

Company Update

Australis Oil & Gas Limited (“Australis” or the “Company”) provides the following corporate update on the Company’s Tuscaloosa Marine Shale (“TMS”) project and current financial position, including a summary of amendments to its secured credit facility (“Facility”) with Macquarie Bank Limited (Macquarie).

Highlights

- **Reduced debt balance by US\$10 million to US\$23 million on 3 April 2020**
- **Oil Hedge position valued at US\$8.7 million as at 31 March 2020**
- **Restructure of the Facility including waiver of certain financial covenants to the end of 2020**
- **Implemented further significant reductions in G&A and operating costs**

Market Update

The impact of COVID-19 on global demand for oil, coupled with the announced increase in the supply of oil from Saudi Arabia and Russia, has led to a dramatic decline in benchmark oil prices. In response to the uncertain macro environment, Australis acted swiftly to ensure the health and safety of staff and contractors, as well as managing cash flows. Commencing early in the year these actions included:

- 1) Implementation of strategies and practices directed towards protecting staff and contractors from the transmission of COVID-19;
- 2) Further oil hedges added in February with a protected WTI price above \$50/bbl;
- 3) Immediate cessation of all land leasing and other capital expenditure;
- 4) A restructure of the Facility via a US\$10 million repayment of debt (reduced Facility balance to US\$23 million) and the waiver until year end of financial covenants impacted by oil price;
- 5) A significant reduction in G&A including staff rationalisation and material reductions in all KMP cash salaries; and
- 6) Field production being managed relative to hedge positions to maximise returns for the Company.

More recently as US gulf coast area oil inventory levels continue to increase, all local pricing differentials, including the LLS (applicable to Australis crude) which has historically traded at a consistent premium to WTI, have been negatively affected by the limited remaining storage capacity. Australis is monitoring this closely and will continue to manage production rates as required.

Financial Position

The balance sheet remains in a stable position:

- 31 March cash position of US\$14 million, reduced to US\$4 million following the US\$10 million debt repayment on 3 April;
- US\$23 million in drawn debt after the 3 April repayment; and
- Netbacks from operations including hedges adequately fund projected G&A and financing costs for 2020.

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Macquarie – Facility Restructure

Although in compliance with all financial covenants, Australis undertook a review of the Facility with the intention of reducing debt levels and supporting Facility compliance due to the unprecedented impact of COVID-19 on the financial and oil markets. A pre-emptive restructure of certain terms of the Facility has been agreed with Macquarie enabling the immediate reduction of US\$10 million of outstanding debt, the cancellation of the US\$40 million available but undrawn debt and the waiver of key covenants for the remainder of 2020.

The Facility was originally designed for short term utilisation to fund the execution of the initial drilling program constituting 6 to 10 wells in the TMS, with debt capacity to fully fund the program. In light of present market conditions, Australis' strategic priority is maintaining balance sheet headroom to manage and maintain our significant TMS assets until conditions improve and/or partners are introduced. Accordingly, access to additional debt funding for the purpose of drilling wells is not part of our immediate strategy.

The key amendments implemented are as follows:

- immediate principal repayment of US\$10 million from existing cash reserves to bring the debt balance down to US\$23 million, thereby reducing interest payments by 30%;
- no other amortisation payments required to be made until 31 December 2020 (Facility repayment remains due May 2023);
- waiver of the key financial covenant relating to reserve valuation until 31 December 2020, providing protection from short term low oil prices; and
- removal of undrawn debt availability and associated standby fees.

Importantly, Australis retains the ability, without penalty, to refinance or repay the entire Facility at any time.

Oil Hedged Position

As previously announced, Australis has a strong forward hedge book consisting of 413,000 barrels from 1 April 2020 through to early 2023 at a floor price ranging from WTI US\$51 to US\$55 per bbl. The hedge book is front ended with 236,000 bbls hedged for the remainder of 2020 at an average WTI price of US\$52 per bbl. This amounts to in excess of 70% of Australis' expected net production in 2020 and over 80% of expected net production to mid-2020. The indicative mark-to-market value of the hedge book based on futures pricing as at 31 March 2020 was US\$8.7 million.

TMS Operations, G&A and KMP cost reductions

At the beginning of 2020 Australis advised it had taken steps to reduce its G&A costs by 20%. Due to the weakening market conditions additional substantial reductions have been made throughout the first quarter reducing expected overhead by an additional 40%. Measures include:

- All Directors have agreed to take part of their remuneration in equity, which will be subject to shareholder approval. The key reductions in cash remuneration are as follows;
 - Chairman forgoing 100% of his cash fees;
 - Non-executive directors forgoing 50% of their cash fees; and
 - CEO and CFO forgoing 52% and 48% of their base cash salaries, respectively.
- Headcount reduction through permanent and temporary layoffs and salary reductions throughout the Company's workforce.

Further, as Operator of approximately 95% of its production, and with a strong hedge book, net production volumes can be managed during periods of low pricing or in the event of reduced demand due to oil storage capacity restrictions.

2020 Annual general Meeting

Due to the extraordinary prevailing circumstances, the Company has elected to take advantage of the dispensations offered and will hold the Company's AGM during June. Arrangements will be made to hold this meeting remotely. As details are finalised a Notice convening the meeting will be forwarded to shareholders.

Australis Managing Director, Ian Lusted, commented "These are unprecedented times and we have had to make difficult decisions related to valued members of our team in order to minimise forward cash costs. Remaining staff, management and Board have agreed to reduced cash compensation. The Company remains able to meet all obligations and through a constructive dialogue with Macquarie, we have altered the Facility in recognition of the current high supply and low demand for oil. Management believes that present market conditions will help focus industry on the value of our asset as demand and supply come into equilibrium at a reasonable price point. We remain confident that we are well placed to take advantage of that in due course."

Ends

This ASX announcement was authorised for release by the Australis Disclosure Committee.

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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 62 MMbbl of 2P oil reserves (including 3.5 MMbbl producing reserves providing net free cash flow)¹ as well as 130 MMbbl of 2C contingent oil resource¹. 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.

Forward-looking information:

This announcement contains certain forward-looking statements and opinion. Generally, words such as "forecasts", "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements. The forward-looking statements, opinion and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, including projections, forecasts and estimates, are provided as a general guide only and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Australis. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward looking statements or other forecast.

Notes:

1. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2019 and generated for the Australis concessions to SPE standards. See ASX announcement released on 11 February 2020 titled "Reserves and Resources Update Year End 2019". 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.