25 January 2017

ASX RELEASE

Australis Oil & Gas
ASX: ATS
ABN 34 609 262 937

Australis is an upstream oil and gas company seeking to provide shareholders value and growth opportunities through the acquisition and accumulation of quality onshore oil and gas assets within emerging and established oil fields in the United States of America and other jurisdictions.

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.

Address
Suite 20 Level 2
22 Railway Rd
Subiaco WA 6008
Australia

Suite 730
1201 Louisiana St
Houston, Texas
U.S.A 77002

Contact
Telephone:
+61 8 9380 2750

Facsimile:
+61 8 9380 2799

Email:
contact@australisoil.com

Web:
www.australisoil.com

2016 Year End Resource Update

Doubling of Independently Assessed Resource Estimates

The Directors of Australis Oil and Gas Limited ("Australis" or "Company") are pleased to provide this update to the independent resource estimates for each of its existing assets.

Consistent with its strategy, Australis carried out key technical work during the second half of 2016 that has resulted in a substantial increase in the contingent resource assigned to each of the Company's assets. The resource estimates have been independently assessed by Netherland, Sewell & Associates, Inc ("NSAI") and by Ryder Scott Company ("RS"). The following key points should be noted on the independent results.

Tuscaloosa Marine Shale ("TMS")

- Best estimate of 2C net contingent resource of 26.4 million barrels, which is a 104% increase on the previous 1 May 2016[1] 2C estimate.
- The estimate is based on a gross acreage position at 31 December 2016 of approximately 38,000 acres and a working interest of 50%.
- The increase in resource is due to the increased net acreage position and an increase in the estimated in-place volumes.
- Whilst the increases are material, they remain based on modest recovery factors and an early stage of development of the play.
- Independent Resources estimated by RS with an effective date of 31 December 2016.

Portugal

- Best estimate 2C net contingent resource of 458.5 billion cubic feet, which is a 96% increase on the previous 1 May 2016[1] estimate by NSAI.
- The increase is the result of the updated seismic interpretation using a modern 3D data set recently purchased from the Portuguese authorities and the identification of additional contributing horizons.
- Prospective resources were also reissued in this report and remain unchanged from those estimated in May 2016[1].
- Independent Resources estimated by NSAI with an effective date of 31 December 2016.

Australis Managing Director and CEO, Ian Lusted, said "The effective doubling in allocated net contingent resource to both of our assets is testimony to the intrinsic value the Company believes they represent and the excellent technical work completed to demonstrate this to our independent assessors. These assets have been acquired based on our strategy of securing oil and gas assets with size potential at modest prices following the recent downturn in commodity prices. We are very pleased with this demonstration of progress in establishing significant shareholder value through this strategy."

Tuscaloosa Marine Shale

At the end of 2016, Australis held a 50% Working Interest ("WI") in approximately 38,000 gross acres with an average Net Revenue Interest ("NRI"), i.e. post royalties, of 80% in 19,000 net acres of that area. There has been an increase of 2,500 net acres since 1 May 2016 (being the effective date of the report prepared by the South Texas Reservoir Alliance ("STXRA") which was included in the IPO prospectus[1]).

A contingent resource estimate was generated by RS using a deterministic methodology and with an effective date of 31 December 2016. Using public and proprietary data RS developed three deterministic estimates of discovered petroleum initially-in-place volumes for the gross acreage position that provide a range that captures the risk or uncertainty in these estimates[2] and then utilised a range of recovery factors of 5%, 8% and 10% to determine the corresponding gross contingent resource. These figures were then adjusted to reflect the economic interest of the Company, i.e. a combination of WI and NRI. This generated the three deterministic estimates of 2C recoverable net volumes as shown below

Discovered Petroleum Initially-in-Place[3] (Discovered Resources)		
Low Estimate (P90) (Mbbls)	Best Estimate (P50) (Mbbls)	High Estimate (P10) (Mbbls)
436,210	825,496	1,374,747

Recovery Factors Applied		
5%	8%	10%

Gross 2C Contingent Resources (100% WI)		
Low Estimate (P90) (Mbbls)	Best Estimate (P50) (Mbbls)	High Estimate (P10) (Mbbls)
21,811	66,040	137,474

2C Net Contingent Resource (50% WI & Post Royalties)		
Low Estimate (P90) (Mbbls)	Best Estimate (P50) (Mbbls)	High Estimate (P10) (Mbbls)
8,734	26,447	55,052

The Best Estimate 2C case above can be compared to the 2C estimate generated by the engineering firm STXRA in May 2016 of 12,962 Mbbls. By comparison the 26,447 Mbbls above shows a 104% improvement.

The increase in resource estimates is predominantly from two sources.

- The initial analysis carried out by STXRA made conservative assumptions on certain reservoir parameters that contribute to the resource estimate. Additional access to data (not previously available to Australis or STXRA) and subsequent analysis of a wide data set has allowed RS greater confidence in adopting new ranges for these parameters. The change of independent engineer was made due to the ability of RS, through its interaction with other participants in the TMS, to access a wider set of data and information to form its independent view for the Australis resource assessment.

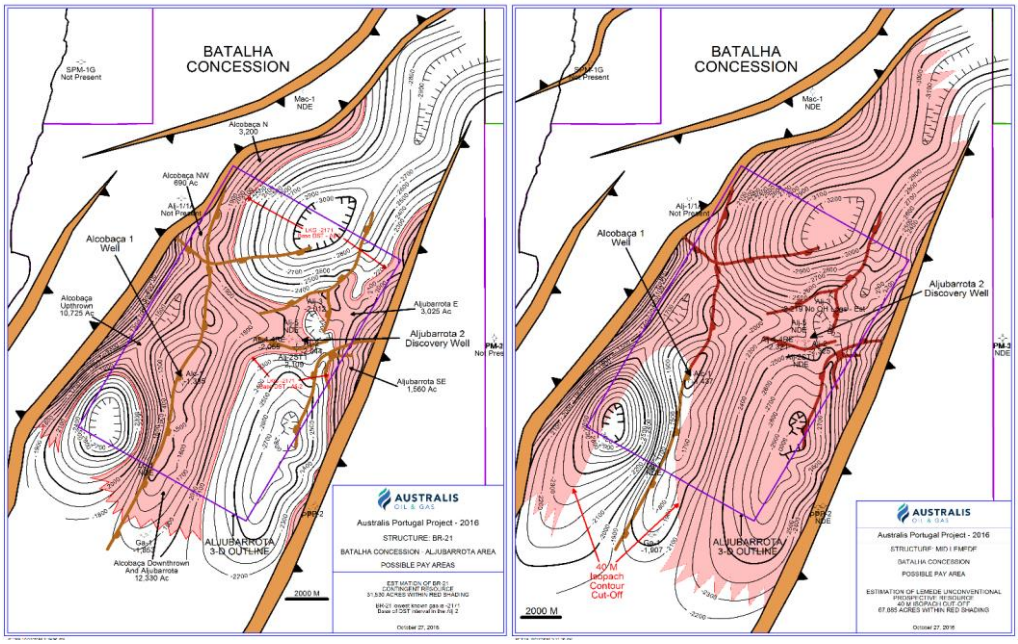
- As foreshadowed in the IPO prospectus, Australis has been working with Paloma Resources LLC, to add to the existing acreage position within the delineated core fairway of the TMS. The Company's net acreage position has increased from approximately 16,500 net acres in May 2016 to 19,000 net acres at the effective date of 31 December 2016.

The 2C Best Estimate of 26,447 Mbbls assumes an 8% recovery factor from an in place volume that has been calculated based on mid case reservoir parameters.

Portugal

Technical work during 2016 in Portugal has focused on the gas discovery in the Aljubarrota area, which was assigned a 2C contingent resource of 234 Bcf in May 2016 by NSAI[1]. In the Australis September 2016 quarterly report, the Company advised that the basis of the May 2016 contingent resource estimates was 2D seismic interpretation. The Aljubarrota area was subjected to a 3D seismic survey in 2010[4] and Australis purchased this survey in 2016, for a nominal value, and updated the structural maps which were reviewed and used by NSAI in the 2016 year end contingent resource estimates.

Furthermore, Australis was able to demonstrate that the gas exists on two separate horizons and the combination of these structural and distribution changes generated the updated contingent resource estimates. The updated maps based on the 3D seismic survey for the two evaluated horizons are shown below.



NSAI generated their independent contingent resource estimates using a combination of deterministic and probabilistic methods[2].

	Net[5] Contingent Resource – Gas (97% WI & Post Royalties)		
	Low Estimate 1C (BCF)	Best Estimate 2C (BCF)	High Estimate 3C (BCF)
NSAI Resource Est – 31 Dec 2016	217.4	458.5	817.7
NSAI Resource Est – 1 May 2016	83.6	234.1	409.6

Additionally, the 31 December 2016 Resource report from NSAI on the Australis Portugal assets provided a prospective resource estimate for 8 leads and prospects within the Australis concession areas. As no material work has been done on these opportunities, the figures remained the same as those provided in the NSAI 1 May 2016 report.[1]

Below is shown a summary of the unrisked and risked net prospective resources.

	Net[5] Prospective Unrisked Resources		
	Oil (MBBL)	Gas (BCF)	Oil Equivalent (MBOE)[6]
Batalha			
Low Estimate	90,303	590.9	188,779
Best Estimate	501,883	2,164.4	862,613
High Estimate	1,685,462	7,078.2	2,865,156
Pombal			
Low Estimate	14,215	45.8	21,854
Best Estimate	149,362	406.2	217,062
High Estimate	585,853	1,588.0	850,522
Total			
Low Estimate	104,518	636.7	210,633
Best Estimate	651,245	2,570.6	1,079,675
High Estimate	2,271,315	8,666.2	3,715,679

The low, best and high estimate volumes are the arithmetic sum of multiple probability distributions and may not add because of rounding.

These figures are then risked by NSAI based on a geological risk assessment for each prospect, such risked resources do not incorporate a development risk assessment.

	Net[5] Prospective Risked Resources		
	Oil (MBBL)	Gas (BCF)	Oil Equivalent (MBOE)[6]
Batalha			
Low Estimate	16,532	96.5	32,610
Best Estimate	97,173	388.0	161,844
High Estimate	332,932	1,323.8	553,567
Pombal			
Low Estimate	2,642	7.9	3,952
Best Estimate	29,269	77.9	42,257
High Estimate	115,430	308.6	166,868
Total			
Low Estimate	19,174	104.3	36,561
Best Estimate	126,442	466.0	204,101
High Estimate	448,362	1,632.4	720,434

The low, best and high estimate volumes are the arithmetic sum of multiple probability distributions and may not add because of rounding.

Cautionary Statement

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

-ends-

Further Information:

Ian Lusted
Managing Director
Australis Oil & Gas
+61 8 9380 2750

Shaun Duffy
FTI Consulting
+61 8 9485 8888

Notes

1. Previous report contained in Section 8 (Technical Expert Reports) of the Company's prospectus dated 29 June 2016.

2. The probabilistic range of uncertainty is represented by a low, best and high estimate such that
    a. There should be at least a 90% probability (P90) that the quantities in place or actually recovered will equal or exceed the low estimate.
    b. There should be at least a 50% probability (P50) that the quantities in place or actually recovered will equal or exceed the best estimate.
    c. There should be at least a 10% probability (P10) that the quantities in place or actually recovered will equal or exceed the high estimate.

    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.

3. The petroleum initially-in-place (PIIP) and contingent resources volumes were estimated using 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 Evaluation Engineers (SPEE) Petroleum Resources Management System (SPE-PRMS).

4. Aljubarrota 3D Seismic Survey – 160 km2 acquired December 2010 to March 2011 under permit issued by the Portuguese Divisao para a Pesquisa e Exploracao do Petroleo ("DPEP").

5. Australis holds a 100% working interest in the Batalha and Pombal Concessions, however this interest is subject to a 3% working interest option granted to a contractor and the Net estimates provided by NSAI are prepared with the assumption that this option has been exercised.
    The Net estimates provided by NSAI also make an allowance for royalties payable to the Portuguese government. The actual royalties payable by Australis are detailed in Article 51 of Decree Law nr 109/94 of the 26th April, 1994 and Article 19.2 of each concession contract. For oil there is a staged royalty of between 0 and 9% based on produced volumes and for gas there is a similar staged royalty of between 3 and 8% again based on produced volumes. As there is not a development plan and an associated production profile for either the contingent or prospective resource estimates, the royalty rate has been assumed to be 8 and 9% respectively.

6. Oil Equivalent volumes are expressed in thousands of barrels of oil equivalent (MBOE), determined using the ratio of 6 MCF of gas to 1 barrel of oil.

Competent Persons Statement

The contingent resource estimates provided in this announcement pertaining to the Tuscaloosa Marine Shale is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Mr Stuart L Filler, P.E. who is an employee of Ryder Scott Company, L.P an independent professional petroleum engineering firm. Mr Filler is a Professional Engineer in the State of Texas (Texas Registration No. 60823). The resource information pertaining to the Tuscaloosa Marine Shale in this announcement has been issued with the prior written consent of Mr Filler in the form and context in which it appears.

The contingent and prospective resource estimates provided in this announcement pertaining to the Portuguese Concessions is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Mr Nathan C. Shahan who is an employee of Netherland, Sewell & Associates, Inc an independent professional petroleum engineering firm. Mr Shahan is a Professional Engineer in the State of Texas (Texas Registration No. 102389). The resource information pertaining to the Portuguese Concessions in this announcement has been issued with the prior written consent of Mr Shahan in the form and context in which it appears.

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.

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/cf	Standard cubic foot of gas
/d	Suffix - per day		

Abbreviation	Description
WI	Working Interest
C	Contingent Resources – 1C/2C/3C – low/most likely/high
NRI	Net Revenue Interest (after royalty)
2D / 3D	2 dimensional and 3 dimensional seismic surveys