ASX Announcement
For Immediate Release

4 December 2019

TMS Project Update:
Initial Production of Saxby 03-10 2H and Quin 41-30 3H

Australis Oil & Gas Limited ("Australis" or the "Company") provides the following update on its Initial Drilling Program ("IDP") within the Company's Tuscaloosa Marine Shale ("TMS") project.

Overview of the TMS Project – a Tier 1 oil play

Consistent with our corporate strategy, Australis has over several years secured a substantial TMS acreage position with proven oil production and reserves in Mississippi and Louisiana (TMS Core) on highly attractive terms. Australis has then sought to demonstrate the underlying value of the 200 million bbls[1,2] undeveloped reserves and resources and then plans to realise that value.

To this end, in Q4 2018, the Company commenced its IDP of 6 to 10 new wells. The primary aim of the IDP was to replicate the oil productivity achieved from the 15 wells drilled during Encana's 2014 program, which is captured by the benchmark TMS Type Curve[4] and assumes a completed horizontal length of 7,200ft.

The first four IDP wells commenced production during 1H 2019 and whilst they were not completed with the full planned horizontal length they continue to perform at or above the productivity rates, on a normalised basis[3], of the TMS Type Curve. Wells #5 and #6 of the IDP have now been drilled and completed.

Initial Production Update: Quin / Saxby (IDP wells 5 & 6)

Both wells commenced flow back in late October 2019 and Australis can provide the average daily oil rate of the first 30 days production following well clean up ("IP30") results. Australis is also required to report a peak 24-hour production test rate ("IP24") to the Mississippi state authorities, this data is also included below.

Australis selected these two wells as candidates to test a more conservative choke management regime from the commencement of production, which limits the early drawdown on the reservoir. Whilst this potentially reduces very early production volumes, Australis expects it will reduce pressure decline and improve medium to long term oil production rates and recovery factors.

With each well on production, the lease obligations in their respective production units have been met, converting a further 2,800 net acres to Held By Production ("HBP") status.

Quin 41-30 3H

The Quin 41-30 3H well was drilled with a completed lateral length of 2,476 ft with 9 fracture stimulation stages. The well commenced oil flowback on 23rd October.

- The reported IP24 rate was 592 bopd on a 14/64 choke and the well achieved an IP30 rate of 414 bopd.
- The IP30 equates to 167 bopd per 1,000ft of completed lateral compared to the TMS Type Curve rate of 122 bopd.

- When normalised for the completed lateral length this equates to an IP24 rate of 1,721 bopd and an IP30 rate of 1,205 bopd.
- This well is equivalent in length to the Williams 26H-2 (IDP well #4) but has maintained a significantly higher tubing pressure as a result of the different choke management methodology used.

Saxby 03-10 2H

The Saxby 03-10 2H well was drilled with a completed lateral length of 4,825 ft with 17 fracture stimulation stages. The well commenced oil flow back on 25th October.

- The reported IP24 rate was 445 bopd on a 16/64 choke and the well achieved an IP30 rate of 387 bopd.
- The IP30 equates to 80 bopd per 1,000 ft of completed lateral compared to the TMS Type Curve rate of 122 bopd.
- When normalised for the completed lateral length this equates to an IP24 rate of 664 bopd and an IP30 of 578 bopd.
- Analysis of tracer data indicates that a number of stages are not contributing to oil production on this well (see below for more details), which Australis believes explains the below type curve performance.
- Similar to the Quin 41-30-3H this well has maintained a higher tubing pressure due to a more cautious choke management philosophy.

On both of these wells Australis pumped tracers that allow the relative contributions of oil to be monitored from each fracture stage of the well. On the Quin well it appears there is a broadly equal contribution from all stages to the early oil flow data, but for the Saxby well there are 3 of the 17 stages across 933 ft in the middle section of the lateral which are contributing only relatively small quantities of oil. It is not unusual for stages to produce with variable contribution but these stages are located at the base of the horizontal drilling window for the lateral well bore and when drilled encountered a substantial change in mineralogy which was unusually hard, something not seen in these concentrations in any of the previous TMS wells drilled by Australis or Encana. It is very likely the fracture propagation was prevented from propogating up and accessing the high resistivity TMS directly above the drilling window, which most likely explains the minimal contributions from this section of the well.

Although we do not expect to encounter this in future wells, Australis plans to narrow the drilling window by moving the bottom of the horizontal drilling window several feet higher and away from the lower zones of the TMS formation which should avoid this section entirely.

As previously stated the Company is conducting a thorough review of the IDP wells and consolidating the knowledge gained and lessons learned. The often referenced productivity per 1,000ft of completed lateral or alternatively normalised production for well length versus type curve length are important industry calculations in determining formation productivity. Formation productivity is fundamental to achieving a successful economic development and our TMS demonstrated productivity is excellent. The inconsistency in achieving longer lateral length in the IDP however, compared to an almost 100% record of achieving planned lateral length by Encana in 2014, is a focus of the review underway, which will include independent expert evaluation. We remain confident that, as demonstrated in 2014 and shown on certain of the IDP wells to date, the wells can be drilled and completed to an economic lateral length. Combined with the consistently high productivity demonstrated we remain convinced of the material value of our significant acreage position.

Australis has and will continue to adopt a prudent fiscal approach to the development of the TMS. The timing of a restart to the drilling program is firstly dependent on the finalisation of the review in progress and updating the engineered basis of design for drilling TMS wells. Secondly any restart will be dictated by market conditions, including oil price and the industry's receptivity to positive results being generated from existing and future wells.

Ends

This ASX announcement was authorised for release by the Australis Disclosure Committee.

For further information, please contact either:

Ian Lusted Managing Director Australis Oil & Gas Limited +61 8 9220 8700	Graham Dowland Finance Director Australis Oil & Gas Limited +61 8 9220 8700	Steve Suleski FTI Consulting +61 8 9321 8533

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 resource[1] (based on net acreage at the effective date of the independent report of 110,000 acres) and a further 9 MMbbls of contingent oil resource[2] 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. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2018 and generated for the Australis concessions to SPE standards. See ASX announcement released on 6 February 2019 titled "Reserves and Resources Update Year End 2018". The analysis was based on a land holding of 110,000 net acres. Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method which is based on a qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk based) approach estimate the quantities at each level of uncertainty discretely and separately.
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 2019 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 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.
3. Normalisation means extrapolating productivity performance from the actual completed horizontal length of a well to the average completed horizontal length of the wells that make up the TMS Type Curve.
4. The TMS Type Curve means the history matched production performance of 15 wells drilled in the TMS by Encana in 2014. Corresponds to an average completed horizontal length of 7,200ft. Refer to the Appendix of the Australis Corporate Presentation.