QUARTERLY ACTIVITES REPORT
3rd Quarter 2018

AUSTRALIS OIL & GAS

29 October 2018

Key Activities & Highlights

Australis Oil & Gas Limited
ABN: 34 609 262 937

ASX: ATS

Australis is an 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.

The Company's acreage within the core of the oil producing TMS provides significant upside potential for ATS with 47 million bbls of 2P reserves including 4 million bbls producing reserves providing free cash flow as well as 125 million bbls of 2C contingent resource.

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.

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Increased TMS 'core' acreage to 110,000 net acres

- TMS core acreage increases in 2018 by 15,000 net acres through active leasing
- Additional acreage delivers 27MMbbl uplift in oil inventory[2] to 172 MMbbl (2P + 2C) and 410 future net well locations
- 70% of the net acreage held by production or has an expiry in 2021 or later

Initial Drilling Program Commenced

- Drilling progressing ahead of plan at this early stage
- Batch drilling the first two wells.
- Top and intermediate holes completed, currently drilling first horizontal section
- Hydrocarbon shows observed in Austin Chalk mud logs for both wells
- Nabors rig contracted for 6 wells

Stable production with increased achieved oil price

- Sales revenue (pre-royalties) of US$9 million
- Australis benefits from LLS pricing in the TMS, which trades at a premium to WTI

Strong financial position

- Cash position of US$41 million ($US43 million in Q2)
- Cash flow from operations supports G&A and leasing program
- Macquarie Credit Facility of US$75 million currently undrawn

Key Metrics	Unit	Q3 2018	Q2 2018	YTD 2018
Land Position (Net)	**acres**	**110,000**	**95,000**	**110,000**
Mid Case Net Oil (2P + 2C)	**MMbbls**	**172**	**145**	**172**
Sales Volumes (WI)	**bbls**	**121,000**	**125,000**	**376,000**
Realised Price	**US$/bbl**	**$75.3**	**$69.4**	**$69.7**
Sales Revenue (WI)	**US$MM**	**$9.1**	**$8.7**	**$26.2**
Sales Revenue (Net)	**US$MM**	**$7.3**	**$7.0**	**$21.2**
Field Netback	**US$MM**	**$5.1**	**$4.0**	**$12.6**
Net Cash/(Debt)	**US$MM**	**$41.1**	**$43.1**	**$41.1**

TMS LEASE POSITION

During the quarter Australis continued to successfully consolidate its strategic land position through a targeted leasing program in the TMS Core. Since the beginning of the year, Australis has increased its TMS Core holding by 15,000 net acres to 110,000 net acres.

This additional TMS Core acreage increases Australis total oil inventory. Applying the methodology as used by Ryder Scott in the reserves report announced on 30 January 2018 titled 'Reserve and Resource Update – Year end 2017', the 15,000 additional net acres equates to 27 MMbbl in 2C Contingent Resources (Australis estimate[2]), which increases Australis' 2P + 2C to 172 MMbbl and future net drilling locations to 410 wells at 250 acre spacing per well.

Of the 110,000 net acres that Australis has leased and to which it attributes value within the TMS Core, 28,500 acres are HBP and the remaining 81,500 acres are undeveloped. Over 70% of the acreage is either HBP or has an expiry later than January 2021, allowing for flexible and efficient development activities.

Expiration Year – TMS Core Net Acres

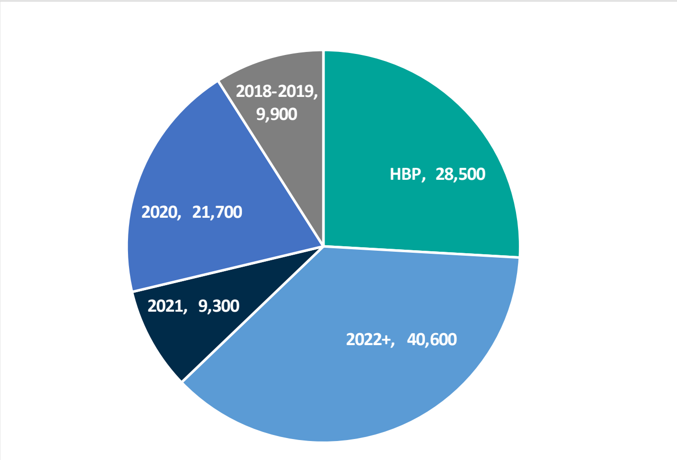

Figure 1: Expiration Year: Undeveloped Net Acres

Total TMS Core Net Acres

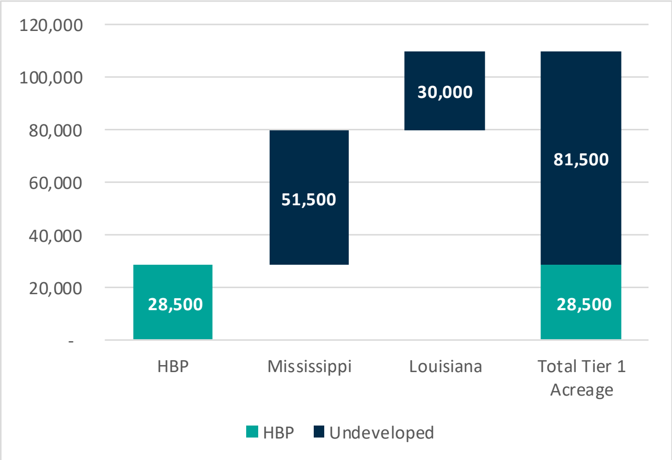

Figure 2: Australis TMS Core Net Acreage Position

This quarter, Australis continued permitting TMS wells in preparation for a continuous drilling program. Australis has permitted 17 wells in 12 new units in Amite County, Mississippi. Each permit authorises Australis to drill a well within a 12-month period and establishes the Company as operator of record for each permitted drilling unit. Once a well has been drilled and the associated production unit formed, Australis can subsequently apply for multiple well permits in each unit. The Company's base case assumption is for a further 7 wells within each production unit, with an upside of 9 more locations depending on ultimate spacing to maximise oil recoveries. Australis will continue to permit additional wells in both existing and newly formed drilling units to provide flexibility and contingency for its planned drilling activities.

TMS INITIAL DRILLING PROGRAM

As previously advised, Australis commenced drilling operations on the Bergold 29H-2 in late September with the Nabors B-14 drilling rig. 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. It is contracted for a six well program with the provisions to extend. This initial drilling program will extend throughout most of 2019 and is planned to comprise of between 6 to 10 wells. The objectives of the program are as follows:

- to repeat the productivity results and drilling times achieved by Encana for the wells within the TMS Core in 2014 but at a 2018 cost base;
- demonstrate the single well economics of the TMS Core acreage and lift the overall value of the core play;
- convert further acreage to HBP status; and
- to significantly increase field cashflow.

Figure 3: Nabors B14 on the Stewart/Bergold location during rig up

A general update on current progress is provided below.

a) **Drilling:** The first 2 wells of the program, Stewart 30H-1 and Bergold 29H-2, have both been drilled to a depth of approximately 11,650 ft feet and casing set on the intermediate holes. The rig is now ahead of schedule and has commenced horizontal drilling on the production hole section of the Stewart 30H well. (See Figure 3)

b) **Completion:** The frac pond has been constructed and Australis has tendered for frac services and has contracted a preferred and alternative service provider.

c) **Production:** Following successful completion of the two wells, production will commence in pairs with a total spud to production results (IP30) estimated lead time of around 5-6 months.

d) **Austin Chalk:** Both the Stewart 30H-1 and the Bergold 29H-2 intermediate hole sections penetrated the Austin Chalk reservoir section and mud log shows C1 to C5 were observed. Positive early indications are consistent with previous wells drilled in the area, Whilst encouraging, further analysis and data gathering will be needed on future wells before resources or reserves can be attributed to this horizon.

Figure 4 below shows the locations and drilling trajectories of the planned initial four wells of the program, which are fully permitted and which will be drilled proximal to Lawson 25-13H, a highly productive well operated by Australis which produced over 300,000 barrels of oil in the first 24 months.

Initial wells are being drilled in pairs from the same surface pad, reducing rig move time and costs and allowing for efficiencies with completion activities. The Taylor/Williams surface location is now prepared and the spudder rig has commenced drilling the top hole sections.

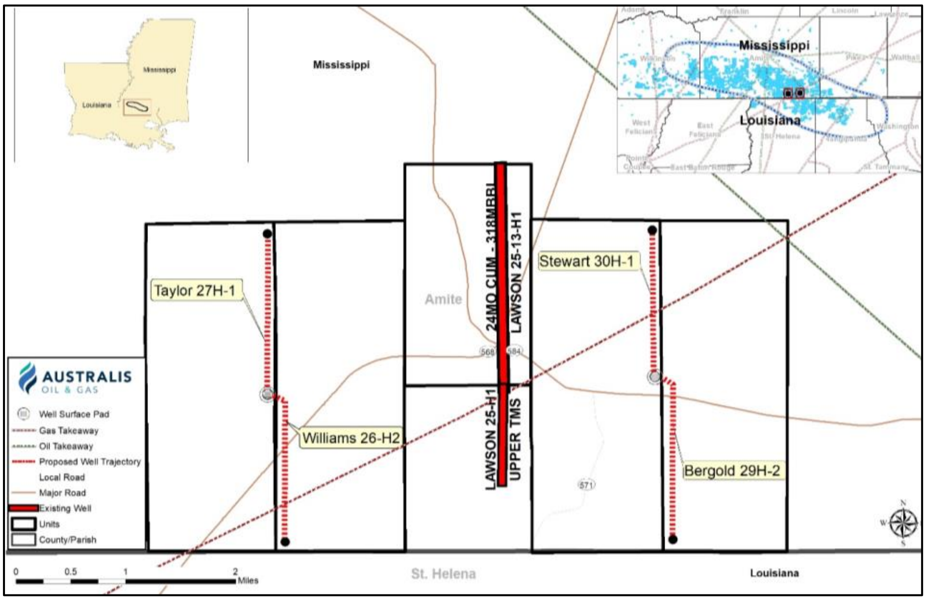

Figure 4: Well and Drilling Unit layout for first 4 wells of Australis TMS Development program

TMS PRODUCTION OPERATING PERFORMANCE

Australis achieved WI sales (before royalties) of US$9.1 million for the quarter, and a Field Netback of US$5.1 million. The higher sales revenue this quarter was attributable to a higher realised oil price of US$75/bbl compared to previous quarters.

Australis continues to benefit from the high quality of crude produced in the TMS and the geographical proximity to the Gulf Coast. This allows sales of oil based on the LLS benchmark, which currently trades at a premium to WTI of over US$6/bbl.

The Australis production operations team has focussed this year on completion design during workovers of producing wells and this resulted in improved downtime rates over this quarter and reducing operating costs. The company plans to continue to implement these changes on future workovers.

The following table summarises the TMS oil sales and Field Netback for Q3, Q2 and YTD 2018.

	3rd Quarter 2018			2nd Quarter 2018			YTD 2018		
	bbls	US$MM	US$/bbl	bbls	US$MM	US$/bbl	Bbls	US$MM	US$/bbl
Sales (WI)	121,000	$9.1	$75	125,000	$8.7	$69	376,000	$26.2	$70
Net Sales (NRI)	97,000	$7.3	$75	102,000	$7.0	$69	304,000	$21.2	$70
Field Netback		$5.1	$42		$4.0	$32		$12.6	$34

Net sales represents WI sales after deduction of royalties.

FINANCE AND CORPORATE

Cash and Capital

At 30 September 2018, cash on hand totalled US$41 million compared with US$43 million at the beginning of the quarter.

The US$75 million credit facility with Macquarie Bank Limited remained undrawn during the quarter as the initial drilling expenditure to date has been funded from Australis' cash reserves.

Hedging

Consistent with our focus on ensuring balance sheet stability, the Company continues to hedge future production to protect against lower oil prices, whilst retaining partial exposure to higher oil prices through a costless collar instrument. The following hedges were in place as at the date of this report:

Australis Hedge Position - WTI Collars			
Hedge Period	**Volumes**	**WTI Put**	**WTI Call**
	bbls	**US$/bbl**	**US$/bbl**
Q4 2018	65,000	55	72
H1 2019	120,000	55	68
H2 2019	110,000	55	88
H1 2020	65,000	55	82
H2 2020	30,000	55	77
H1 2021	7,000	55	73

LUSITANIAN BASIN – PORTUGAL

Australis is seeking to move to the scoping phase of the Environmental Impact Assessment "EIA" for each concession area and in parallel has commenced the initial baseline EIA analysis at each surface location. Australis is interacting with all relevant stakeholders in the local and federal governments.

In preparation for drilling Australis has purchased surface land locations to permit drilling to take place. Australis awarded an engineering contract to develop a detailed drilling program for both proposed concessions.

Ends

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ABOUT 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.

TMS Assets & Background

Australis holds 110,000 net acres within the production delineated core of the oil producing Tuscaloosa Marine Shale. The map below is a representation of the acreage position that Australis holds within the TMS Core. The black outlined areas delineate the drilling units in which the initial four wells are currently being drilled (see Figure 5 below).

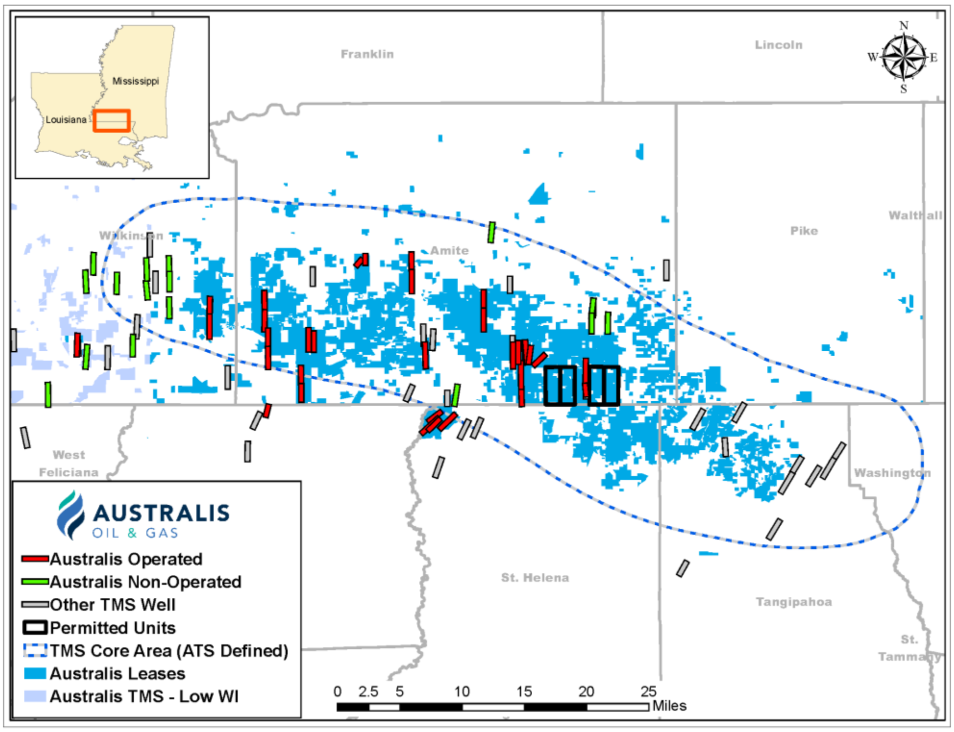

Figure 5: Overview of the TMS Core and Australis approximate lease hold position

The Tuscaloosa Marine Shale is a Cretaceous shallow marine unconventional shale that is present across central Louisiana and southwest Mississippi. The play is the same geological age as the Eagle Ford Shale in South Texas and the Woodbine Shale in East Texas.

The play is deep, high pressured and oil weighted. As experienced in most unconventional plays, early results demonstrated variable production performance and relatively high well costs, driven by operational difficulties encountered whilst drilling and completing the wells. The activity that did take place however, delineated a relatively small core area of the play where production results were consistent and comparable to other, far more developed, unconventional plays such as the Eagle Ford and the Permian. This area is shown in the blue oblong in Figure 5 above and represents

Australis' interpretation of the TMS Core.

These circumstances and the 2014 fall in commodity price generated the opportunity for the two low cost acquisitions by Australis in the play and for an ongoing cost-effective leasing program where longer lease life is targeted together with improved commercial terms. Australis has remained very disciplined and focused only within the production delineated TMS Core.

The appraisal activity by Encana and other participants in the TMS during 2013/2014 also addressed many of the operational challenges were initially experienced. Costs and performance repeatability were improving, and activity levels were increasing during 2014 until evolution in the play was interrupted by the oil price drop in late 2014. As a direct result, Australis' current operations are the first drilling activity has occurred since the beginning of 2015. Consequently, none of the numerous industry improvements that have continued to drive forward the economics of other unconventional plays during this extended period of lower oil price have yet been applied to the TMS.

In September 2017, EOG announced that it had drilled and completed an Austin Chalk well, approximately 40 miles to the south west in Louisiana. The results of this well have led to an active leasing program by many US independent oil and gas companies including EOG Resources, ConocoPhillips and Marathon Oil. This leasing activity has now moved into the Australis TMS Core and ConocoPhillips has permitted 23 units in the East and West Feliciana Parishes, over the Louisiana border immediately to the south of the Australis position. ConocoPhillips spud an Austin Chalk well in East Feliciana on 17th October, 2018.

Portugal Assets

In September 2015 Australis was awarded two onshore exploration concessions in the Lusitanian Basin (known as the Batalha and Pombal Concessions). The concessions cover a total area of 620,000 acres, are in the exploration phase and are presently in the third of an eight-year valid term. They have a modest minimal commitment work program in the first three years. The Concessions are shown in Figure 3 below and are located to the north of Lisbon.

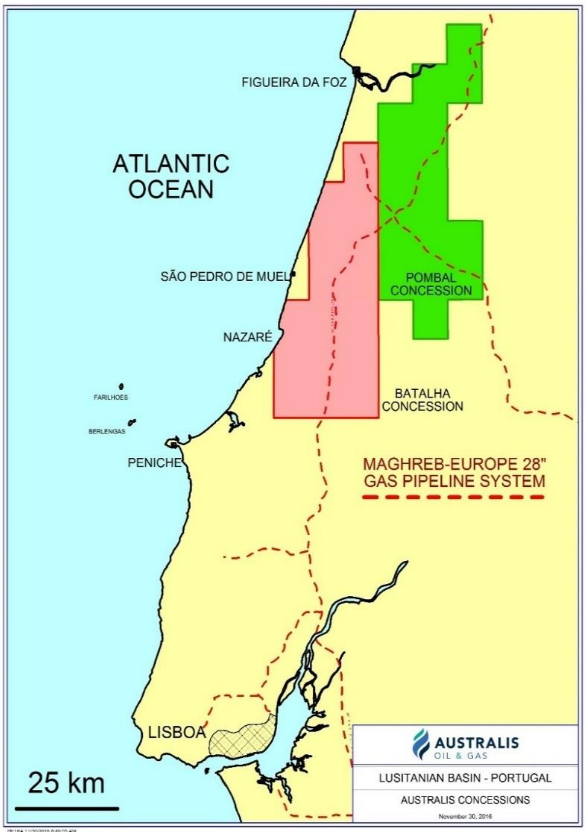

Figure 6: Overview of the Batalha and Pombal Concessions in the Lusitanian Basin

Australis has purchased from the Portuguese Government, at nominal cost, aeromagnetic data interpretation study, exploration well logs and 2D seismic lines across both concessions as well as a 3D survey that covers part of the Batalha concession. Australis activity during the first year of the concessions broadly consisted of data review and analysis of the 2D and 3D seismic[5] and other existing information relating to prior wells.

This has allowed us to define a large gas discovery in the Jurassic formations and to identify likely production mechanisms that contributed to the observed 2-3 MMscf/d from the discovery wells. Furthermore, Australis now has a preferred well design to achieve commercial flow which would allow the net 2C contingent resource of 459 Bcf[3] be reassessed as a reserve.

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**	Standard cubic foot of gas
/d	Suffix – per day	**Bcf**	Billion cubic feet of gas

Term	Definition
TMS Core	The Australis designated productive core area of the TMS delineated by production history
WI	Company beneficial interest before royalties
Net or NRI	Company beneficial interest after royalties or burdens
C	Contingent Resources (1C/2C/3C equivalent to low/most likely/high)
NPV(10)	Net Present Value (@ discount rate)
EUR	Estimated Ultimate Recovery of a well
WTI	West Texas Intermediate oil benchmark price
LLS	Louisiana Light Sweet oil benchmark price
D, C&T	Drill, Complete and Tie - in
2D/3D	2 and 3 dimensional seismic surveys
Opex	Operating Expenditure
HBP	Held by production – within a formed unit a producing well meets all lease obligations within that unit. Primary term remains valid whilst well is on production.
PRB	Probable Reserve or 2P Reserves
PDP	Proved Developed Producing Reserves
PDNP	Proved Developed Not Producing Reserves
PUD	Proved Undeveloped Reserves
Net Acres	Working Interest before deduction of royalties or burdens
Field Netback	Oil and gas sales net of royalties, production and state taxes, inventory movements, field based production expenses but excludes depletion, depreciation and hedging gains or losses
IP30	The average oil production rate over the first 30 days of production once the well has cleaned up.
TMS Type Curve	Refer to the Appendix of the Australis Corporate Presentation

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.
3. The Portugal Concession estimates have been taken from the independent Netherland, Sewell & Associates report, effective 31 December 2016 and announced on 25 January 2017 titled '2016 Year End Resource Update'. 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). 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.
4. 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.
5. 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").

Non-IFRS Financial Measures

References are made within this report to certain financial measures that do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS). Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non–IFRS financial measures. Field Netback, as defined within the Glossary, is a Non-IFRS financial measure commonly used in the oil and gas industry. Non-IFRS financial measures used by the Company, including Field Netback, may not be comparable with the calculation of similar measures by other companies.

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.