Key Activities & Highlights — 31 October 2019

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 independently assessed 50 million bbls of 2P reserves including 4 million bbls producing reserves providing free cash flow as well as 108 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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Well performance continues to highlight Tier 1 oil productivity

- The Stewart 30H-1 (well 1) has produced 162,838 bbls oil in its first 9 months (to quarter end), which is over 26% above the TMS Type Curve
- Bergold 29H-2, Taylor 27H-1, and Williams 26H-2 (wells 2, 3 and 4 of the IDP) continue to produce in line with expectations, i.e. at or above the TMS Type Curve on a normalised basis
- During October Quin 41-30 3H and Saxby 03-10 2H (wells 5 and 6) have been completed and have commenced flowback.

Strong operating performance and cash flow

- Strong production for the quarter of 198,000 bbls generated free operational cash flow, despite no new wells coming onto production during the period
- Sales of US$11.8 million for the quarter, and US$39.9 million for the year to date, 60% higher than YTD revenue this time last year
- Field Netback of US$31/bbl (US$38/bbl on a net basis) reflects strong operating performance despite lower oil prices

Funded with flexibility and control

- Cash position of US$19.9 million with debt outstanding of US$24 million as at quarter end. Additional debt of US$50 million provides Australis with financial capacity

Corporate strategy and next steps

- Strong productivity from both recent and historical wells verifies the underlying value of the lease position that Australis has accumulated within the TMS
- Australis's business strategy is based on a scarcity of Tier 1 oil inventory in the US and recent industry news has started to highlight this phenomenon
- Australis benefits from the long lease life and the field rules within the TMS providing the Company with considerable flexibility and control of pace of capital commitments for future drilling
- Whilst funded for further drilling activity in the play to add to the database of production history, the Company will be judicious in the timing of those wells based on market conditions

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q3 2019.

Key Metrics	Unit	Q3 2019	Q2 2019	Qtr on Qtr Change	YTD 2019
Core Land Position (Net)	acres	115,000	115,000	-	115,000
Net Oil (3P + 2C)[1,2]	MMbbls	206	206	-	206
Sales Volumes (WI)	bbls	198,000	235,000	(16%)	638,000
Average Realised Price	US$/bbl	$59.6	$66.8	(11%)	$62.5
Sales Revenue (WI)	US$MM	$11.8	$15.7	(25%)	$39.9
Sales Revenue (Net)	US$MM	$9.6	$12.8	(25%)	$32.7
Field Netback (WI)	US$MM	$6.2	$8.0	(23%)	$21.3
Field Netback / bbl (WI)	US$/bbl	$31	$34	(9%)	$33
Field Netback / bbl (Net)	US$/bbl	$39	$42	(7%)	$41
EBITDA	US$MM	$2.5	$4.0	(38%)	$9.7
Cash Balance (Qtr end)	US$MM	$19.9	$29.7	(33%)	$19.9
Debt Balance (Qtr end)	US$MM	$24.0	$20.0	20%	$24.0

TMS INITIAL DRILLING PROGRAM ("IDP")

Australis commenced the IDP in late Q3 2018, starting with a six-well commitment. The primary aim of the IDP is to demonstrate the value of over 200 million barrels of undeveloped oil reserves and resources (over 400 net well locations) owned by the Company in the TMS. The IDP contemplates the potential for drilling further wells, and preparation has been underway (title, road access, power and drilling pad construction) for future locations.

As at the date of this report 6 wells have been drilled and completed with wells 5 and 6 having recently commenced flowback.

Production results to date have been highly encouraging, validating the productivity and economic potential of the TMS Core area. The Stewart 30H-1, Taylor 27H-1 and Williams 26H-2 wells (wells 1,3 and 4) are all outperforming the TMS Type Curve (see definitions for composition of the TMS Type Curve) on a cumulative normalised basis (per lateral foot). The Bergold 29H-2 well (well 2) has also been outperforming the TMS Type Curve on a normalised daily production rate since it was put on artificial lift.

Figure 1 shows the cumulative oil production, on a normalised basis, of the three wells that have been on continuous production compared with the TMS Type Curve.

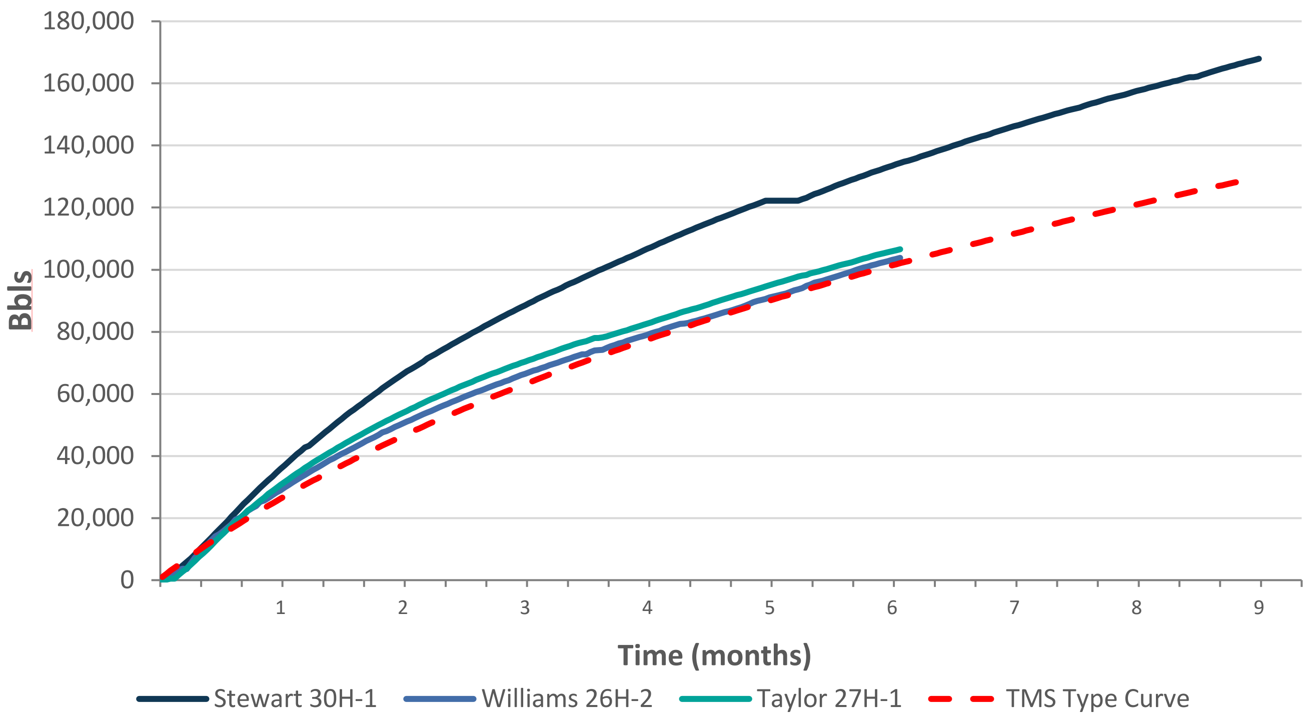

Figure 1: Cumulative oil production, normalised for horizontal length vs Type Curve

With the positive results achieved to date, Australis is pausing the IDP before progressing the program to drill well 7 onwards. During this time the operations team continues to consolidate the knowledge gained and lessons learned from wells 1-6 and will re-tender for providers of certain equipment and services to maximise the efficiency of drilling and completion execution for future operations. Whilst refinement to the engineered design of drilling operations in the TMS will continue, Australis can now demonstrate a solution to most of the historic TMS issues that have been encountered by previous operators as well as Australis.

Australis benefits from a modest drilling commitment profile in the TMS as a result of long lease life and the TMS field rules. This provides the Company with considerable flexibility and control on capital requirements. Australis has taken a prudent fiscal approach to the play and will continue to be conservative in its capital application decision making. The timing of a restart to the drilling program will therefore be dictated by market conditions, including oil price and the industry's receptivity to positive results being generated from existing and future wells. The Company is funded for and expects to drill further wells in the play to add to the supportive database of production history but will be judicious in the timing of those wells.

Program Status Summary

All drilling and completion operations in the quarter were completed without any material safety or environmental incidents. An update on the first 6 wells is set out below:

Well Name	Completed Lat Length (ft)	IP Date	30-day IP rate (bbl/d)	Cum Production to Sep 30 (bbls)	Cum. Production Normalised to Sep 30 ('000 bbls)
Stewart 30H-1	6,845	30-Dec-18	1,177	162,838	171,283
Bergold 29H-2	1,578	02-Feb-19	98	17,881	81,586
Taylor 27H-1	6,555	1-Apr-19	1,024	97,035	106,583
Williams 26H-2	2,566	1-Apr-19	361	37,008	103,841
Quin 41-30 3H	2,476				
Saxby 03-10 2H	4,825				

The Quin 41-30 3H and Saxby 03-10 2H wells were successfully fracced as planned with 9 and 17 stages respectively. Flowback has commenced on both wells and Australis will provide updates once IP30 data is available. During preparation for flowback the deepest four isolation plugs (out of a total of 16) set between stages were not removed from the Saxby well. The equipment remaining in the well has bypass that should allow oil to flow past it and therefore not affect production. Whilst completing wells 5 and 6, for the first time Australis introduced tracers which will allow monitoring of contribution from each stage of the well and provide additional data which will inform future completion designs.

TMS PRODUCTION AND OPERATING PERFORMANCE

Volumes for the quarter remained robust due to the consistent production achieved from the first four wells in the IDP, with total oil sales of 198,000 barrels (WI), an average of 2,150 bbls per day throughout the quarter, and an average of 2,330 bbls per day YTD. As there were no IDP wells commencing production during the quarter, oil sales were lower than the previous quarter.

Realised pricing was 11% lower during the quarter due to weaker commodity prices. The lower realised pricing and sales volumes together contributed to a reduction of sales revenue to US$11.8 million in the third quarter. Nevertheless, year-to-date revenue is US$39.9 million, which is 60% higher than this time last year.

Despite the lower realised pricing, Field Netback remained high due to a reduction in production and workover expenses over the quarter (on a per barrel basis). Field Netback was US$31/bbl on a working interest basis, and US$39/bbl on a net basis for the quarter. This realised netback is highly favourable when compared to other US onshore shale producers in the Permian and Eagle Ford Basins, due to the premium oil pricing achieved in the TMS and oil comprising 95% of hydrocarbon production. Figure 6 in the 'About Australis' section demonstrates the superior realised pricing and field netbacks achieved by Australis relative to other US onshore producers.

The following table summarises oil sales and Field Netback for Q3, Q2 and YTD 2019.

	3rd Quarter 2019			2nd Quarter 2019			YTD 2019		
	bbls	US$MM	US$/bbl	bbls	US$MM	US$/bbl	bbls	US$MM	US$/bbl
Sales (WI)	198,000	$11.8	$60	235,000	$15.7	$67	638,000	$39.9	$63
Net Sales (Net)	158,000	$9.6	$60	192,000	$12.8	$67	524,000	$32.7	$63
Field Netback (WI)		$6.2	$31		$8.0	$34		$21.3	$33
Field Netback (Net)		$6.2	$39		$8.0	$42		$21.3	$41

TMS LEASE POSITION

During the quarter, Australis continued to lease at accretive prices and extend the expiry profile of our Tier 1 acreage position. 86% of the TMS Core acreage is either HBP or has an expiry later than January 2021. This is important in the current environment as it provides Australis with timing flexibility for future capital commitment to convert acreage to HBP.

As the Quin and Saxby wells have commenced production, as at the report date the HBP position has now increased by 2,900 acres to 37,700 acres. This position will continue to grow as wells drilled in new units commence production. Figures 2 and 3 provide more detail on the expiry profile and location of the Core acreage position.

Expiration Year – TMS Core Net Acres

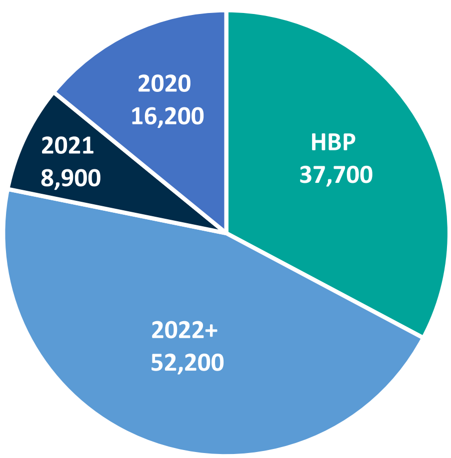

Figure 2: Expiration Year: Undeveloped Net Acres

Total TMS Core Net Acres

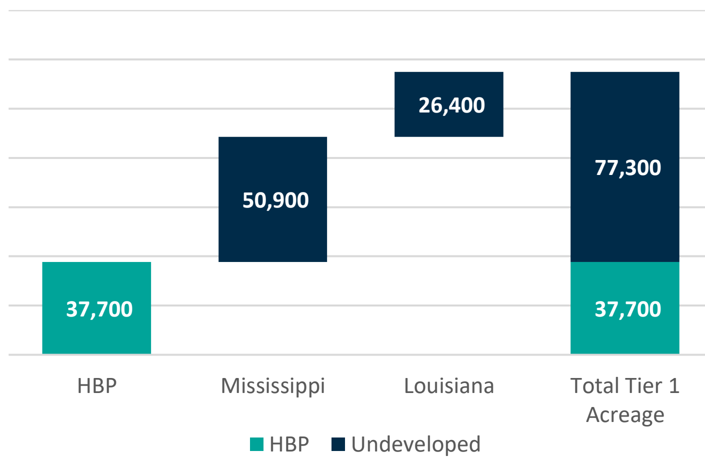

Figure 3: Australis TMS Core Net Acreage Position

Australis continues to permit additional wells in both existing and newly formed drilling units to provide flexibility and contingency for its planned drilling activities.

Figure 4 in the 'About Australis' section of the quarterly provides the latest map of the Australis acreage position.

FINANCE AND CORPORATE

Cash and Capital

At 30 September 2019, cash on hand totalled US$19.9 million.

Capital expenditure incurred during the quarter was US$19 million, comprising expenditure applied to the IDP and the land renewal and acquisition program. Capital expenditure was funded from a combination of field netback and the credit facility from Macquarie Bank Limited ("Macquarie").

During the quarter, Australis drew an additional US$5 million under the Macquarie facility and repaid US$1 million during the quarter (the first of the required quarterly amortisation payments required under the facility), leaving an outstanding balance of $24 million as at the end of the quarter.

As previously advised, Australis has access to an initial Tranche 1 credit amount of US$65 million (up from US$35 million) with $40 million remaining available for drawdown. Tranche 2 of the Facility, US$10 million, will become available following further well results.

Hedging

Consistent with the focus on balance sheet stability, the Company continues to hedge a portion of future production to protect against lower oil prices, whilst retaining partial exposure to higher oil prices through a costless collar instrument. During the quarter, the Company executed additional hedges, all swaps for the next 36 months protecting a WTI floor price of US$50-56/bbl. The following hedges were in place as at the date of this report:

Australis Hedge Position – Swaps and Collars					
Period	**Instrument**	**Volumes**	**WTI Swap**	**WTI Put[1]**	**WTI Call[1]**
		bbls	**US$/bbl**	**US$/bbl**	**US$/bbl**
Q4 2019	Swaps	23,000	56		
	Collars	89,000		54	79
H1 2020	Swaps	27,000	54		
	Collars	127,000		54	73
H2 2020	Swaps	62,000	52		
	Collars	30,000		55	77
H1 2021	Swaps	47,000	51		
	Collars	7,000		55	73
H2 2021	Swaps	34,000	51		
H1 2022	Swaps	15,000	50		
H2 2022	Swaps	7,000	50		

1. Based on weighted average price

AUSTIN CHALK

The Austin Chalk represents further upside to the Australis position but to date has not been included in any of the Company's reserve or resource estimates and the Company has been cautious in attributing any value to its prospectivity in the Company's leased areas. Australis owns Austin Chalk rights on the substantial majority of its leases and continues to lease at all depths.

The Austin Chalk sits above the TMS and all of the existing wells drill through the Chalk prior to landing horizontally in the TMS section. All Australis drilled wells have seen increases in oil and gas shows within the Austin Chalk and the Company continues to collect available data, including quad combo and acoustic imaging logging runs on the Saxby well, to help increase the understanding of this horizon. As each producing well typically holds all horizons above the TMS, the Company continues to add to the Austin Chalk HBP inventory with the IDP and increases our exposure to the zone, if it proves to be viable, without additional expenditure.

During the quarter some results were released by companies with an active chalk program to the south of the Australis lease area. They reported high water cuts with associated hydrocarbons and recently ConocoPhillips decided to withdraw from the area. Whilst the offset results are not encouraging, Austin Chalk as a play type has always been very localised in nature and further data is needed before those results can be extrapolated to our position. Australis is keen to compare the data gathered whilst drilling the TMS wells, in particular the Saxby log data, with information captured by the offset operators whilst drilling these Austin Chalk wells. This will allow us to assess prospectivity of the Austin Chalk within the TMS core area.

Drilling activity is continuing in the area, with Marathon Oil currently drilling a well further to the West.

LUSITANIAN BASIN – PORTUGAL

Having agreed the Environmental Impact Assessment (EIA) work scope for each concession area in Q2 2019, activities are now well underway. Additional base line studies on noise, traffic and vibration have been carried out. Our contract operator has produced detailed engineering plans to identify all phases of the operation and the required equipment needed, which has allowed the next phase of the EIA scope to be carried out.

The comprehensive program of work will ensure a complete and thorough analysis of any potential impacts of the planned operations and if required, any required mitigations will be identified and implemented.

Ends

Further Information:

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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' 115,000 net acres within the production delineated core of the oil producing TMS provides significant upside potential with a Company estimated 425 net future drilling locations, and an independently assessed 50 MMbbl of 2P oil reserves. This includes 4 MMbbl producing reserves providing net free cash flow, as well as 108 MMbbl of 2C contingent oil resource[1] (based on net acreage at the effective date of the report of 110,000 acres) and a further 9 MMbbl of 2C contingent oil resource[2] attributable to the 5,000 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 115,000 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.

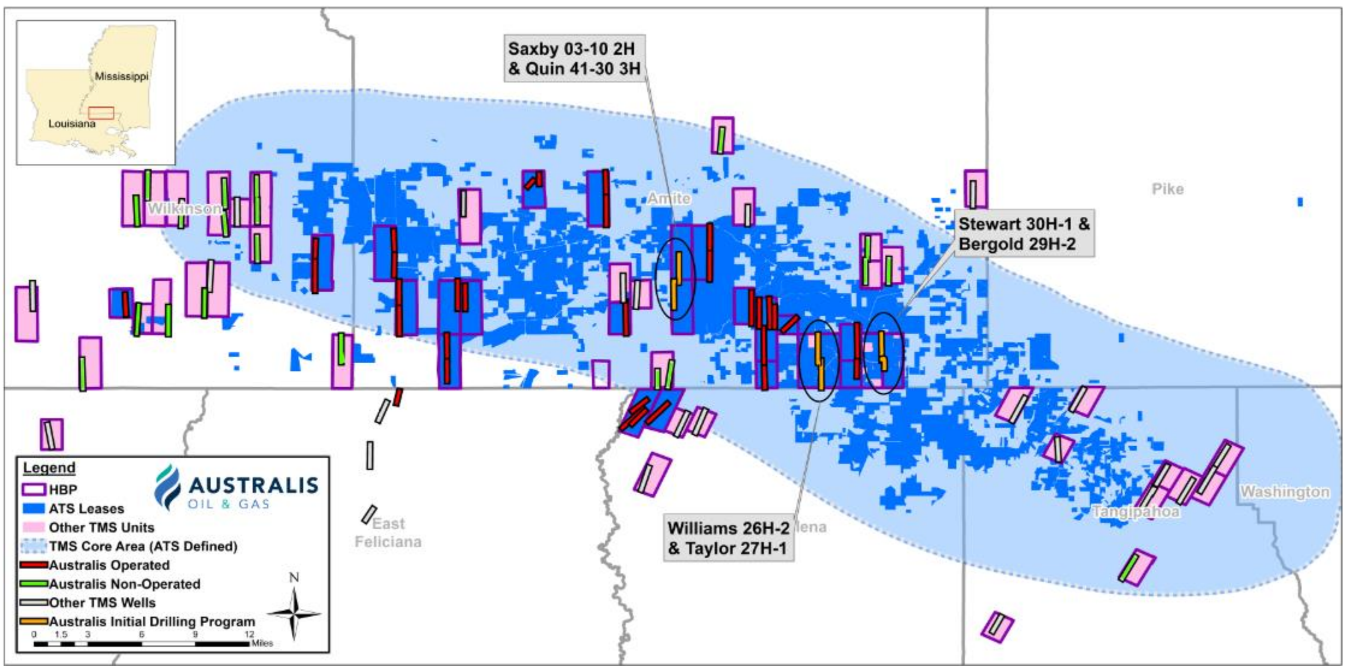

Figure 4: Overview of the TMS Core and Australis approximate lease hold position

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 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 4 above and represents Australis' interpretation of the TMS Core.

The comparison of the 2014 production results from the core of the TMS (the 15 wells drilled in the Australis TMS core leasehold area in 2014 and which comprise the TMS Type Curve) with other plays over a 24-month period is shown in Figure 5 below. Average TMS production in 2014 already exceeds wells drilled in 2017 in other established basins, without industry improvements being applied.

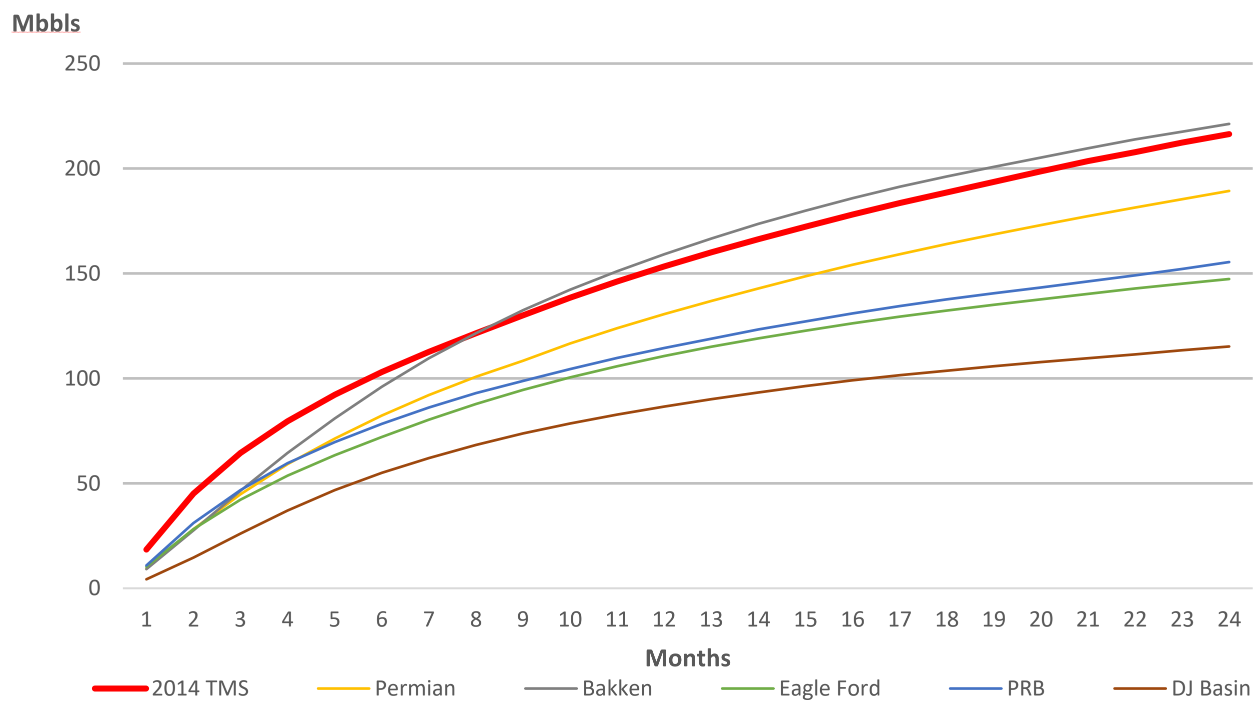

Figure 5: Average oil production of ATS 2014 TMS wells v 2017 wells in other basins[6]

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 that 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 that 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.

TMS Economics

In addition to the productivity as shown above, premium pricing and a high oil weighting continues to highlight the TMS as a Tier 1 development opportunity. TMS production is over 95% oil weighted, and the oil is a high quality light sweet crude that is sold at a premium to WTI at the Louisiana Light Sweet (LLS) Crude benchmark. This premium historical ranges between $3 to $7 per barrel. The higher realised pricing and oil weighting lead to very favourable netback performance when compared with operators in the Eagle Ford and Permian. Figure 6 provides a comparison of Australis realised pricing and netback (net) with a selection of major onshore producers in the Permian and Eagle Ford basins.

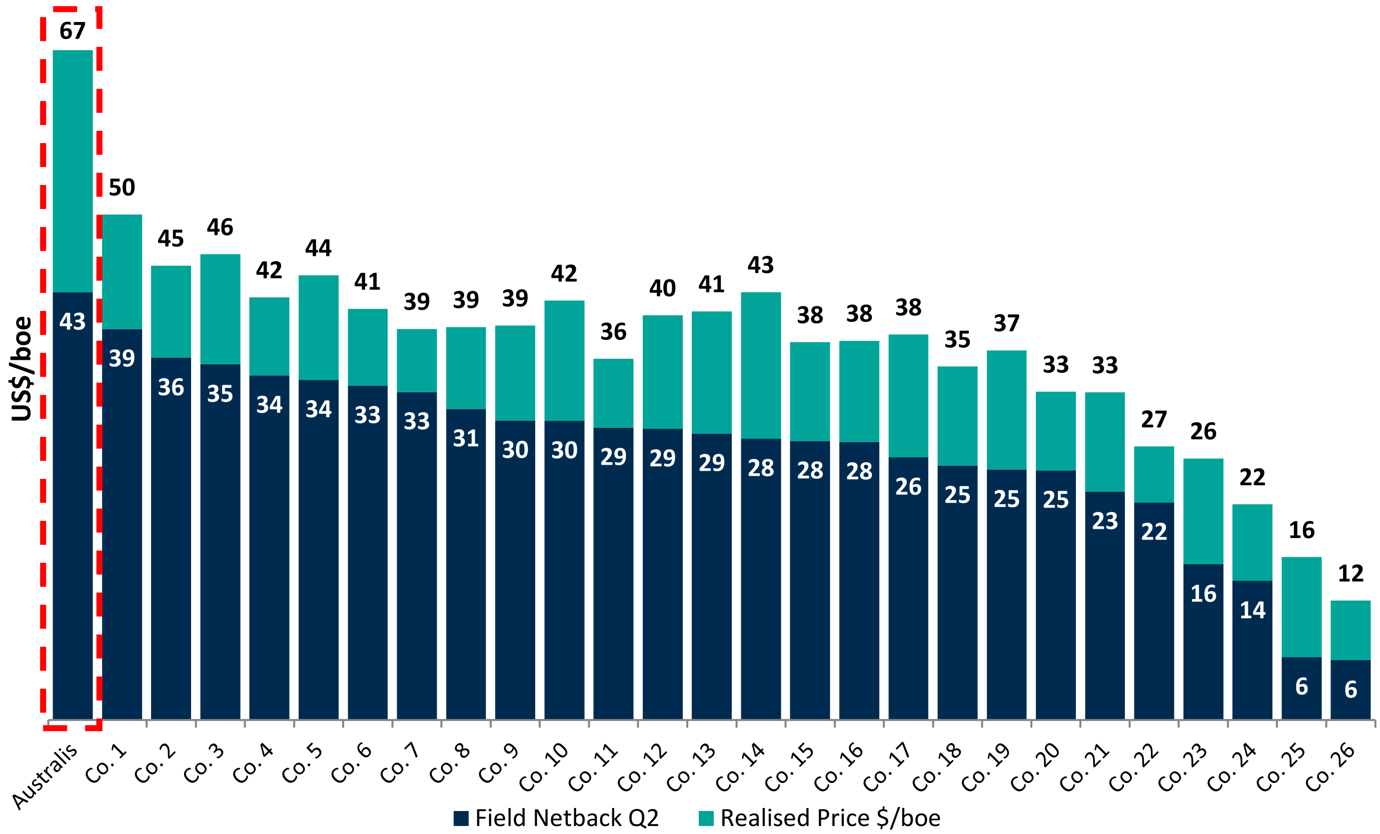

Figure 6: Australis Q2 Netback (net) v major onshore producers in Permian and Eagle Ford (US$/boe)[7]

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 at the beginning of the fourth year of an eight-year valid term. They have a modest minimal commitment work program in the first three years. The Concessions are located to the north of Lisbon.

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 the Company 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.

AUSTRALIS OIL & GAS

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
Royalty	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
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 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, hedging gains or losses, field based production expenses but excludes depletion and depreciation
EBITDA	Earning before interest, tax, depreciation, depletion, and amortisation expenses
IP30	The average oil production rate over 30 days of production following clean up
IP24	The peak oil production rate over 24 hours of production
TMS Type Curve	The history matched production performance of 15 wells drilled in the TMS by Encana in 2014. Corresponds to an average treated horizontal length of 7,200ft. Refer to the Appendix of the Australis Corporate Presentation
Normalised production	Actual well production data that has been normalised for treated horizontal length vs the TMS Type Curve. A measure of the productivity of the rock on a per foot basis.

Notes

1. The TMS estimates have been taken from the independent Ryder Scott report, effective 31 December 2018 and announced on 6 February 2019 titled 'Reserve and Resource Update – Year end 2018'. 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) as revised in June 2018. 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 effective 4 April 2019 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) as revised in June 2018. The analysis was based on methodology applied within the report prepared by Ryder Scott as at 31 December 2018 (See ASX announcement released on 6 February 2019 titled "Reserves and Resources Update Year End 2018"). 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 110,000 net acres. Maintaining the same average recovery factor, the additional 5,000 net acres is attributed a 2C Resource of 9 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").

6. Basin average oil production sourced from Shaleprofile.com "US Update Through January 2019"

7. Companies selected : APC, CDEV, CHK, CLR, CPE, CRZO, CXO, DDY, DVN, EOG, JAG, MGY, MTDR, MUR, OAS, PDC, PEY, PXD, QEP, RRC, SEA, SM, SWN, WLL, WPZ & ZEC

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.