



For Immediate Release ASX Announcement

2 October 2018

Initial Drilling Program Commences

Australis Oil & Gas (ATS:ASX) (“Australis” or “Company”) is pleased to provide an update on the Company’s development activities in the Tuscaloosa Marine Shale (“TMS”), onshore Mississippi:

- The Nabors B14 drilling rig has mobilised to location and rigged up. It commenced operations on the Bergold 29H-2 on 29 September 2018.
- The Nabors drilling rig has been contracted to drill a minimum of 6 wells with the provision to extend after this initial program. This rig has been active in the Haynesville shale, working for a major international oil and gas company and has an excellent safety and operational track record.
- 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.
- Australis is funded to commence the program with US\$43 million in cash (as at 1 July 2018) and the recently announced credit facility with Macquarie Bank for up to US\$75 million, which is presently undrawn.
- The key objective of the initial drilling program is to replicate the historical well performance achieved within the TMS core in 2014 but at a 2018 well cost. In doing so the intention is to demonstrate the attractive TMS core well economics and lift the value of the 95,000 net acres Australis holds in the TMS core which, based on present assumptions, represents an inventory of 350 net future well locations.
- Australis expects to update the market on the well productivity performance of the initial pair of wells by late Q1, 2019.

Nabors Rig

Australis has signed a rig contract with Nabors Drilling for the drilling of a minimum of six horizontal wells in the Tuscaloosa Marine Shale with a provision to extend the contract thereafter. The rig is the Nabors B14 which has been working in the Haynesville Shale for the last 18 months for a major multi-national oil & gas company drilling up to 7,500+ ft horizontal wellbores at a vertical depth of 12,000 ft, which is a similar design to the planned TMS wells. The rig meets all required technical specifications outlined in the Australis tender process without the need for modifications or improvements, it also has an exemplary safety and operational track record. A requirement for the retention of rig supervision staff was included in the contract.

AUSTRALIS OIL & GAS LIMITED

ABN 34 609 262 937

Level 29, 77 St. George’s Terrace, Perth WA 6000, Australia • GPO Box 2548, Perth WA 6831

T +61 (8) 9220 8700 • F +61 (8) 9220 8799

www.australisoil.com



Figure 1: Nabors B14 on the Stewart/Bergold location during rig up.

Well Design & Location

The wells will be drilled in pairs, with the initial four wells all in separate drilling units as shown in Figure 2. The surface location for each pair of wells has been selected to allow access to the two adjacent units which maximises the efficiency of meeting lease obligations and the conversion of leases to “Held by Production” status. The horizontal wellbores are orientated north and south, which relative to the stress regime in the target reservoir improves the fracture stimulation propagation.

The planned well locations have been selected with an emphasis on execution risk mitigation and replication of the productivity performance of the current TMS Type Curve, which is based on the multi-year production history of our existing producing well portfolio.

For more detail on the design and batch drilling techniques to be applied please refer to our earlier presentation titled “Initial Drilling Program” and released to the ASX on 31 August 2018

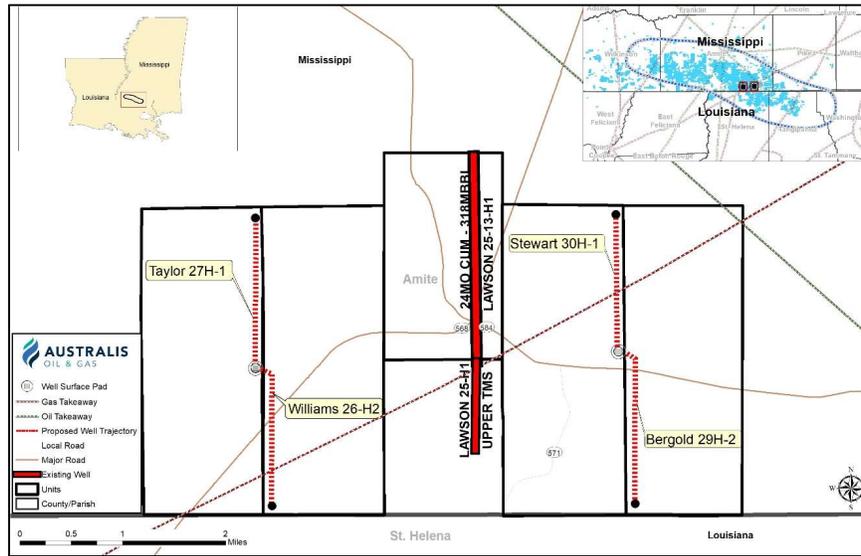


Figure 2: Well and Drilling Unit layout for first 4 wells of Australis TMS Development program

Sequencing & Timeline

Figure 3 provides an overview of the approximate timing of operations for the initial 6 wells. The estimates of drilling times of approximately 35 days are based on the average durations achieved by Encana during its 2014 campaign but does not assume any improvement as a result of operational efficiencies achieved by the industry more broadly over the last 4 years.

The wells will be fracture stimulated and then brought on to production in pairs. Based on historical records, Australis estimates it will take each well approximately 15 days to “clean up” before effective production analysis can be undertaken.



Figure 3: Indicative drilling timetable for initial wells in program



Australis will update 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).

For further information, please contact:

Ian Lusted
Managing Director
Australis Oil & Gas Limited
+61 8 9220 8700

Graham Dowland
Finance Director
Australis Oil & Gas Limited
+61 8 9220 8700

Shaun Duffy
Managing Director
FTI Consulting
+61 8 9485 8888

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' 95,000 net acres within the production delineated core of the oil producing TMS provides significant upside potential for the Company with 350 net future drilling locations, 47 million bbls of 2P oil reserves (including 4 million bbls producing reserves providing net free cash flow) as well as 98 million bbls of 2C contingent oil resource¹. 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. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2017 and generated for the Australis concessions to SPE standards. See ASX announcement released on 30 January 2018 titled "Reserves and Resources Update Year End 2017". The analysis was based on a land holding of 95,000 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.