For Immediate Release ASX Announcement

2 January 2019

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.

- Flowback operations on both the Stewart 30H-1 and Bergold 29H-2 commenced on 29 December 2018.
- On the Stewart 30H-1 all 19 stage isolation plugs were drilled out and a 2 7/8" completion tubing string was run into the well ahead of commencing production. The initial production is being carefully managed but is encouraging and in line with expectation. It is anticipated that it will take approximately 14 days before peak rates will be achieved.
- On the Bergold 29H-1 a restriction in the wellbore prevented the isolation plugs from being drilled out. Investigative operations with a downhole camera showed a single point of casing deformation with access below this depth maintained, albeit with a reduced diameter. The plugs may still allow production through a restricted internal bore. Tubing has not been installed on this well and it will be produced through the casing until reservoir pressure has depleted to allow remedial operations to regain full bore access to take place. This well will serve a number of commercial and operating purposes but will not be representative of expected well productivity (see below).

Figure 1: Australis frac water facility

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- Main rig drilling operations are progressing on schedule at our second surface location, the Taylor/Williams pad. The Williams 26H-2 has reached a depth of 11,867ft and intermediate casing has been run and cemented in place. The rig skidded to the second well on this pad, the Taylor 27H-1, and is presently at a depth of 11,100ft.
- The spudder rig has drilled and cased the top hole section of the 5th well in the drilling program, the Saxby 03-10 2H, at a depth of 3,220 ft and is presently preparing to start drilling the top hole section of the 6th well, the Quin 31-30 3H.
- As previously advised, the principal aim of the Australis initial drilling program is to achieve averaged production results from the first set of new wells that replicate the historical well performance achieved within the TMS core area in 2014 whilst also adding to company production levels and securing acreage.
- All drilling and completion operations to date have been completed without any reportable safety or environmental incidents.

Stewart / Bergold Pad

The Stewart 30H-1 was completed with 20 fracture stimulation stages. The 19 isolation plugs were drilled out with coiled tubing and a 2 7/8" completion string was installed in the well in preparation for artificial lift at a later date. The well was hooked up to production facilities and flowback commenced on 29 December 2018. Unloading characteristics are encouraging and consistent with existing type curve wells with oil cut and production rates increasing as frac water is recovered. Reservoir drawdown is being carefully managed during these initial stages of production and Australis estimates it will take approximately 14 days before stable peak production will be achieved.

The Bergold 29H-2 was completed with 6 fracture stages but a restriction in the wellbore at a depth of 12,616ft prevented coiled tubing access to drill out the isolation plugs. Investigative operations with a wireline deployed camera identified a short area of damaged casing that appears to be the result of radial shear action, although further analysis is required. The camera tools were able to pass the restriction but there is insufficient diameter to allow the plug milling assembly access. The isolation plugs are designed to allow production flow through them if an internal ball mechanism can be unseated, but they will present an additional downhole restriction and therefore limit production rates until remedied. The well has been initially flowed back without completion tubing installed and the remedial operations will commence by re-entering the well with a workover rig when natural depletion allows access, the completion will be run at this time. The preliminary interpretation is that the cause of point loading of sufficient force to damage the casing may well be linked to the same instability issues encountered earlier in operations on the Bergold well.

Taylor / Williams Pad

The Williams 26H-2 intermediate hole has been drilled to its planned depth of approximately 11,867ft and intermediate casing has been run and cemented in place. The Nabors B-14 rig was skidded to the second well on this pad, the Taylor 27H-1 well and the intermediate hole is at a depth of 11,100ft. The forward plan once the intermediate casing has been set at a depth of approximately 11,800ft will be to progress to drilling the horizontal section of the Taylor well before skidding back to the Williams well. Operations on the Taylor/Williams pad are progressing on schedule.

Saxby / Quin Pad

The spudder rig has drilled and cased the top hole section of the Saxby 03-10 2H to the planned depth of 3,220 ft and at the time of this announcement was preparing to start drilling the Quin 41-30 3H well.

The map below (Figure 2) shows the location of the ATS operations to date within the defined TMS.

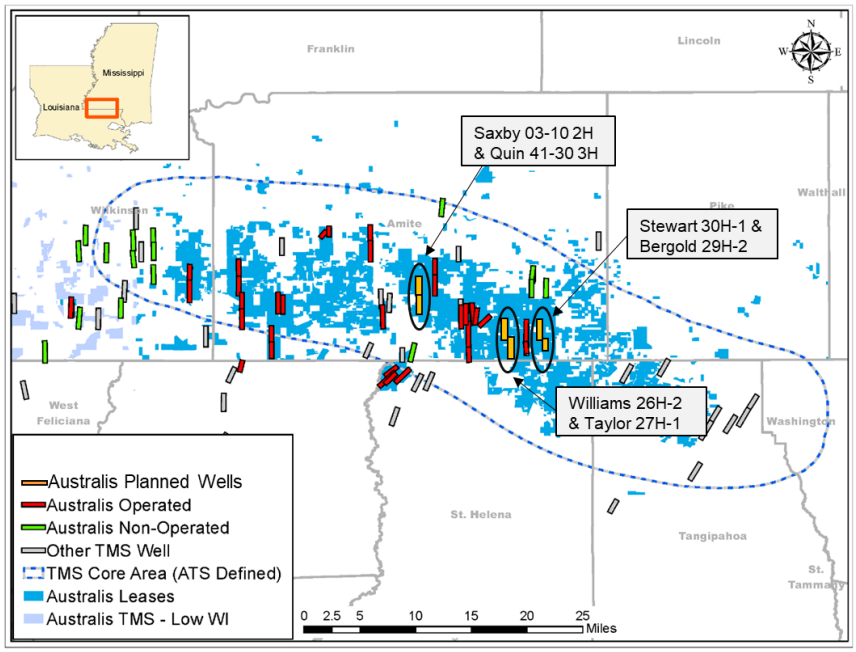

Figure 2: Field map showing new and existing wells within Australis core acreage

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. The range and average production performance of the 15 wells drilled by Encana in 2014 and used by Australis to generate its type curve is shown below in Figure 3. The target for Australis is that the average performance of new wells drilled will be equal to the red line shown below. 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.

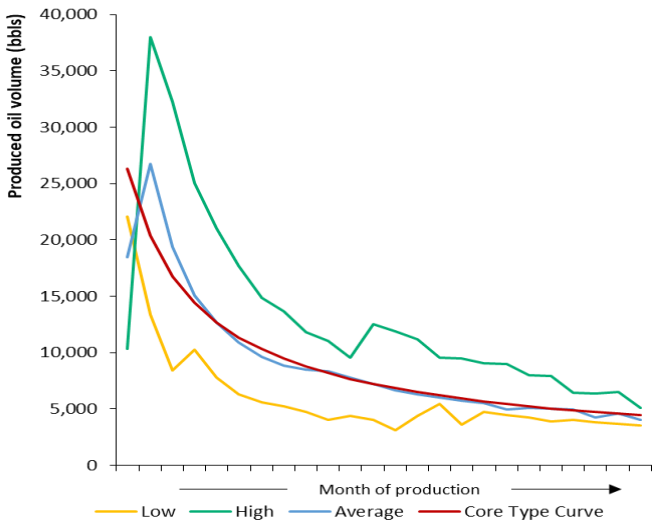

Figure 3: Monthly TMS production - the average, upper and lower range of the 15 wells drilled by Encana in 2014

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 resource[1] (based on net acreage at the effective date of the report of 95,000 acres) and a further 27 MMbbls of contingent oil resource[2] 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.