

For Immediate Release ASX Announcement

11 June 2019

The Tuscaloosa Marine Shale – a Tier 1 oil play : Project Update

The objective of the Australis business strategy is to secure a significant oil weighted asset at attractive prices, demonstrate underlying value and then realise that value. Over several years Australis has secured a substantial acreage position with proven oil production in Mississippi and Louisiana on attractive terms. In Q4, 2018, the Company commenced an Initial Drilling Program in the Tuscaloosa Marine Shale (TMS). The primary aim of this Initial Drilling Program is to demonstrate the value of over 200 million bbls^{1,2,3} of undeveloped oil reserves and resources (over 400 well locations) owned by Australis. This program included a rig contract commitment to a six well program. Five wells have now been drilled and operations are currently underway on the sixth well.

Highlights

- Production results from the initial wells have confirmed consistent Tier 1 oil productivity and have exceeded the Australis benchmark TMS Type Curve.
 - Capital costs associated with drilling and completion activities for the initial phase remain within budget and there is line of sight to drilling cost reductions via scale and repetition, consistent with industry experiences.
 - Stewart 30H-1 (Well #1) continues to produce at oil flow rates materially above the TMS Type Curve having produced over 116,000 bbls in 150 days of production. The Bergold 29H-2 (Well #2) has had artificial lift installed and has re-commenced production at a significantly increased rate of 180 bbls/day.
 - Taylor 27H-1 (Well #3) and Williams 26H-2 (Well #4) have delivered strong IP30 results. Taylor delivered 1,024 bbl/d exceeding the type curve by 17%. Williams delivered 361 bbl/d exceeding the type curve by 16% when normalized for its shorter lateral length.
 - Drilling of the Quin well (Well #5) has allowed Australis to successfully test a number of variations to the 2014 drilling design that have clearly improved previous drilling operations including well bore stability. The well will be completed with a shorter than targeted lateral length due to third party equipment failures, unrelated to the TMS geology.
 - Macquarie Bank has confirmed the increase in Tranche 1 available funds from the Credit Facility from US\$35 million to US\$65 million. Australis has drawn a total of US\$20 million from this facility.
 - Australis has hedged 280,000 bbls over the next 24 months with a protected floor of WTI \$55/bbl. Australis has not hedged the WTI to LLS differential which is presently a \$7/bbl premium.
 - Nearby drilling activity by ConocoPhillips and EOG has recently moved adjacent to the Australis acreage and has focused on the Austin Chalk zone. Australis holds Austin Chalk rights on a substantial majority of its acreage which represents additional upside to Australis' asset valuation.
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Australis Oil & Gas Limited (Australis or the Company) (**ASX: ATS**) provides the following progress update in relation to its TMS project in the USA, where it is currently conducting its Initial Drilling Program to demonstrate the productivity and value of its core asset.

The Program results to date have been highly encouraging, having delivered consistent Tier 1 well productivity whilst resolving issues such as well bore stability - the key factor leading to consistent drilling operations and lower well costs in the full development phase.

Australis Managing Director, Mr Ian Lusted, commented: “Australis has spent two years securing a substantial acreage position in the core of the TMS on attractive terms. We have recently focused on doing the optimum drilling work to prove the value of this asset, and we are highly encouraged by the results from our Initial Drilling Program. Oil production has been better than expected and capital costs have been within budget, demonstrating the positive impact of technical improvements since the historical drilling in 2014.

That is not to say we haven’t had our challenges. In the early wells we had to contend with well bore stability issues but are pleased that our engineered solutions are working well. On the most recent well we have been frustrated by a number of third party equipment failures that have resulted in operational delays and the decision to shorten the lateral length, but these are unrelated to the TMS geology.

With the positive results achieved to date and the program objectives having largely been met we are investigating a 1 to 3 month drilling break to allow the operations team to consolidate the knowledge gained and lessons learned, to re-tender for providers of certain equipment and services and ensure efficient drilling and completion execution going forward with wells #7 - #10.”

Oil Production performance

Wells #3 and #4 in the Initial Drilling Program have now generated IP30 results that continue to confirm the consistent Tier 1 productivity of the Company’s core TMS acreage. The normalised cumulative data for these and the Stewart 30H-1 well is shown below and is compared to the TMS Type Curve which is based on the average performance of all 15 wells drilled in the play during 2014 by the previous Operator. All 15 wells have been on production for over 4 years and so provide a high degree of confidence in the decline profile of the TMS Type Curve.

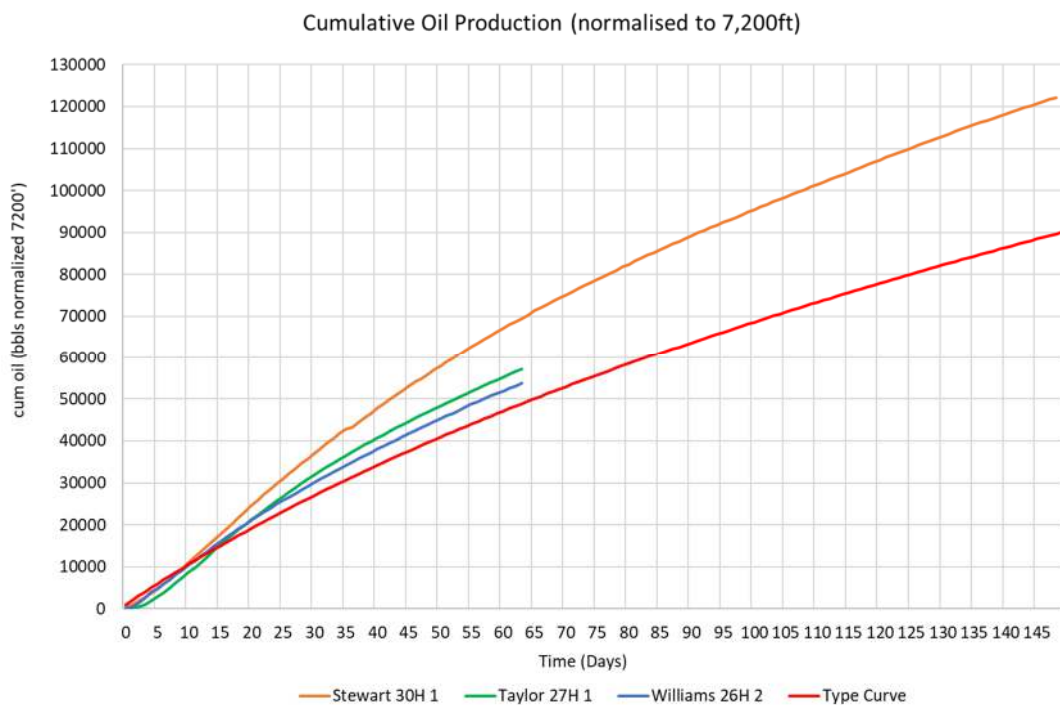


Figure 1: Cumulative oil production compared to TMS Type Curve (normalized to 7,200 ft)

The Taylor 27H-1 well has now been on production for over 60 days. The IP30 for this well was 1,024 bbl/d which is 17% above the TMS Type Curve. The well has a completed lateral length of 6,555 ft which is 91% of the average length of wells included in the TMS Type Curve population. When normalized to this length, which allows a direct comparison, the well produced at 1,125 bbl/d which would be 29% above the TMS Type Curve.

The Williams 26H-2 has also been on production for a similar period of time. The IP30 for this well was 361 bbl/d. The well has a completed lateral length of 2,566 ft, which is 36% of the average length of wells included in the TMS Type Curve population. When normalized for this length the well produced at 1,013 bbl/d which is 16% above the TMS Type Curve.

These results, together with the continued strong performance of the Stewart 30H-1 clearly show the reservoir productivity. These new wells and the 15 used to generate the TMS Type Curve, demonstrate Tier 1 oil productivity and compares favourably with other more established unconventional US plays and generates compelling economics.

To provide context to the Tier 1 performance, the attached presentation shows TMS Type Curve oil productivity (2014 wells) compared to data from other more mature US oil shale basins. When comparing 2017 data from these basins, which benefited from 3 years additional industry knowledge, the 2014 TMS Type Curve has the second highest oil productivity. When considering the oil price, the TMS region enjoys a premium to WTI, with most of the other plays subject to a discount to WTI.

Drilling Operations

The drilling of the Quin 41-30 3H (Well #5) well incorporated a number of design changes that addressed certain wellbore instability problems that have been encountered on prior TMS wells, including the earlier Australis operated wells. The primary innovation was the use of a High Performance Water Based Mud (HPWBM) system. Australis has been developing this change to the design since the commencement of the Initial Drilling Program and Well #5 was always designated for initial testing.

The well was drilled as planned to the intermediate casing shoe, at a depth of 11,930 ft and casing was set and cemented in place. Austin Chalk hydrocarbon shows were again observed at the base of this hole section, as with wells #1 - #4.

The mud system was then changed out to the new HPWBM and lateral drilling commenced.

The drilling of the lateral section was compromised on multiple occasions by failures of third party supplied mechanical equipment which led to delays and operational difficulties. These included:

- A drilling motor parted downhole whilst operating within designated parameters. Debris remaining in the lateral section proved impossible to recover.
- A drill pipe connection that failed whilst being used within operating parameters, this led to significant delays and operational difficulties in the recovery.
- A second drilling motor failed which prevented full string circulation at a critical point in the program and led to aborted drilling efforts.

These difficulties encountered on the Quin 41-30 3H were not TMS specific. They were due to mechanical issues and three separate equipment failure events that occurred whilst operating within specified parameters. Australis does not intend to use these equipment providers for subsequent operations, including the Saxby 03-10 2H (Well #6). These delays and subsequent fishing and drilling operations generated lengthy durations for the open hole, creating a robust and ultimately successful test for the new HPWBM. Whilst frustrating to have the delays the wellbore has remained stable throughout. Eventually the decision was made to complete the well rather than continue due to the compound effect of delays and associated

open hole time. On the last trip out of hole the rig was able to pull the string without rotating or pumping and with very limited overpull, all indications of a stable clean wellbore. Completion operations will be undertaken on approximately 2,500ft of lateral length.

Australis continues to refine the engineered design of drilling operations in the TMS but can now demonstrate a solution to most of the issues encountered.

The expectation is the Quin 41-30 3H will demonstrate TMS Type Curve productivity once completions operations have finished and will also meet the lease obligations in the production unit, converting acreage to HBP status.

As a result of the operational delays on the Quin 41-30 3H, the Initial Drilling Program is approximately 4 weeks behind schedule but remains within budget for the activities to date.

Austin Chalk

The Austin Chalk sits stratigraphically above the TMS and is present across the Australis acreage position with all 5 wells drilled to date having encountered hydrocarbons whilst drilling through this section. The Austin Chalk is the focus of a number of companies in the area with EOG, ConocoPhillips, Marathon and Equinor being just some of the companies with large positions in the area.

EOG has commenced drilling the Ironwood LLC 37H Austin Chalk well less than 3 miles from the nearest Australis HBP acreage and approximately 7 miles from the Australis-owned TMS Core area. ConocoPhillips is drilling the 4th well in their Austin Chalk program, all immediately to the south of the Australis position. They have commenced production on two of those wells but have yet to release results.

The Company holds Austin Chalk rights on a substantial majority of its leases.

Macquarie Credit Facility

As advised in the ASX announcement titled 'US\$75 million Credit Facility', dated 5 June 2018, Australis entered into a credit facility with Macquarie Bank Limited ("Macquarie") which provided a three year senior secured facility for drilling activities in the TMS. Tranche 1 of the facility made available US\$35 million immediately with the remainder of the facility being available subject to subsequent conditions and early well performance results.

Australis is pleased to advise that Macquarie, as a result of conditions having been satisfied and early well results, has increased the amount available in Tranche 1 to US\$65 million. As a consequence of this increase, Tranche 2 of the Facility is now US\$10 million and will become available following further well results.

Hedging

In May 2019 Australis executed additional costless WTI collar hedges for the next 12 months protecting the floor price of US\$55/bbl. Australis has not hedged the LLS to WTI differential which is currently at a US\$7 premium to WTI. The Company's total hedge position at 1 June 2019 is as follows:

Australis Hedge Position - WTI Collars			
Hedge Period	Volumes	WTI Put	WTI Call
	Bbls	US\$/bbl	US\$/bbl
1 - 6 months (Jun 19 - Nov 19)	139,000	55	82
7- 12 months (Dec 19 - May 20)	93,000	55	79
13 months onwards	48,000	55	77

Conclusion

The Company commenced the Initial Drilling Program with the primary strategic objective of demonstrating asset value and project objectives which included showing consistent productivity, an engineered solution to the drilling challenges in the TMS and to convert acreage to HBP status. Australis feels that it has mostly achieved each of these project goals and is in a position to clearly demonstrate the TMS value proposition.

Attached Presentation “ Demonstrating Tier 1 Productivity in the TMS”.

Ends

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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 resource¹ (based on net acreage at the effective date of the independent report of 110,000 acres) and a further 9 MMbbls of contingent oil resource² 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.

ASX: ATS

Demonstrating Tier 1 Productivity in the TMS

June 2019



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Why we like the TMS Core

Unique advantages within the TMS play

Highly Productive Reservoir

- TMS core oil production better than most USA Tier 1 shale basins
- Performance of all 15 wells drilled in 2014 by previous operator forms our TMS Type Curve
- Results from our recent drilling program outperforming the TMS Type Curve
- TMS Core one of the few remaining undeveloped Tier 1 shale plays

Significant Acreage & Resource

- 115,000 net acres in the TMS Core - long life leases and low average royalties (<20%)
- Recoverable resource of 207 million barrels (net) including 2P of 50 million barrels^(1,2)
- 425 net well locations each with NPV10 per well > US\$6 million (WTI at \$60/bbl)

Unique Australis Position

- Contiguous lease position enables scale & manufacturing approach to development
- As operator, we control our own destiny
- Emerging Austin Chalk play activity adjacent to our acreage

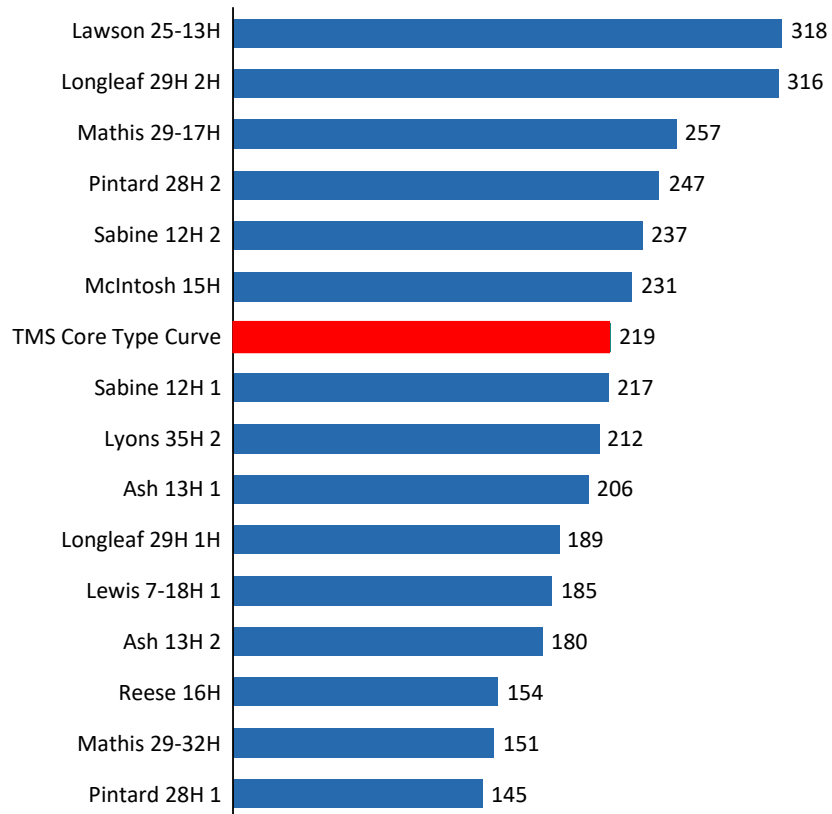
Premium Oil and Pricing

- TMS 95% oil weighted
- Access to oil sales infrastructure with capacity and proximity to oil markets
- Quality light sweet crude sold at LLS pricing achieving ~US\$7/bbl premium to WTI

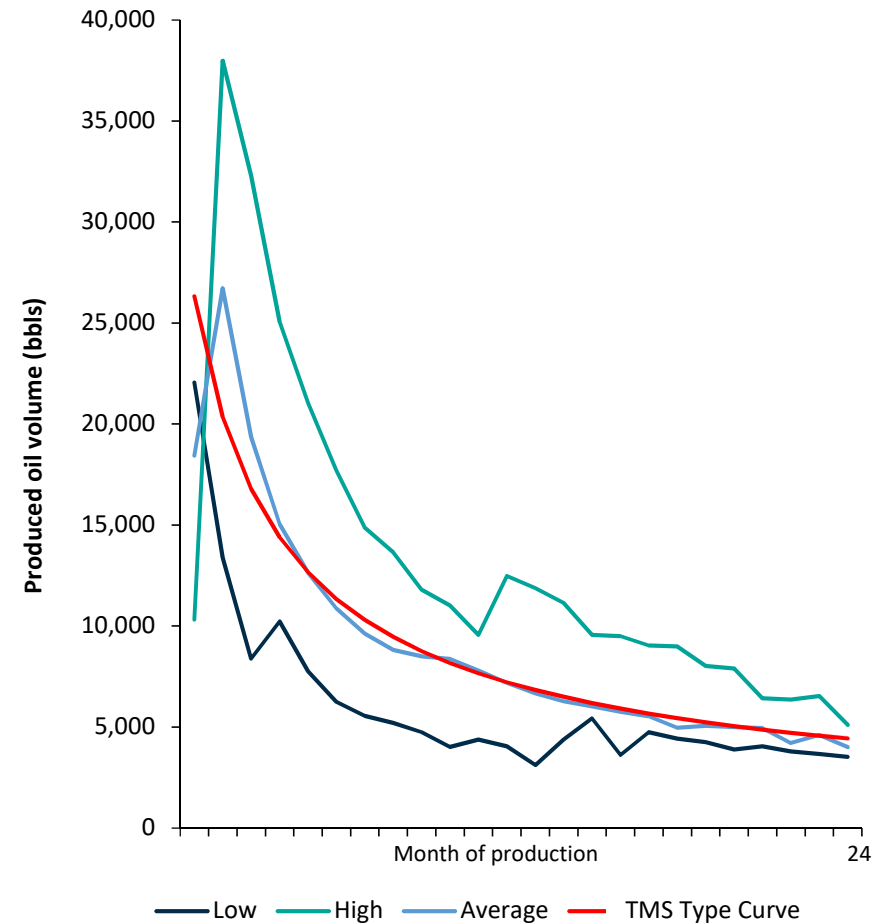
What is the TMS Type Curve?

The TMS Type Curve is the average production profile of all 15 Australis wells drilled by the previous operator in 2014

Total oil production per well - initial 24 months (mbbls)



2014 Australis wells - Production profiles



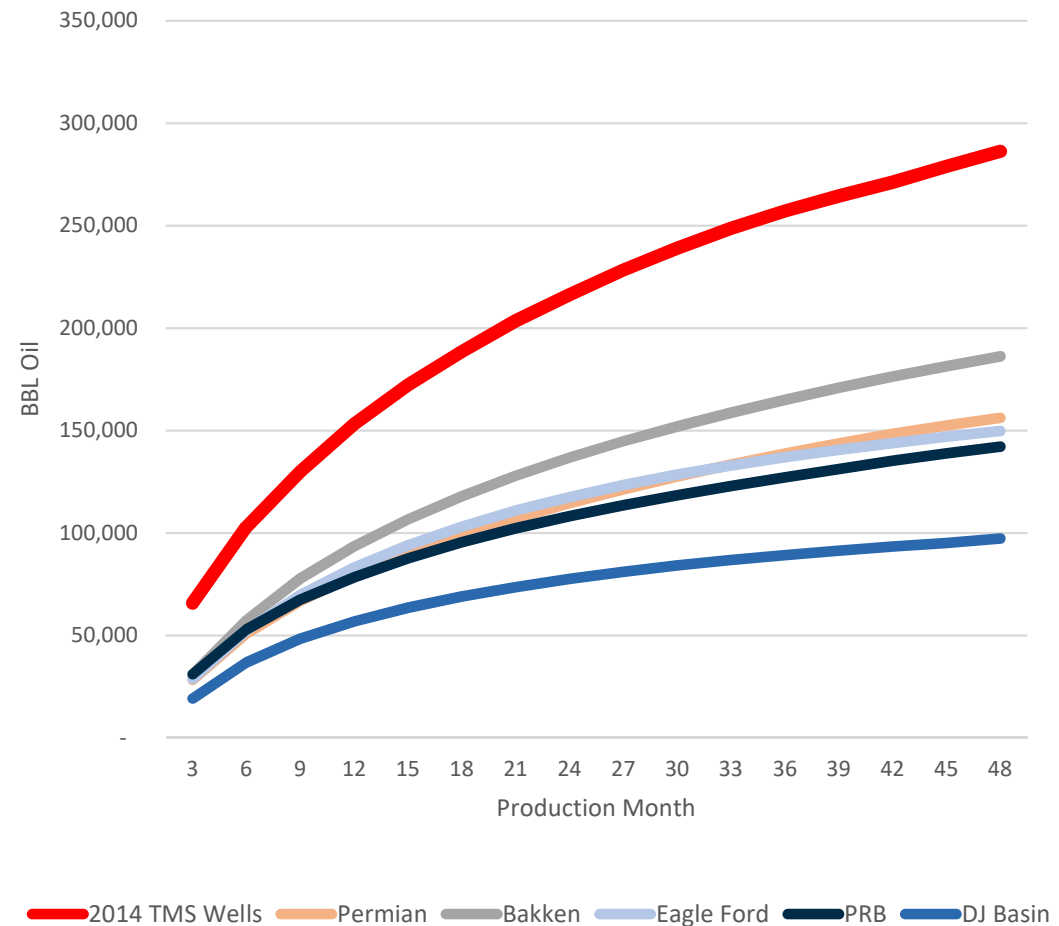
Average lateral length completed for all 15 wells is 7,200ft (see website for most recent corporate presentation for full data set and analysis)

How the TMS Type Curve compares with other basins

Comparing oil production to wells drilled in 2014 in other liquids rich basins

- 4 Years of production data across all basins
- Over 18,000 wells in the other basins data
- The 15 TMS wells drilled by the previous operator in 2014 (“2014 TMS Wells”) have averaged 286,000 bbl oil in the first 48 months
- Over this period of time, oil production from the 2014 TMS Wells has outperformed other basin averages by at least 50%
- The exit rate at the end of this period of 2014 TMS Wells is also outperforming other basin averages by at least 50%
- No wells were drilled in the TMS core between 2015 and 2018 whilst improvements observed in all other basins through continued drilling

2014 TMS Wells v 2014/15 Basin Average – Cum. Oil Production



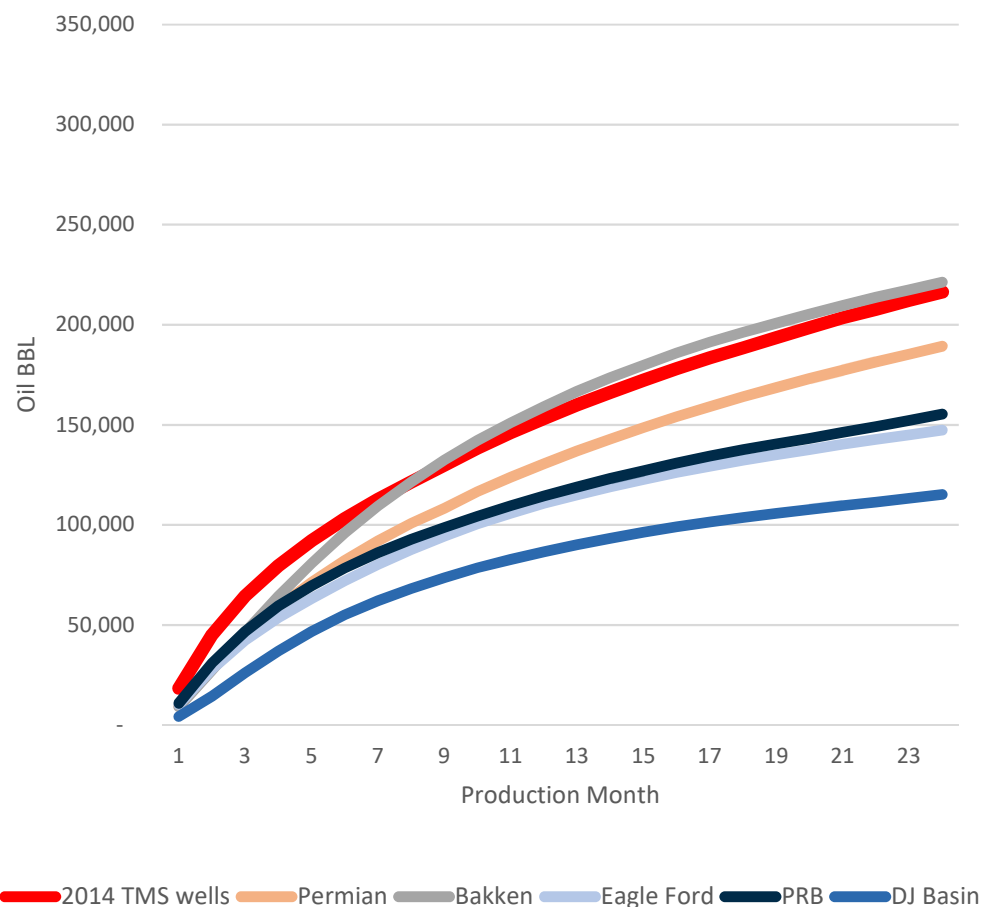
How the TMS Type Curve compares with other basins (cont.)

Comparing 2014 TMS Wells oil production to wells commencing production in 2017 in the same liquids rich basins

- Over 7,500 wells in the other basins data
- 2014 TMS Wells averaged 216,000 bbl oil in the first 24 months
- No wells were drilled in the TMS core between 2015 and 2018
- Average well performance improved by 25% in the Eagle Ford and by 65% in the Permian from 2014/15 to 2017
- Over the first two year production period, the 2014 TMS Wells compare favourably to the other basins 2017 producing wells which have all benefited from improvements in technology, well design and high grading

TMS Type Curve wells productivity outperforms many of the other USA liquid rich plays

2014 TMS wells v 2017 Basin Average – Cum. Oil Production

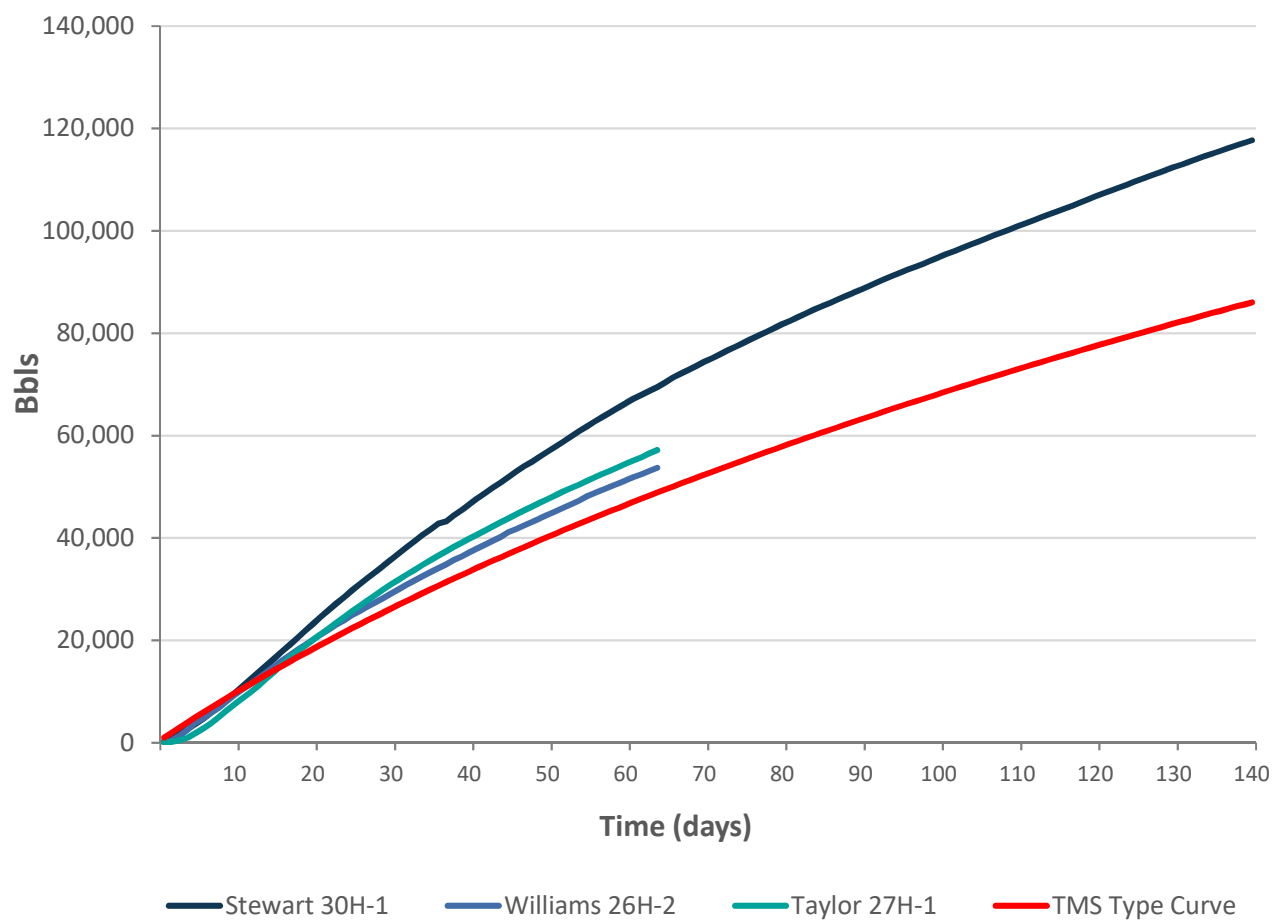


Australis 2019 wells exceeding the TMS Type Curve

Initial wells demonstrate consistent Tier 1 productivity

- The primary objective of the Initial Drilling Program is to repeat the productivity results of the wells that comprise the TMS Type Curve
- Our new wells confirm productivity performance with 3 performing above type curve
- Stewart 30H-1 is producing 30% above the TMS Type Curve after 150 days
- Taylor 27H-1 IP30 was 17% above the TMS Type Curve
- Although a shorter lateral length, Williams 26H-2 is exceeding expectations on rates and decline based on drilled horizontal length
 - When normalized to 7,200 ft, the IP30 was 16% above the TMS Type Curve

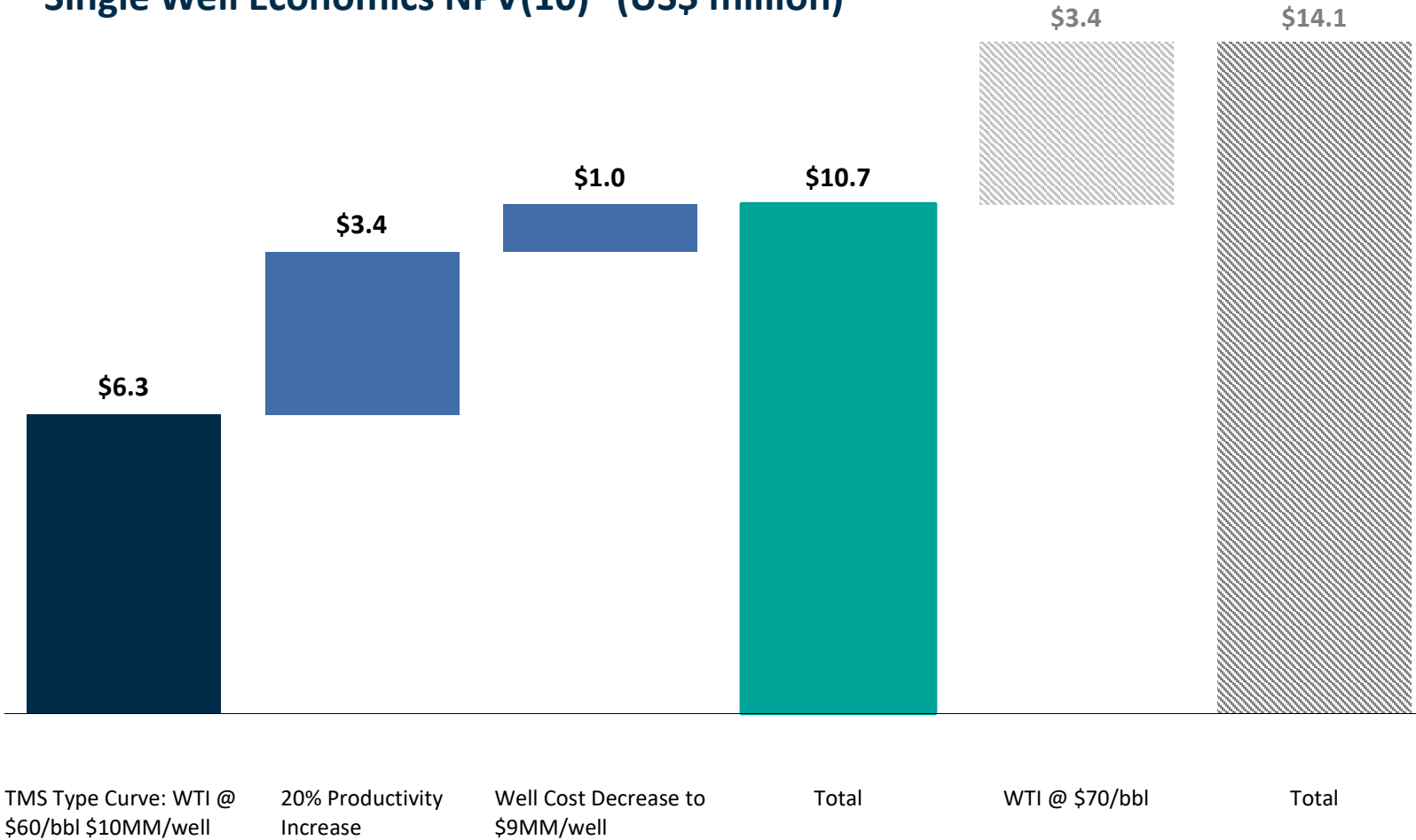
Cumulative Oil Production v TMS Type Curve (Normalised to 7,200 ft)



Significant value in TMS productivity

Australis has 425 net well locations which each have a base value of US\$6.3 million without including upside

Single Well Economics NPV(10)^A (US\$ million)



A. Assumes LLS premium of \$4 over WTI, although currently >\$7/bbl

Units & Abbreviations

Unit	Measure	Unit	Measure
B	Prefix - Billions	bbl	Barrel of oil
MM or mm	Prefix - Millions	boe	Barrel of oil equivalent (1bbl = 6 mscf)
M or m	Prefix - Thousands	scf	Standard cubic foot of gas
/d	Suffix - per day	Bcf	Billion standard cubic foot of gas

Abbreviation	Description
TMS Core	The Australis designated productive core area of the TMS delineated by production history
2014 TMS Wells	Refers to all 15 wells that comprise the TMS Type Curve
WI	Working Interest
C	Contingent Resources – 1C/2C/3C – low/most likely/high
NRI or Net	Company beneficial interest after royalties or burdens
NPV (10)	Net Present Value (discount rate), before income tax
HBP	Held by Production (lease obligations met)
EUR	Estimated Ultimate Recovery per well
WTI	West Texas Intermediate Oil Benchmark Price
LLS	Louisiana Light Sweet Oil Benchmark Price
2D / 3D	2 dimensional and 3 dimensional seismic surveys
PDP	Proved Developed Producing
PUD	Proved Undeveloped Producing
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
D, C & T	Drilling, Completion, Tie In and Artificial Lift
Royalty Interest or Royalty	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
Field Netback	Oil and gas sales net of royalties, production and state taxes and operating expenses
EBITDAX	Earning before interest, tax, depreciation, depletion, amortisation and exploration expenses
Net Acres	Working Interest before deduction of Royalty Interests
TMS Type Curve	Represents the expected productivity performance of a TMS well drilled to 7200ft lateral length. The TMS Type Curve is based on the raw data from all wells (15) drilled by Encana in the TMS in 2014. The average lateral length of these 15 wells was 7200ft. Refer to the Appendix of the Australis Corporate Presentation
Initial Drilling Program	The TMS drilling program operated by Australis that commenced in the 3rd quarter of 2018 which undertook the drilling of between 6 to 10 wells consolidating the technical engineered solutions provided by Encana in 2014 and incrementally adopting technical advances achieved since 2014 in other plays
IP30	The average oil production rate over the first 30 days of production

Footnotes

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 (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. Includes 3P Reserves of 89.2 MMbbl and 2C Resources of 116.8 MMbbl
4. The Analysis on slides 5 and 6 “How the TMS Type Curve compares with other basins” sources data from Shaleprofile.com “US – update through January 2019” posted 14th May 2019 for average well oil productivity for the Multiple Liquids Rich Basins. This interactive public presentation contains oil & gas production data from 102,269 horizontal wells in 11 US states, through January 2019. Shaleprofile.com provides average well productivity data in the major tight oil basins with results shown by basin and first production year. For the analysis, Oil Production from all wells in Bakken, DJ-Niobrara, Eagle Ford, Permian and the Powder River Basin were selected with first production year of 2014 & 2015 (slide 5) and 2017 (slide 6). No filtering or normalization has been done on the data from Shaleprofile.com for location (within each basin), formation, horizontal well length, completion design or hydrocarbon composition. The analysis provides basin average horizontal well oil production and compares to the 15 ATS 2014 TMS Type Curve wells.