

For Immediate Release ASX Announcement

28 November 2018

Initial Drilling Program Update

Australis Oil & Gas (ATS:ASX) (“Australis” or “Company”) provides the following update on the Company’s development activities in the Tuscaloosa Marine Shale (“TMS”), onshore Mississippi.

As announced on 15 November, the Stewart 30H-1 was drilled and cased in a northerly direction from the surface pad to a depth of 19,424 ft in 25 days, ahead of the planned 32-day schedule. The Nabors B-14 drilling rig then skidded to the Bergold 29H-2 on the same surface location where the intermediate hole section had already been drilled and the 9 5/8” casing shoe was cemented at a depth of 11,670ft.

Initial drilling operations on the lateral section of the Bergold 29H-2 progressed according to plan, with the well successfully steered into the target zone and the horizontal section drilled to south and to a depth of 14,524ft. However, ongoing operations have encountered difficulties related to the formations above the target zone but below the casing shoe. Australis believes that the formation characteristics encountered whilst drilling this section of the Bergold 29H-2 are not consistent with the substantial database the Company holds and are therefore unique to this area. Australis has successfully implemented several planned contingencies to recover a stuck drilling assembly and maintain the wellbore integrity, however the decision has now been made to complete the existing wellbore, with a horizontal length of approximately 2,000ft, rather than attempt to drill further. By undertaking this cautious and prudent approach Australis will obtain a valid productivity test of the reservoir in this area, secure the production unit leases and add to the Company revenue stream, whilst preserving capital.

Having demonstrated the ability to execute within budget and schedule on the Stewart 30H-1, the Company believes that available capital in this phase of activities is best deployed on the next wells in the schedule rather than seeking to address unique localised issues on the Bergold 29H-2 to achieve the planned wellbore.

The well operations on the Bergold 29H-2 are scheduled to be completed on 30 November and the rig will then move to the Taylor/Williams pad. The frac crew is planned to be mobilised to the Stewart/Bergold pad in early December, with stimulation operations expected to commence during December.

To improve efficiency and reduce costs, Australis continues to use a smaller rig to drill the top-hole sections before the main rig mobilises to each pad location. The Monclua #3 spudder rig has completed the top-hole sections of the Williams 26H-2 and Taylor 27H-1 wells, with a 13 3/8” surface casing set in each well at a depth of approximately 3,200 ft. The spudder rig has de-mobilised and the Taylor/Williams surface pad is ready and prepared for the main rig to commence drilling in early December.

Despite the delays on the Bergold 29H-2 well, the Company expects the production results from the Stewart 30H-1 and Bergold 29H-2 as well as the drilling of the Williams 26H-2 and Taylor 27H-1 to be ahead of the previously advised schedule and provides the following update.

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Australis will continue to advise shareholders on the progress of the initial well program at key milestones and upon the occurrence of material events. The Company will provide well productivity data after each pair of wells has achieved 30 days of production following well clean up (IP30).

Expanding further on the specific and unique elements encountered with Bergold 29H-2, this formation showed resistivity log characterisation and higher than anticipated background gas that has not been observed in the adjacent Stewart 30H-1 or other TMS wells. Proximity to a local conventional formation structure in the underlying Tuscaloosa sands east of the well is believed to be the cause of formation instability encountered in this overlying zone. The Stewart 30H-1 drilled away from this structure, but the Bergold 29H-2 drilled horizontally to the south and across the shoulder of this lower Tuscaloosa sand structure. The character of the resistivity logs, increase in observed background gas and the nature of rock samples circulated to surface whilst drilling supports the premise of significantly increased localised natural fracturing caused by this structural feature, which in turn has led to the well stability issues observed. It is worth noting that as natural fractures within the TMS are believed to be a contributing factor to production performance within the core of the TMS, the localised stress regime may ultimately be beneficial.

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About Australis Oil & Gas Limited (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 (including 4 MMbbl producing reserves providing net free cash flow) as well as 98 MMbbl of 2C contingent oil resource¹ (based on net acreage at the effective date of the report of 95,000 acres) and a further 27 MMbbls of contingent oil resource² 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.

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.