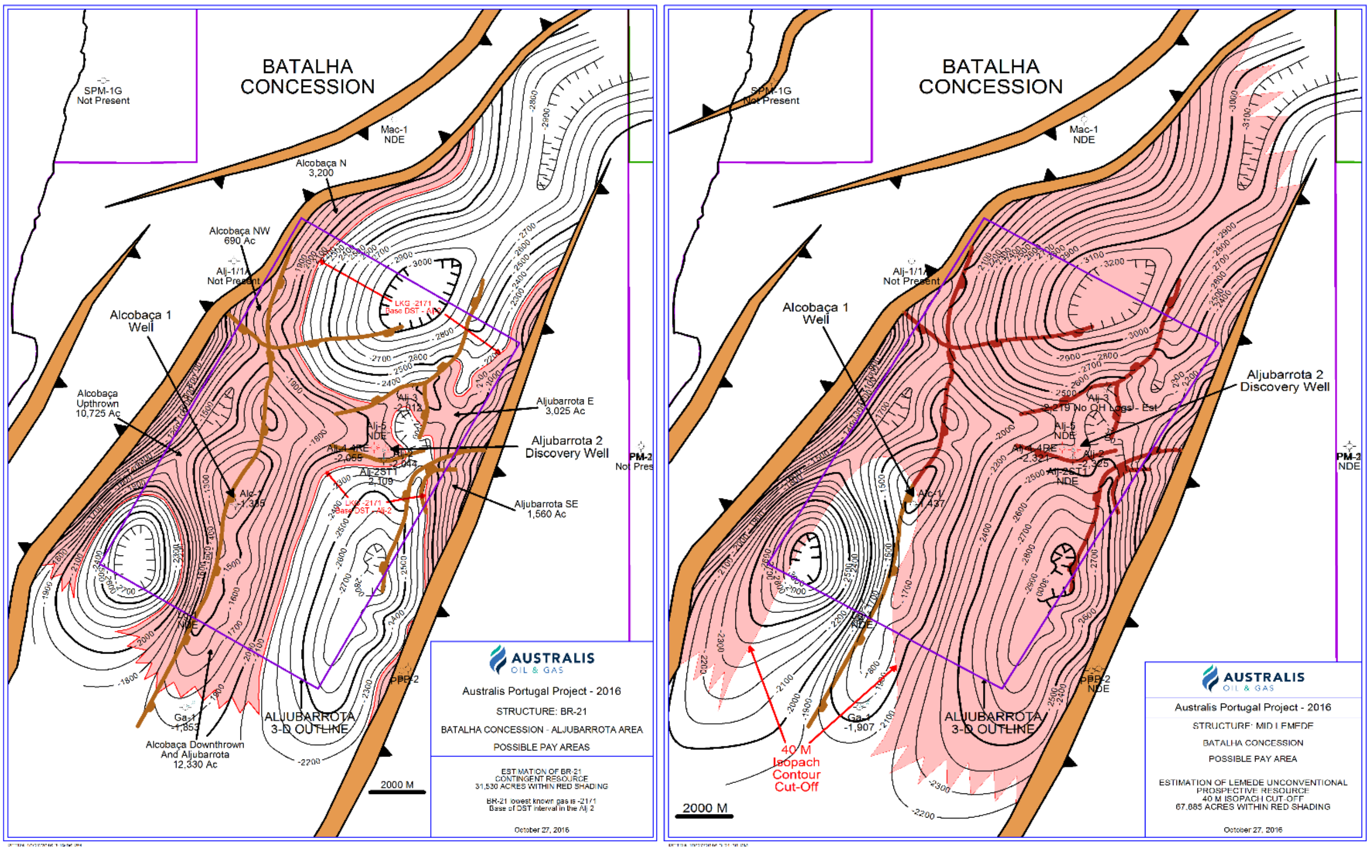

Figure 5: New structural maps for Brenha and Lemede discoveries.

Australis has received an independent resource estimate, effective June 2016, generated by Netherland, Sewell & Associates, Inc. The net contingent resource figures provided in that report were based on the previous 2D interpretation of one of the above horizons. Australis intends to update that resource estimate effective 31 December 2016 incorporating the new information and that work is anticipated to be completed in Q1 2017.

-ends-

Further Information:

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GLOSSARY

Unit	Measure	Unit	Measure
B	Prefix - Billions	bbl	Barrel of oil
MM	Prefix - Millions	boe	Barrel of oil equivalent (1bbl = 6 mscf)
M	Prefix - Thousands	scf	Standard cubic foot of gas
/d	Suffix - per day	Bcf	Billion cubic feet of Gas

Abbreviation	Description
WI	Working Interest
C	Contingent Resources – 1C/2C/3C – low/most likely/high
NRI	Net Revenue Interest (after royalty)
NPV (10)	Net Present Value (discount rate)
EUR	Estimated Ultimate Recovery
WTI	West Texas Intermediate Oil Benchmark Price
LLS	Louisiana Light Sweet Oil Benchmark Price
D, C & T	Drill, Complete and Tie-in well cost estimate
2D / 3D	2 dimensional and 3 dimensional seismic surveys
Opex	Operating Expenditure

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

AUSTRALIS OIL & GAS LIMITED

ABN	**Quarter ended ("current quarter")**
34 609 262 937	30 September 2016

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		-	-
1.2	Payments for			
	(a)	exploration & evaluation	(384)	(1,116)
	(b)	development	-	-
	(c)	production	-	-
	(d)	staff costs	(341)	(982)
	(e)	administration and corporate costs	(642)	(1,365)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		22	53
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Research and development refunds		-	-
1.8	Other (provide details if material)			
	Financial advisor fees		(30)	(90)
	Costs of IPO		(488)	(813)
1.9	**Net cash from / (used in) operating activities**		**(1,863)**	**(4,313)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(30)	(61)
	(b)	tenements (see item 10)	(827)	(24,703)
	(c)	investments	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(857)**	**(24,764)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	30,000	40,050
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(1,451)	(1,905)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**28,549**	**38,145**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	5,513	21,969
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,863)	(4,313)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(857)	(24,764)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	28,549	38,145
4.5	Effect of movement in exchange rates on cash held	(586)	(281)
164.6	**Cash and cash equivalents at end of period**	**30,756**	**30,756**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	18,979	5,463
5.2	Call deposits	11,777	50
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**30,756**	**5,513**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	(167)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Non-Executive and Executive Director salaries and fees.

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

N/A

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	1,884
9.2	Development	-
9.3	Production	-
9.4	Staff costs	369
9.5	Administration and corporate costs	351
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**2,604**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Tuscaloosa Marine Shale USA	50% working interest holder in approximately 35200 gross acres.	16860 net acres	17600 net acres
		Batalha – Onshore Portugal	100% working interest holder in concession	307,480 acres	307,480 acres
		Pombal – Onshore Portugal	100% working interest holder in concession	312,866 acres	312,866 acres

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: .... Date: 31 October 2016
(~~Director~~/Company Secretary)

Print name: Julie Foster

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.