

## Key Activities & Highlights

**Australis Oil & Gas Limited**  
 ABN: 34 609 262 937

ASX: ATS

Australis is an 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.

The Company's acreage within the core of the oil producing TMS provides significant upside potential for ATS with 47 million bbls of 2P reserves including 4 million bbls producing reserves providing free cash flow as well as 125 million bbls of 2C contingent resource.

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' first new well, Stewart 30H-1, significantly outperforming the TMS Type Curve***

- IP30 of 1,177 bbl/day oil (1,248 boe/day)
- Cumulative IP30 production of 35,302 bbl oil (37,425 boe)
- 34% greater than the Australis TMS Type Curve

### ***Drilling Program remains on schedule and below cost expectations***

- Provisional well cost for Stewart 30H-1 is under budget at US\$10.3 million
- Taylor 27H-1 drilled and cased at a depth of 19,148ft awaiting stimulation, Williams 26H-2 in horizontal section at a depth of 13,095ft
- Top hole sections drilled and cased on wells five and six in the initial program
- All wells & pad infrastructure costs currently under or on budget

### ***Strong financial position and funding capacity***

- Cash position of US\$38 million as at 31 December 2018
- Free cash flow from operations funded G&A and lease acquisitions in FY 2018
- US\$10 million drawn from Macquarie Credit Facility out of US\$75 million maximum available

Key Metrics	Unit	Q4 2018	Q3 2018	FY 2018
Land Position (Net)	acres	110,000	110,000	110,000
Mid Case Net Oil (2P + 2C) <sup>1,2</sup>	MMbbls	172	172	172
Sales Volumes (WI)	bbls	130,000	121,000	506,000
Realised Price	US\$/bbl	\$65.8	\$75.3	\$68.8
Sales Revenue (WI)	US\$MM	\$8.5	\$9.1	\$34.7
Sales Revenue (Net)	US\$MM	\$6.9	\$7.3	\$28.1
Field Netback	US\$MM	\$3.8	\$5.1	\$16.3
Cash Balance	US\$MM	\$38.0	\$41.1	\$38.0

## TMS DRILLING PROGRAM

Australis commenced TMS drilling operations in late September with the Nabors B-14 drilling rig initially contracted to drill six wells.

As previously stated, the objectives of the program were to:

- a) 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;
- b) demonstrate the well economics of the TMS Core acreage over a set of new wells and lift the overall value of the substantial position Australis holds within the TMS Core;
- c) convert further acreage to HBP status; and
- d) significantly increase field cashflow.

**At this stage the initial drilling program is delivering on each of the above objectives.**

Continuing the drilling program past the initial six wells with the Nabors rig is subject to a built-in decision point, likely towards the end of the Q1, 2019, based upon the evaluation of early results and market conditions.

### Drilling Program Status Summary as at 31 January 2019

Stewart 30H-1	Lateral length drilled of 6,900 ft, completed 20 stages, IP30 of 1,177 bbl/day
Bergold 29H-2	Lateral length drilled of 2,000 ft, completed 6 stages, remedial operations underway to establish flow parameters
Taylor 27H-1	Lateral length drilled of 6,800 ft, awaiting completion operations
Williams 26H-2	Currently drilling lateral, 13,095ft at date of report
Saxby 03-10 2H	Vertical surface hole drilled and cased to a depth of 3,210ft, awaiting main rig
Quin 41-30 3H	Vertical surface hole drilled and cased to a depth of 3,220ft, awaiting main rig

All drilling and completion operations to date have been completed without any reportable safety or environmental incidents. An update on these wells is set out below:

#### The Stewart East Pad

##### *Stewart 30H-1 (99.49% WI - BPO)*

The Stewart 30H-1 commenced flowback on 29 December 2018 and oil production commenced on 30 December 2018. Initial 30-day average production results (IP30) were 1,177 bbl/day oil (1,248 boe/day) on a current choke setting of 21/64. Australis is required to report a 24-hour production test rate (IP24) to the Mississippi authorities which was recorded during the 30-day test. The reported IP24 rate was 1,381 bbl/day oil (1,459 boe/day) on a 18/64 choke. The production rate at the end of the 30-day test was 1,141 bbl/day (1,214 boe/day). Choke rates have been managed carefully by Australis to optimise long-term productivity.

The initial IP30 production rates of Stewart 30H-1 is to date materially better than Australis' TMS Type Curve. The TMS Type Curve is based on the 15 wells drilled by Encana in 2014, which have an average 7,200 ft lateral completed well length. Whilst a shorter completed lateral length of 6,850 ft, the IP30 of the Stewart 30H-1 is 34% greater than the IP30 of the TMS Type Curve leading to cumulative production for the 30 days of 35,302 bbls (37,425 boe), which is 8,977 bbls above the TMS Type Curve.

Figure 1 below shows the comparison of Stewart 30H-1 to the TMS Type Curve.

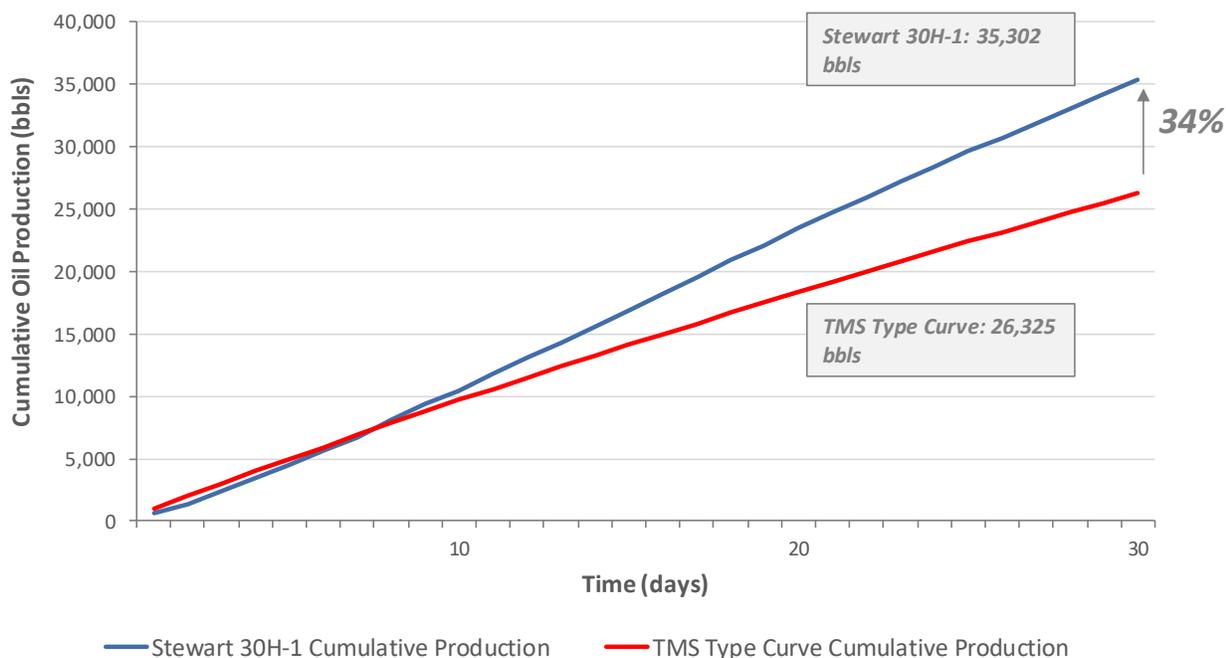


Figure 1: Comparison of Stewart cumulative production with TMS Type Curve

The average composition of hydrocarbons produced during the 30 day period has been 94.3% oil and 5.7% gas. Average water cut during the 30-day test period was 33%.

Australis is very encouraged by the Stewart IP30 results and will now closely monitor performance relative to the TMS Type Curve over a longer period. Going forward the Company will advise the market of calendar month production figures as reported to the Mississippi authorities.

**Bergold 29H-2 (98.96% WI - BPO)**

As previously disclosed, the Bergold 29H-2 was drilled to a depth of 14,524 ft. Difficulties were encountered with the formations above the target TMS zone but below the intermediate casing shoe at 11,670 ft which led to an operational decision to not drill further and secure the existing horizontal wellbore. The Bergold 29H-2 was completed with six fracture stages over a little under 2,000 ft, but a restriction in the wellbore at a depth of 12,616 ft prevented coiled tubing access to drill out the isolation plugs set between stages during the fracture stimulation. Investigative operations with a wireline deployed camera identified a damaged section of casing. Further investigative work with a 24-arm calliper has defined a detailed internal profile which has been used for planning remedial operations.

Prior to commencing the investigation and remedial operations the well was flowed back without completion tubing installed or the removal of the isolation plugs for a period of 20 days. During this time the well flowed at a downhole restricted rate of 50 bbl/day and 87 bwpd on a 19/64 choke, with contributions believed to be only from the 6<sup>th</sup> stage.

The remedial operations will attempt to re-establish full wellbore access and drill out the remaining isolation plugs, so that all six stages can contribute to flow.

The structural anomalies that are believed to have caused the initial drilling difficulties with this well are localised to a conventional formation structure in the underlying Tuscaloosa sands east of the well and similar issues have not been encountered in any of the other 31 operated TMS wells. Australis still expects this well will serve a number of commercial and operating purposes, including achieving a core

strategy of securing HBP acreage within the TMS Core. Due to its shorter lateral the Bergold 29H-2 will not, however, be representative of expected future TMS core well productivity.

### The Taylor East Pad

The Taylor 27H-1 has been drilled and cased to a total depth of 19,148 ft on time and on budget. It now awaits fracture stimulation operations.

The rig has been skidded to the Williams 26H-2 well which had been previously drilled to a depth of 11,867 ft and the 9 5/8" casing set in preparation for completing the build and drilling the horizontal section down dip in the final production 8 1/2" hole size. At the time of writing this report the Nabors B14 rig had reached a depth of 13,095 ft having landed successfully in the target zone and drilled approximately 600 ft into the lateral. The rig is presently changing to the drilling assembly designed for the horizontal section.

### The Saxby / Quin Pad

To improve efficiency and reduce costs, Australis has used a smaller rig to drill the top-hole sections before the main rig mobilises to location to drill the intermediate and horizontal sections. The Moncla #3 spudder rig has drilled and cased the top-hole section of the Saxby 03-10 2H and the Quin 41-30 3H well to a depth of approximately 3,200 ft.

The map below (Figure 2) shows the location of the ATS operations to date and the location of the above wells within the defined TMS.

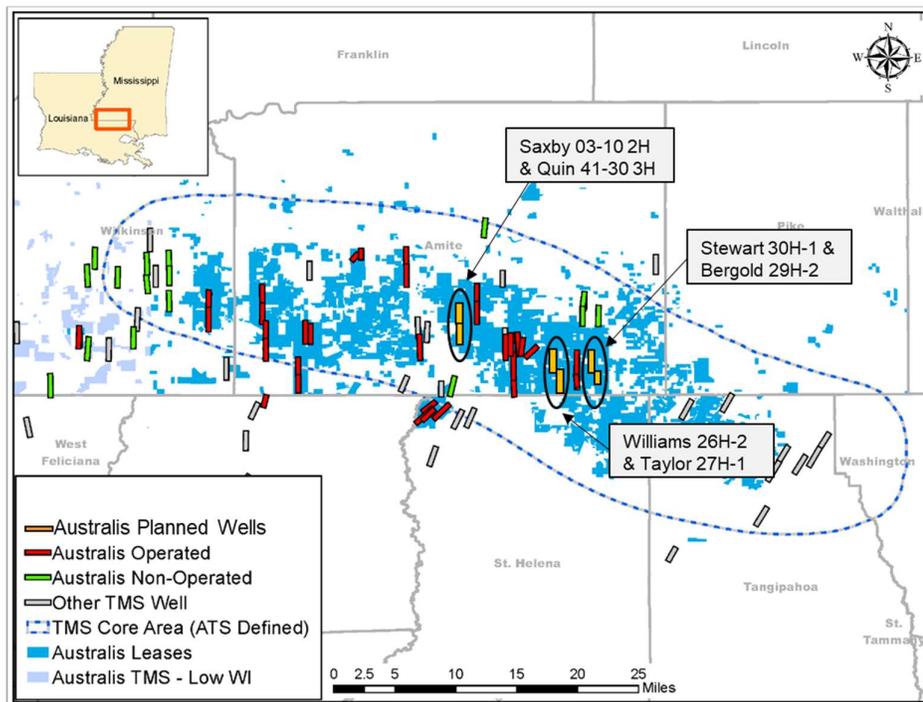


Figure 2: Well and Drilling Unit layout for first 6 wells of Australis TMS Development program

### Capital Expenditure and Well Cost Update

We are pleased to report provisional well costs to drill, complete, tie-in and install artificial lift on the Stewart 30H-1 of approximately US\$10.3 million. This well has been completed ahead of schedule and within budget.

The Bergold 29H-2 is still subject to remedial operations and a final well cost will depend on the actual costs of such remedial action once completed. Rather than seek to address unique localised issues on this well through completing the planned lateral length, the Company has undertaken a more cautious approach to preserve capital for the next wells in the program. Provisional well cost estimates to drill, complete, tie-in and install artificial lift is less than US\$10 million.

In addition to the above direct well costs, Australis has invested a further US\$0.8 million on items for the shared use by future wells in the Stewart and Bergold production units. This includes costs such as those associated with access and preparation of surface roads to the drilling pad, power access and shared production facilities. These costs will be shared by all future wells on the pad and/or wells within each unit. The development plan currently contemplates four wells on this pad and for future development there will be either four or six wells per pad.

The first surface location used by Australis benefited from certain preparation work carried out by Encana providing capital expenditure savings of approximately US\$0.6 million on pad-related infrastructure.

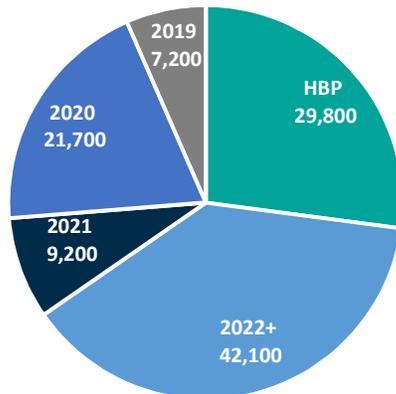
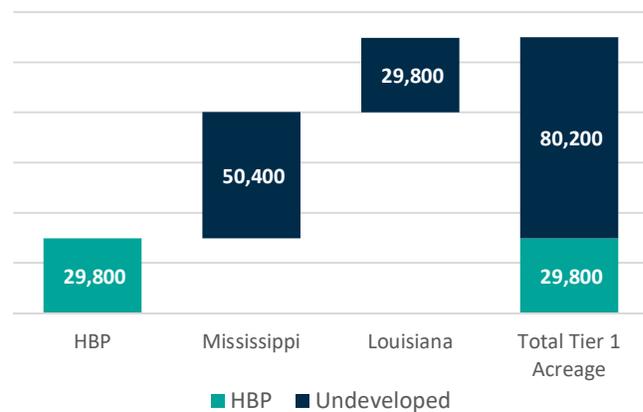
At the time of this report, Williams 26H-2 and Taylor 27H-1 are on schedule and within budget.

### TMS LEASE POSITION

During the quarter, Australis continued to consolidate its land position through a targeted leasing program within the TMS Core as well as obtaining more favourable terms on lapsed leases previously acquired from Encana.

Australis also increased its HBP position at year end from 28,500 acres to 29,800 acres as Stewart 30H-1 commenced production. Once production commences for the first well within a production unit, the leases within that unit generally remain HBP until economic production ceases from any well within the unit. Australis' HBP position will continue to grow as wells drilled in new units commence production.

As reported previously, Australis' has increased its lease holding within the TMS Core from 95,000 to 110,000 net acres during 2018. Of the 110,000 net acres that Australis has leased and to which it attributes value within the TMS Core, 29,800 acres are HBP and the remaining 80,200 acres are undeveloped. Over 74% of the TMS Core acreage is either HBP or has an expiry later than January 2021, allowing for timing flexibility and efficient development activities.

**Expiration Year – TMS Core Net Acres**

**Total TMS Core Net Acres**

*Figure 3: Expiration Year: Undeveloped Net Acres*
*Figure 4: Australis TMS Core Net Acreage Position*

This quarter, Australis continued permitting TMS wells in preparation for a continuous drilling program. Australis will continue to permit additional wells in both existing and newly formed drilling units to provide flexibility and contingency for its planned drilling activities.

### TMS PRODUCTION OPERATING PERFORMANCE

Oil sales volumes for the quarter were 130,000 barrels compared with 120,000 barrels in the previous quarter. The Australis production operations team has focused on completion design during workovers of producing wells and this resulted in improved downtime rates for Q4, 2018 over previous quarters and optimised production rates.

Australis achieved sales (WI) of US\$8.5 million and a Field Netback of US\$3.8 million for the quarter. Despite higher production, revenue was lower than the previous quarter due to the lower realised oil price for the period of US\$66/bbl.

Australis continues to benefit from the high quality of crude produced in the TMS and the geographical proximity to the Gulf Coast. This allows sales of oil based on the LLS benchmark, which for the Q4 2018 averaged US\$7.70/bbl premium to WTI and is currently over US\$6/bbl.

The following table summarises the TMS oil sales and Field Netback for Q4, Q3 and Year-End 2018.

	4 <sup>th</sup> Quarter 2018			3 <sup>rd</sup> Quarter 2018			2018		
	bbbls	US\$MM	US\$/bbl	bbbls	US\$MM	US\$/bbl	Bbbls	US\$MM	US\$/bbl
<b>Sales (WI)</b>	130,000	\$8.5	\$66	121,000	\$9.1	\$75	506,000	\$34.7	\$69
<b>Net Sales (NRI)</b>	105,000	\$6.9	\$66	97,000	\$7.3	\$75	409,000	\$28.1	\$69
<b>Field Netback</b>		\$3.8	\$29		\$5.1	\$42		\$16.3	\$32

**FINANCE AND CORPORATE**
***Cash and Capital***

At 31 December 2018, cash on hand totalled US\$38 million compared with US\$41 million at the beginning of the quarter. During the quarter, the Company made its first draw down of US\$10 million under the US\$75 million Macquarie Bank facility to fund the capital expenditure program.

Capital expenditure incurred during the quarter was within budget at US\$27 million, which was attributable to the initial drilling program and the land renewal and acquisition program.

***Hedging***

Consistent with our focus on ensuring balance sheet stability, the Company continues to hedge future production to protect against lower oil prices, whilst retaining partial exposure to higher oil prices through a costless collar instrument. The following hedges were in place as at the date of this report:

<b>Australis Hedge Position - WTI Collars</b>			
<b>Hedge Period</b>	<b>Volumes</b>	<b>WTI Put</b>	<b>WTI Call</b>
	<b>bbls</b>	<b>US\$/bbl</b>	<b>US\$/bbl</b>
H1 2019	120,000	55	68
H2 2019	110,000	55	88
H1 2020	65,000	55	82
H2 2020	30,000	55	77
H1 2021	7,000	55	73

**LUSITANIAN BASIN – PORTUGAL**

Australis has received initial feedback on the scoping phase of the Environmental Impact Assessment “EIA” for each concession area and in parallel has commenced the initial baseline EIA analysis at each surface location. Australis continues to actively engage with all relevant stakeholders in the local and federal governments as well as the community within which it anticipates operating.

**Ends**
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## ABOUT AUSTRALIS

Australis (ASX: ATS) is an ASX listed 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' 110,000 net acres within the production delineated core of the oil producing TMS provides significant upside potential with a Company estimated 410 net future drilling locations, and an independently assessed 47 MMbbl of 2P oil reserves. This includes 4 MMbbl producing reserves providing net free cash flow, as well as 98 MMbbl of 2C contingent oil resource<sup>1</sup> (based on net acreage at the effective date of the report of 95,000 acres) and a further 27 MMbbl of 2C contingent oil resource<sup>2</sup> attributable to the 15,000 net acres added since that report.

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

## TMS Assets & Background

Australis holds 110,000 net acres within the production delineated core of the oil producing Tuscaloosa Marine Shale. The map below is a representation of the acreage position that Australis holds within the TMS Core. The black outlined areas delineate the drilling units in which the initial six wells are located (see Figure 5 below).

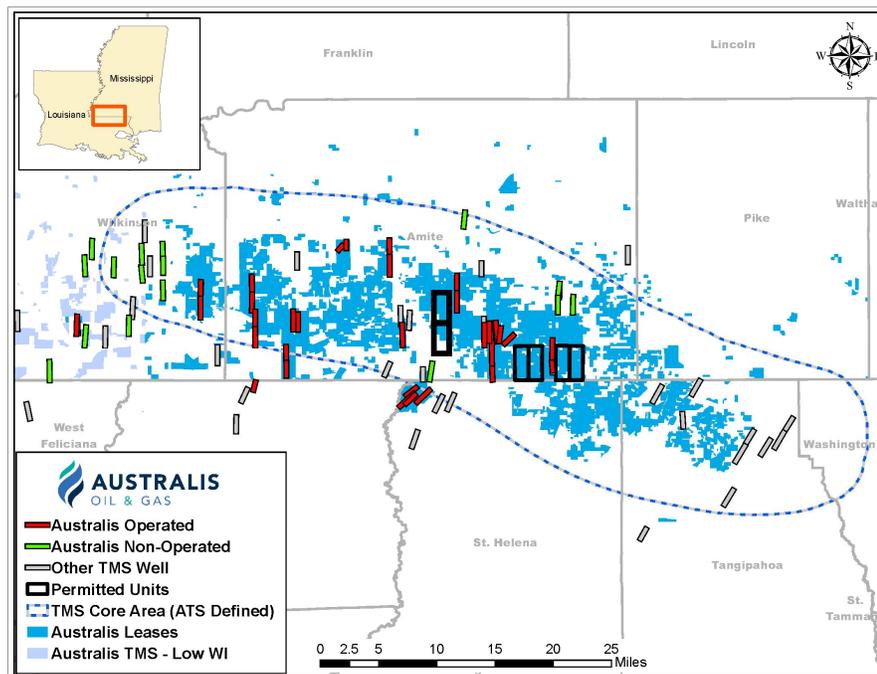


Figure 5: Overview of the TMS Core and Australis approximate lease hold position

The Tuscaloosa Marine Shale is a Cretaceous shallow marine 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.

The play is deep, high pressured and oil weighted. As experienced in most unconventional plays, early results demonstrated variable production performance and relatively high well costs, driven by operational difficulties encountered whilst drilling and completing the wells. The activity that did take

place however, delineated a relatively small core area of the play where production results were consistent and comparable to other, far more developed, unconventional plays such as the Eagle Ford and the Permian. This area is shown in the blue oblong in Figure 5 above and represents Australis' interpretation of the TMS Core.

These circumstances and the 2014 fall in commodity price generated the opportunity for the two low cost acquisitions by Australis in the play and for an ongoing cost-effective leasing program where longer lease life is targeted together with improved commercial terms. Australis has remained very disciplined and focused only within the production delineated TMS Core.

The appraisal activity by Encana and other participants in the TMS during 2013/2014 also addressed many of the operational challenges that were initially experienced. Costs and performance repeatability were improving, and activity levels were increasing during 2014 until evolution in the play was interrupted by the oil price drop in late 2014. As a direct result, Australis' current operations are the first drilling activity that has occurred since the beginning of 2015. Consequently, none of the numerous industry improvements that have continued to drive forward the economics of other unconventional plays during this extended period of lower oil price have yet been applied to the TMS.

In September 2017, EOG announced that it had drilled and completed an Austin Chalk well, approximately 40 miles to the south west in Louisiana. The results of this well have led to an active leasing program by many US independent oil and gas companies including EOG Resources, ConocoPhillips and Marathon Oil. This leasing activity has now moved into the Australis TMS Core and ConocoPhillips has permitted 23 units in the East and West Feliciana Parishes, over the Louisiana border immediately to the south of the Australis position. ConocoPhillips spudded an Austin Chalk well in East Feliciana on 17<sup>th</sup> October, 2018 and has been cased to 18,803 ft and is awaiting completion. This is the first Austin Chalk exploration well for ConocoPhillips who have permitted 24 Austin Chalk units across the border south of Australis' position in East and West Feliciana Parishes, Louisiana.

### **Portugal Assets**

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 and are at the beginning of the fourth year of an eight-year valid term. They have a modest minimal commitment work program in the first three years. The Concessions are shown in Figure 3 below and are located to the north of Lisbon.

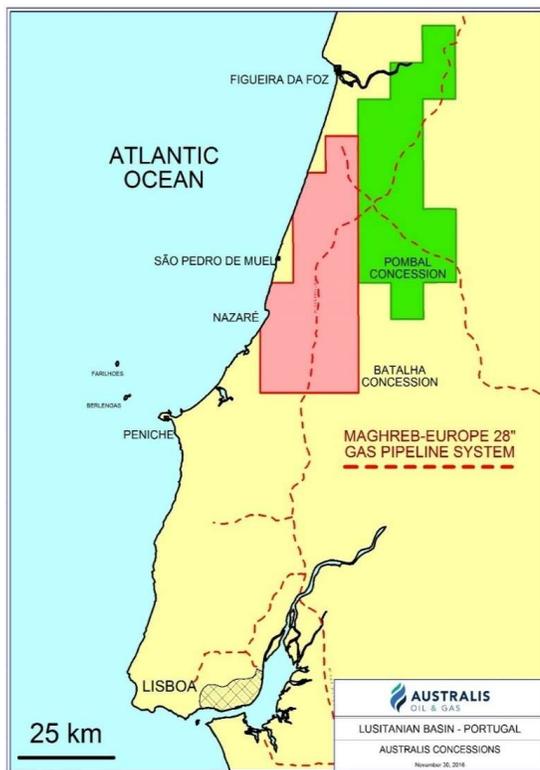


Figure 6: Overview of the Batalha and Pombal Concessions in the Lusitanian Basin

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<sup>5</sup> and other existing information relating to prior wells.

This has allowed us to define a large gas discovery in the Jurassic formations and to identify likely production mechanisms that contributed to the observed 2-3 MMscf/d from the discovery wells. Furthermore, Australis now has a preferred well design to achieve commercial flow which would allow the net 2C contingent resource of 459 Bcf<sup>3</sup> be reassessed as a reserve.

**GLOSSARY**

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

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

## Notes

1. The most recent TMS estimates have been taken from the independent Ryder Scott report, effective 31 December 2017 and announced on 30 January 2018 titled 'Reserve and Resource Update – Year end 2017'. 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). 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 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). The analysis was based on methodology applied by the report prepared by Ryder Scott as at 31 December 2017 (See ASX announcement released on 30 January 2018 titled "Reserves and Resources Update Year End 2017"). 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 95,000 net acres. Maintaining the same average recovery factor, the additional 15,000 net acres is attributed a 2C Resource of 27 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.
3. The Portugal Concession estimates have been taken from the independent Netherland, Sewell & Associates report, effective 31 December 2016 and announced on 25 January 2017 titled '2016 Year End Resource Update'. 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). 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.
4. The deterministic method is based on qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk-based) approach estimates the quantities at each level of uncertainty discretely and separately.
5. Aljubarrota 3D Seismic Survey – 160 km<sup>2</sup> acquired December 2010 to March 2011 under permit issued by the Portuguese Divisao para a Pesquisa e Exploracao do Petroleo ("DPEP").

## Non-IFRS Financial Measures

References are made within this report to certain financial measures that do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS). Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non-IFRS financial measures. Field Netback, as defined within the Glossary, is a Non-IFRS financial measure commonly used in the oil and gas industry. Non-IFRS financial measures used by the Company, including Field Netback, may not be comparable with the calculation of similar measures by other companies.

## Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Australis' planned operation program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Australis believes its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.