

30 January 2018

## Reserve and Resource Update Year end 2017

**Australis Oil & Gas**  
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 over 47 million bbls of 2P reserves including 4 million bbls producing reserves providing free cash flow as well as 98 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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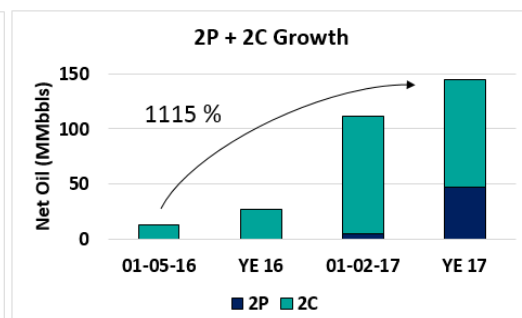
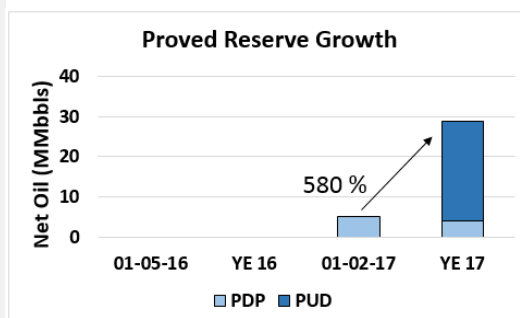
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### Australis commences the conversion of resource to reserve as next phase of business strategy

Australis Oil and Gas Limited is pleased to provide the market with an update to our reserve and resource position in the Tuscaloosa Marine Shale ("TMS"), based on the development of approximately 35% of our 95,000 acre position, as independently assessed by Ryder Scott Company with an effective date of 31 December 2017<sup>1</sup>.

- Existing producing wells have a PDP of 3.93 MMbbls and PDNP of 0.17 MMbbls and a combined NPV(10) of US\$79.5 million.
- Ryder Scott have provided the following net (after royalties) oil reserve estimates based on assessment of ~35% of undeveloped core TMS acreage:
  - 1P – 28.90 MMbbls
  - 2P – 46.58 MMbbls
  - 3P – 60.18 MMbbls
- In addition, Ryder Scott estimated the following net contingent resources based on the remaining undeveloped acreage in the core:
  - 1C – 8.87 MMbbls
  - 2C – 98.05 MMbbls
  - 3C – 177.76 MMbbls
- Australis believes that these remaining contingent resources will transfer to reserves when assessed for development, subject to prevailing oil price. The total acreage was only partially assessed for reserves due to an assumed modest drilling program within a 5 year development timeframe.



(see notes 1-4)

## Tuscaloosa Marine Shale

In February 2017, as preparation for our disclosure on the Encana acquisition, Ryder Scott prepared a PDP reserve estimate for the existing production being acquired. As there were no immediate plans for development due to the low oil price and consistent with our business strategy of consolidating the position under those circumstances Ryder Scott prepared a contingent resource estimate for the undeveloped acreage within the production delineated core of the TMS (then 81,000 net acres). As at 31 December 2017 our net acreage position had increased to over 95,000 acres and the Company achieved an effective oil sales price in the preceding month of US\$62/bbl, generating a strong economic case for commencement of drilling activity.

Therefore, in addition to assessing the PDP of the 48 producing wells, of which one was shut in awaiting remedial operations scheduled for January 2018, the Company requested that Ryder Scott evaluate the reserve estimate for a modest development program, starting with 1 rig in mid-2018, moving to 3 rigs in 2019 and then moving to 4 rigs for the period 2020 – 2022, which conforms to the 5-year evaluation timeframe prescribed by the SPE Petroleum Reporting Management System. Using conservative assumptions on drill times, this corresponded to the drilling and completion of 126 total well locations within the TMS and to approximately 35% of our core undeveloped acreage. Ryder Scott deemed all locations that they evaluated for development to be commercial and they allocated the following reserves and resources to the Australis TMS position.

Reserve and Resource Category	Total Oil (Mbbls)	Net Oil (Mbbls)
<b>Reserves Estimate</b>		
Proved Developed Producing (PDP)	6,521	3,927
Proved Developed Non-Producing (PDNP)	225	166
Proved Undeveloped (PUD)	39,589	24,810
<b>Proved Reserves (1P)</b>	<b>46,335</b>	<b>28,903</b>
Probable Developed Producing	698	401
Probable Developed Non-Producing	23	17
Probable Undeveloped	31,505	17,263
Probable Developed and Undeveloped Reserves (PRB)	32,226	17,681
<b>Proved + Probable Reserves (2P)</b>	<b>78,561</b>	<b>46,584</b>
Possible Developed Producing	803	469
Possible Developed Non-Producing	29	21
Possible Undeveloped	24,898	13,105
Possible Developed and Undeveloped Reserves (POS)	25,730	13,595
<b>Proved + Probable + Possible Reserves (3P)</b>	<b>104,291</b>	<b>60,179</b>
<b>Contingent Resource Estimates</b>		
Low Estimate (1C)		8,865
Best Estimate (2C)		98,045
High Estimate (3C)		177,755

Key assumptions used by Ryder Scott to generate these estimates were as follows:-

- Reserves and contingent resources estimates were based on the deterministic estimation method.
- The oil price used for all reserve analysis was a flat realised price of US\$62.07/bbl, which is based on our achieved sales price in December 2017.
- Operating costs were based on 2017 actuals, with a recognition of efficiencies that are expected with increased scale of activities.
- The existing PDP and PDNP estimates were based on production from 32 operated and 16 non-operated wells (25.4 net wells). They had a combined NPV(10) of \$79.5 million (pre tax).
- Proposed future locations were allocated a reserve category based on proximity to existing wells and production.
- The 5 year development plan, starting with 1 rig in mid 2018, 3 rigs in 2019 and then running 4 rigs beginning in 2020, evaluated 126 total well locations and all were deemed commercial. The development plan assumed 8 wells per standard development unit and approximately 250 acre spacing. This represents approximately 35% of the Australis core undeveloped acreage.
- Anticipated well costs ranged from US\$9.7 to US\$12.7 million, depending on well length and whether a well was the first or a subsequent well on a given pad or unit.
- Type curves were based on historical production data.
- Average royalty payable on future well locations allocated a reserve in this report was 20.6%.
- Well horizontal length ranged from 6,900ft to 10,100ft horizontally, depending on unit size. Type curves were normalised to horizontal length.
- Contingent resources were only estimated for areas not included in the reserve analysis. The 1C contingent resources were limited to any unit offsetting existing TMS wells that were not considered for reserves, the 2C and 3C considered all of the undeveloped acreage within the core area, but used different estimates of in place and recovery efficiencies.
- No gas sales were assumed as all gas is consumed on the lease, therefore neither gas or gas liquids have been included in the reserves or resource estimates.

## PDP reconciliation

The following table provides a reconciliation of net PDP reserves between 1 February 2017 and 31 December 2017

Description	Net Reserve Estimate (Mbbbls)
PDP Reserve (1/2/17) <sup>7</sup>	4,978
Net Production (1/2/17 – 31/12/17)	(499)
Technical Adjustment	( 386)
PDP + PDNP Reserve (31/12/17)	4,093

The Technical Adjustment is primarily due to future performance revisions influenced by a combination of downtime on wells (mostly due to tubing and rod corrosion failures) and the associated remedial Opex from corrective workovers and anti-corrosion measures. The underlying issues have been addressed and Australis is confident the workover frequency will diminish through 2018.

## Contingent Resource reconciliation

The following table summarises the change in contingent resource estimated on 1 February 2017 and 31 December 2017.

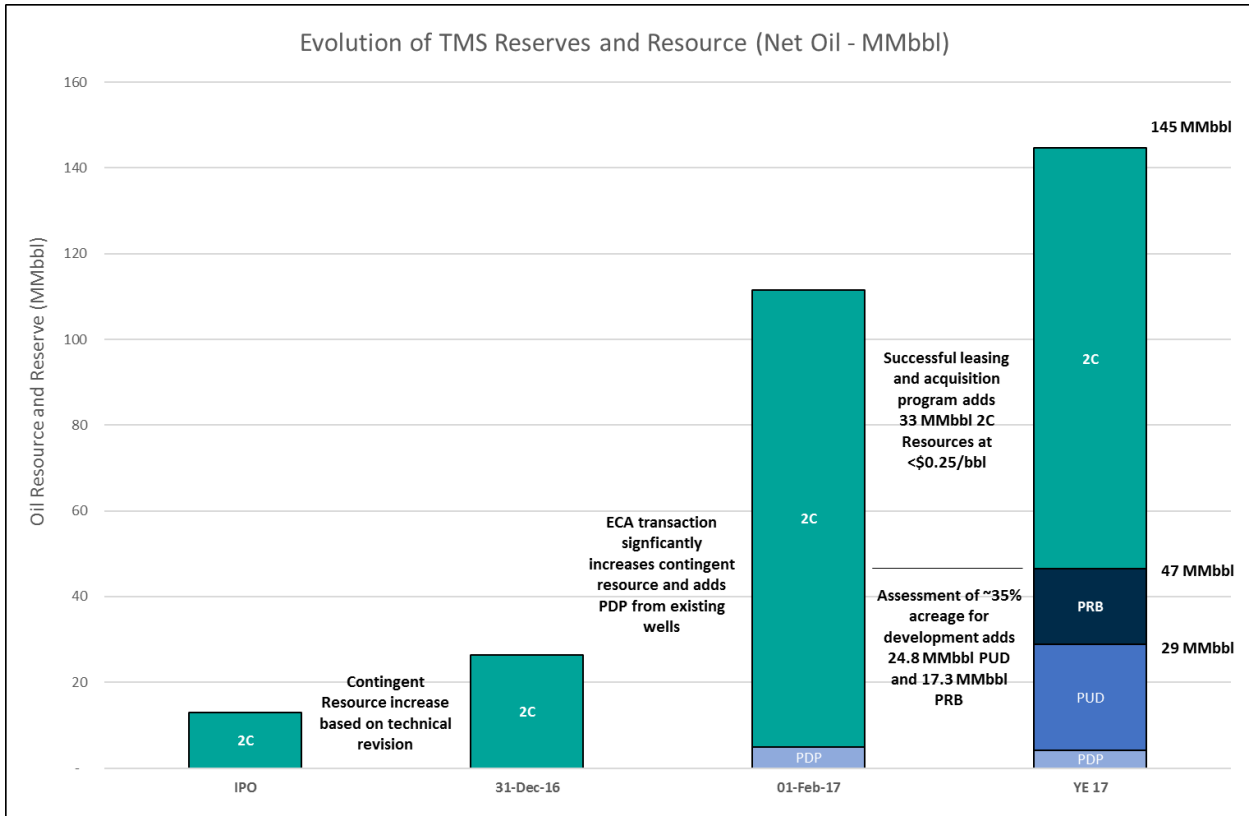
Description	Contingent Resource 1 Feb 2017 <sup>4</sup> (MMbbls)	Contingent Resource 31 Dec 2017 <sup>1</sup> (MMbbls)
Low Contingent Resource (1C)	34.6	8.9
Most Likely Contingent Resource (2C)	106.6	98.0
High Contingent Resource (3C)	181.0	177.8

Whilst a detailed reconciliation is not possible, the following key factors contributed to the changes in contingent resource.

- Between the two dates Australis increased its net acreage position in the TMS core from 81,000 net acres to 95,000 net acres.
- The assessment and allocation of reserves to certain areas has reduced the acreage available for allocation of contingent resource.
- There have been some minor changes made by Ryder Scott to the reservoir and recovery factors used to generate the 31 December 2017 figures.

## Resource and Reserve evolution

The successful implementation of the Australis business strategy of using the period of lower oil prices to accumulate oil in the ground at accretive prices and only initiating development when oil prices recovered, has led to an accumulating contingent resource. This update by Ryder Scott reflects the impact as acreage is assessed for development, leading to the transfer between contingent resource and reserves. The chart below represents the chronological evolution in our most likely and P50 reserves/resource base since our IPO, reflecting the progression of the Company strategy.



## Portugal

On 25 January 2017 Australis provided an updated Contingent and Prospective Resource estimate to the market completed by NSAI<sup>5</sup>. Whilst Australis has carried out a number of technical worksopes during 2017, the Company is not aware of any information that would influence these estimates and therefore they were not updated at year end. For ease of reference the Aljubarrota gas discovery Contingent Resource estimates are shown below:

	Low Estimate 1C (Bcf)	Best Estimate 2C (Bcf)	High Estimate 3C (Bcf)
Net Contingent Resource <sup>8</sup>	217.4	458.5	817.7

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## GLOSSARY

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

Unit	Measure
Gross or WI	Company beneficial interest before royalties or burdens
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.

### Notes

- All estimates have been taken from the independent Ryder Scott report, effective 31 December 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.
- Contingent Resources estimated with an effective date 1 May 2016 are taken from Section 8 (Technical Experts Reports) of the Company's prospectus dated 29 June 2016 and is available on the company website.
- Contingent Resources estimated with an effective date 31 December 2016 are taken from the independent Ryder Scott report dated 23 January 2017 and announced on 25 January 2017 and titled '2016 Year End Resource Update'.
- Contingent Resources and Reserves estimated with an effective date 1 February 2017 are taken from the independent Ryder Scott report dated 7 February 2017 and announced on 28 February 2017 and titled 'US Shale Acquisition and A\$100 Million Placement'.
- All 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.
6. 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.
  7. This PDP estimate is taken from the independent Ryder Scott report, effective 1 February 2017 and announced on 28 February 2017 titled 'Australis agrees transformational US shale acquisition'. 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).
  8. Australis holds a 100% working interest in the Batalha and Pombal Concessions, however this interest is subject to a 3% working interest option granted to a contractor and the Net estimates provided by NSAI are prepared with the assumption that this option has been exercised. The Net estimates provided by NSAI also make an allowance for royalties payable to the Portuguese government. The actual royalties payable by Australis are detailed in Article 51 of Decree Law nr 109/94 of the 26<sup>th</sup> April, 1994 and Article 19.2 of each concession contract. For oil there is a staged royalty of between 0 and 9% based on produced volumes and for gas there is a similar staged royalty of between 3 and 8% again based on produced volumes. As there is not a development plan and an associated production profile for either the contingent or prospective resource estimates, the royalty rate has been assumed to be 8 and 9% respectively.

### **Competent Persons Statement**

The reserves and contingent resource estimates provided in this announcement pertaining to the Tuscaloosa Marine Shale is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Miles R. Palke, P.E., who is an employee of Ryder Scott Company, L.P. an independent professional petroleum engineering firm. Mr Palke is a Professional Engineer in the State of Texas (Registration No. 94894). The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this announcement has been issued with the prior written consent of Mr Palke in the form and context in which it appears.

The reserves and contingent resource estimates provided in this announcement pertaining to the Tuscaloosa Marine Shale is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Raymond Yee, P.E., who is an employee of Ryder Scott Company, L.P. an independent professional petroleum engineering firm. Mr Yee is a Professional Engineer in the State of Texas (Registration No. 81182). The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this announcement has been issued with the prior written consent of Mr Yee in the form and context in which it appears.

### **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.