

For Immediate Release ASX Announcement

20 December 2018

Initial Drilling Program Update

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

- Fracture stimulation operations have been successfully completed on the first two wells at our first location, the Stewart 30H-1 and Bergold 29H-2. Flowback expected to commence around the beginning of the new year.
- The Company anticipates providing IP30 (initial production over the first 30 days) data in February 2019 for the Stewart 30H-1 and Bergold 29H-2 wells.
- Main rig drilling operations are progressing on schedule at our second location, the Taylor/Williams pad. The first of two wells, the Williams 26H-2, has reached a depth of 11,295 ft with approximately 600ft remaining before intermediate casing depth. The second well on this pad has been previously drilled and cased to the top-hole section depth of approximately 3,260 ft by the spudder rig.
- The spudder rig has arrived and commenced rigging up on our third location, the Saxby/Quin Pad. It will drill the top-hole sections for wells #5 and #6 in the initial drilling program.
- As previously disclosed, the aim of the Australis initial drilling program is to achieve average production results from the first set of new wells that replicate historical well performance achieved within the TMS core area in 2014.
- Drilling and Completion operations to date have been completed without any reportable safety or environmental incidents.



Figure 1: Stimulation operations on the Stewart / Bergold Pad December 2018

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Stewart / Bergold Pad

As announced on 28 November 2018, the Stewart 30H-1 was drilled and cased to a depth of 19,424 ft, with a horizontal length of 6,900 ft and the Bergold 29H-2 was drilled and cased to a depth of 14,524 ft, with a horizontal length of 2,000 ft. The latter well encountered some difficulties related to the formations above the target zone but below the casing shoe, which led to an operational decision to secure the drilled wellbore rather than focus on resolving what is believed to be an isolated and localised issue.

Following completion of main rig drilling operations, the fracture stimulation equipment mobilised to the Stewart/Bergold pad and commenced operations on 8 December 2018. The Company has successfully completed 20 stages on Stewart 30H-1 and six stages on Bergold 29H-2, as planned. Flow back to surface is expected to commence at or just after year-end once stage plugs are drilled out and tubing is installed on each well. As previously communicated, the Company will provide well productivity data after each well has achieved 30 days of production following well clean up (IP30).

Taylor / Williams Pad

The Williams 26H-2 well has been drilled to a depth of approximately 11,295 ft and has approximately 600 ft remaining before the intermediate casing will be run and set. The Nabors B-14 rig will then be skidded to the Taylor 27H-1 well and will commence drilling the intermediate hole on that well from a depth of 3,260 ft where the spudder rig previously set surface casing.

Saxby / Quin Pad

The construction of, and road and power access to, the new surface pad for the fifth and sixth wells in the initial drilling program has now been finalised, with cellars and surface conductor pipe set. The spudder rig is presently rigging up and will drill the top-hole sections in the Saxby 03-10 2H and the Quin 41-30 3H wells. The map below shows the location of this pad within the defined TMS core area and its close proximity to the Longleaf 29H unit, which contains two highly productive wells.

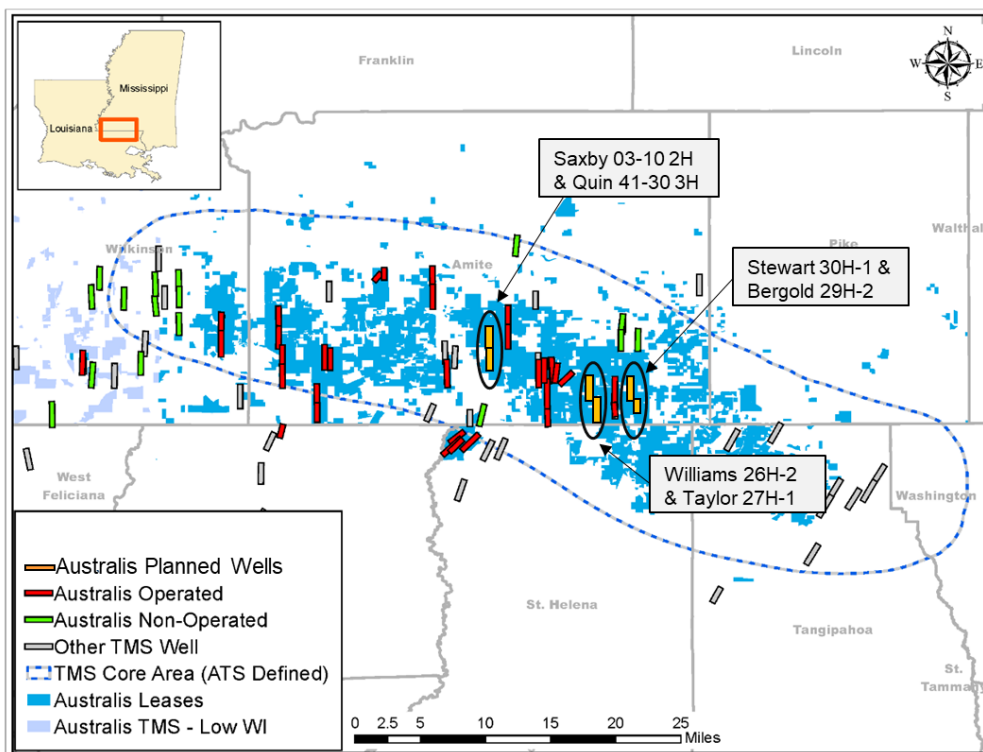


Figure 2: Field map showing new and existing wells within Australis core acreage.

Initial TMS Drilling Program - Overview

Drill Program: The Nabors drilling rig has been contracted to drill a minimum of 6 wells with the provision to extend after this initial program.

Key Objective: For the average production performance of the initial new wells to replicate the historical well performance achieved within the TMS core from wells drilled in 2014, but at a 2018 cost base. In doing so the intention is to demonstrate the attractive TMS core well economics and lift the value of the 110,000 net acres Australis holds in the TMS core and the inventory of 410 net future well locations.

Well Selection: 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.

Funded: Funding will be sourced from Australis' US\$41 million in cash (as at 1 October 2018) and the credit facility with Macquarie Bank for up to US\$75 million. Based on Australis well cost and productivity assumptions, this funding is sufficient for the planned 10 well drilling program.

Timing: Australis expects to update the market on the well productivity performance of the first pair of wells in February 2019, and will continue to advise shareholders on the progress of the initial well program at key milestones and upon the occurrence of material events.

Ends

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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.