

For Immediate Release ASX Announcement

5 April 2019

TMS Initial Drilling Program Update

Australis (ASX: ATS) provides the following operational update for the initial drilling program in Mississippi which commenced at the end of Q3 2018.

Highlights

- Stewart 30H-1 (Well #1) continues to produce at oil flow rates materially above the TMS Type Curve, and produced 86,500 bbls in the first 92 days of production to 31 March 2019
- Taylor 27H-1 (Well #3) was stimulated with the planned 20 stages and has commenced flowback
- Williams 26H-2 (Well #4) has been stimulated with revised plan of 9 stages and has commenced flowback
- Quin 41-30 3H (Well #5) has drilled and cased the intermediate section at 11,920ft and recently commenced drilling within the horizontal wellbore
- Saxby 03-10 2H (Well #6) has been vertically drilled and cased to 3,210 ft and the remaining drilling operations will commence once the rig is released from the Quin well
- Preparations (pad, road access and power) for Wells #7 to #10 have commenced
- Increase in land position to 115,000 net acres which adds another 20 net future well locations to the Company's drilling inventory (an additional 9 million bbls oil 2C contingent resource using the same methodology and assumptions as Ryder Scott for the 2018 YE report)

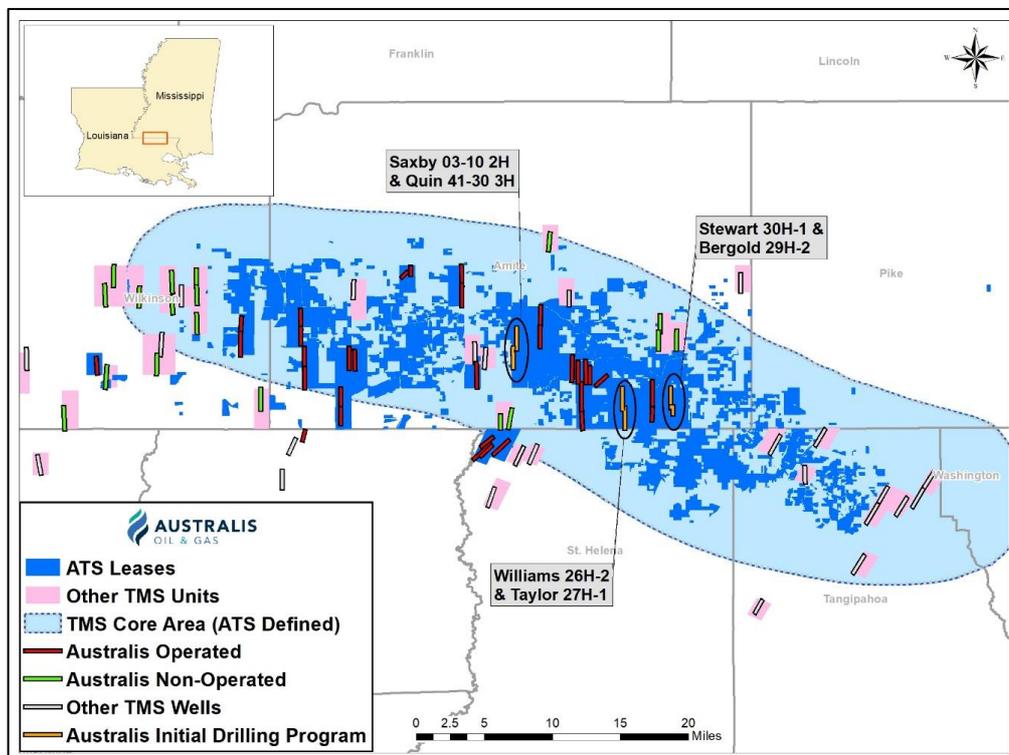


Figure 1: Field map showing the initial 6 well locations of the Initial Drilling Program within Australis TMS core acreage

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The table below summarises the status of the first 6 wells of the Initial Drilling Program.

Well No.	Well Name	Operational status
1	Stewart 30H-1	Lateral length drilled of 6,900 ft, completed 20 fracture stimulation stages, IP30 of 1,177 bbl/day which was significantly above the TMS Type Curve. The well has now been on production for three months and has maintained a similar margin relative to the TMS Type Curve. After 92 days of production to 31 March 2019 the well produced 86,500 bbls which is 35% above the TMS Type Curve.
2	Bergold 29H-2	The well was completed with 5 effective fracture stimulation stages and continues to produce oil at modest rates through the production casing. Tubing and artificial lift will be installed during April and this is expected to increase oil flow rates. As previously disclosed, Australis does not believe that the productivity of this well is representative of the TMS play.
3	Taylor 27H-1	Lateral length drilled and cased to a depth of 19,138 ft and the lateral of 6,798ft has been completed with the planned 20 fracture stimulation stages. Flowback commenced on 2 April 2019.
4	Williams 26H-2	Drilled and cased to a depth of 15,628 ft and the lateral of 2,878ft has been completed with the revised plan of 9 fracture stimulation stages. Flowback commenced on 2 April 2019.
5	Quin 41-30 3H	The main rig is on location having drilled and cased the intermediate section to 11,920 ft and has recently commenced drilling the horizontal section and is currently at a depth of 13,578 ft within the reservoir. The rig is utilising a High Performance Water Based Mud system for the first time in the reservoir section.
6	Saxby 03-10 2H	Vertical surface hole drilled and cased to a depth of 3,210ft, awaiting main rig to be released from the Quin well.

Australis anticipates providing the market with an update on well flowback performance for the Taylor 27H-1 and Williams 26H-2 wells towards the end of April, 2019.

The Initial Drilling Program remains on schedule and within budget for the activity to date.

Australis increases its TMS Core Land Position

Australis has successfully increased its land position within the TMS Core by a further 5,000 acres, bringing the Company's net acreage position to a total of 115,000 net acres. These additional net acres continue to be acquired at highly accretive costs and royalty terms. Australis conservatively estimates well spacing for a full field development at 250 acres. The additional acreage therefore adds another 20 net well locations and allowing for existing wells this corresponds to a future drilling inventory of 425 net locations. Using consistent methodology to that applied by Ryder Scott for the YE 2018 reserves and resource estimates, the additional leasehold acres equates to a 2C contingent resource of 9 million bbls oil, after royalties, assuming a 20% royalty rate (the average royalty rate across the 115,000 acres is less than 20%). This will increase the existing independent proved, probable and possible reserves plus 2C resource of 197 million bbls to a new total of 206 million bbls^{1,2}.

Australis anticipates continuing to build its acreage position during 2019.

Background

Initial Drilling Program

The initial drilling program is intended to meet the following strategic objectives:

- repeat the productivity results and drilling times achieved by Encana in 2014 for the wells within the TMS Core but at the current cost base;
- demonstrate the well economics of the TMS Core acreage with a set of new wells and lift the overall value of the substantial reserves and resources position that Australis holds within the TMS Core;
- convert further acreage to HBP status to help maintain control and flexibility on the development capital obligations; and
- significantly increase field production and cashflow.

Drilling Rig: The Nabors drilling rig has been contracted to drill a minimum of 6 wells and discussions are underway to potentially extend this for a further 4 well program.

Key Objective: For the average production performance of the initial new wells to replicate the historical well performance achieved within the TMS Core from wells drilled in 2014, but at the current cost base. The range and average production performance of the 15 wells drilled by Encana in 2014 and used by Australis to generate its type curve is shown below in Figure 2. The target for Australis is that the average performance of new wells drilled will be equal to the red line shown below. In doing so the intention is to demonstrate the attractive TMS Core well economics and lift the value of the 115,000 net acres Australis holds in the TMS Core and the inventory of 425 net future well locations.

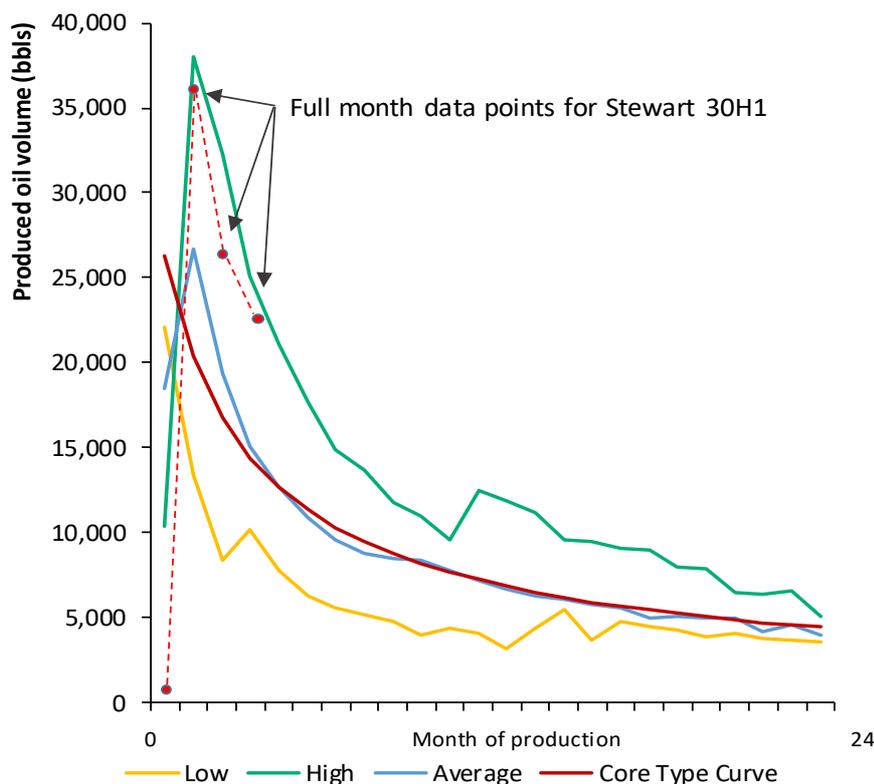


Figure 2: TMS production by calendar month including the average, upper and lower range of the 15 wells drilled by Encana in 2014 (includes Stewart 30H-1 production from 30 December 2018 to 31 March 2019)

Well Selection: All planned well sites are within the Company designated TMS core and have been selected on the basis of a variety of criteria including reservoir quality, proximal well production performance and surface factors such as access roads and power.

Funded: Funding will be sourced from Australis' US\$38 million cash reserves as at 1 January 2019 (which following settlement of the March 2019 placement is US\$59 million on a proforma basis) and the credit facility with Macquarie Bank for up to US\$75 million, of which only US\$10 million has been drawn to date. As previously disclosed, proceeds from the placement has and will continue to be used to increase financial flexibility for negotiation of rig and other services for the next phase of the TMS initial drilling program after the sixth well, acquire additional de-risked TMS Core area lease holdings and strengthen the balance sheet and working capital.

Ends

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About Australis Oil & Gas Limited (Australis)

Australis (ASX: ATS) is an ASX listed upstream oil and gas company seeking to provide shareholders value and growth through the strategic development of its quality onshore oil and gas assets in the United States of America and Portugal. Australis' 115,000 net acres within the production delineated core of the oil producing TMS provides significant upside potential with an estimated 425 net future drilling locations, and an independently assessed 50 MMbbl of 2P oil reserves (including 4 MMbbl producing reserves providing net free cash flow)¹ as well as 108 MMbbl of 2C contingent oil resource¹ (based on net acreage at the effective date of the independent report of 110,000 acres) and a further 9 MMbbls of contingent oil resource² attributable to the 5,000 net acres added since that report. 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.

Notes:

1. The TMS estimates have been taken from the independent Ryder Scott report, effective 31 December 2018 and announced on 6 February 2019 titled 'Reserve and Resource Update – Year end 2018'. The report was prepared in accordance with the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS) as revised in June 2018. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method. The Company is not aware of any new information or data that materially affects the information included in the referenced market announcement and that all material assumptions and technical parameters underpinning the estimates in the referenced market announcement continue to apply and have not materially changed.
2. The 2C Resource estimate has been generated by Australis effective 4 April 2019 in accordance the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS) as revised in June 2018. The analysis was based on methodology applied within the report prepared by Ryder Scott as at 31 December 2018 (See ASX announcement released on 6 February 2018 titled "Reserves and Resources Update Year End 2018"). Ryder Scott presumed a 9% recovery factor from the mid case oil in place estimates when assessing the 2C Resources attributable to a land holding of 110,000 net acres. Maintaining the same average recovery factor, the additional 5,000 net acres is attributed a 2C Resource of 9 million barrels (Australis estimate). This contingent resource estimate is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Michael Verm, P.E., who is an employee (Chief Operating Officer) of Australis. Mr Verm is a member of the Society of Petroleum Engineers and a Professional Engineer in the State of Texas. The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this announcement has been issued with the prior written consent of Mr Verm in the form and context in which it appears.

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

Term	Definition
TMS Core	The Australis designated productive core area of the TMS delineated by production history
WI	Company beneficial interest before royalties
Net or NRI	Company beneficial interest after royalties or burdens
C	Contingent Resources (1C/2C/3C equivalent to low/most likely/high)
NPV(10)	Net Present Value (@ discount rate)
EUR	Estimated Ultimate Recovery of a well
WTI	West Texas Intermediate oil benchmark price
LLS	Louisiana Light Sweet oil benchmark price
D, C&T	Drill, Complete and Tie - in
2D/3D	2 and 3 dimensional seismic surveys
Opex	Operating Expenditure
HBP	Held by production – within a formed unit a producing well meets all lease obligations within that unit. Primary term remains valid whilst well is on production.
PRB	Probable Reserve or 2P Reserves
PDP	Proved Developed Producing Reserves
PDNP	Proved Developed Not Producing Reserves
PUD	Proved Undeveloped Reserves
Net Acres	Working Interest before deduction of royalties or burdens
Field Netback	Oil and gas sales net of royalties, production and state taxes, inventory movements, field based production expenses but excludes depletion, and depreciation
IP30	The average oil production rate over the 30 days of production.
BPO	Before Pay Out
TMS Type Curve	Refer to the Appendix of the Australis Corporate Presentation