Key Activities & Highlights 30 July 2020

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 62 million bbls of 2P reserves including 3.5 million bbls producing reserves providing free cash flow as well as 130 million bbls of 2C contingent resource[1].

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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As Operator, Australis has flexibility and control which has allowed the Company to manage production volumes and maximise returns during this period of volatility.

Operations Summary- 2nd quarter 2020

- Production from the field was voluntarily curtailed during the quarter to maximise netbacks during this low oil price period
- Sales volume totalled 66,000 barrels (WI)
- Field Opex costs were significantly reduced to US$7.87/bbl (-45% vs Q1)
- Oil price hedge revenue was US$2.69 million
- Australis generated
  - effective netbacks of US$63.81/bbl based on net production and the impact of hedging
  - EBITDA for the quarter of US$1.5 million and
  - an increase in the cash position to US$4.4 million following the 6 April debt repayment

Restructured debt facility

- A US$10 million credit facility repayment was made, reducing the outstanding balance to US$23 million with consequentially reduced interest payments
- Credit Facility standby fees were removed by cancelling the additional capacity of the facility
- A waiver of the credit facility's financial covenants was granted until year end

Business Development

- An active program is underway seeking potential partners to contribute to a forward program of acreage maintenance during this period of low oil prices and potential further drilling in an improved environment

Outlook

- Irrespective of oil price volatility, Australis cashflow remains well protected in the short term via its WTI hedge positions (valued at US$3.4 million at the end of the quarter) and the prompt actions to materially reduce Opex, G&A and eliminating discretionary Capex
- Safeguarding the TMS asset is the priority whilst continuing to explore strategic partner opportunities

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q2 2020

Key Metrics	Unit	Q2 2020	Q1 2020	Qtr on Qtr Change
Core Land Position (Net)	acres	110,000	115,000	(4%)
Net Oil (2P + 2C)	MMbbls	192	192	-
Sales Volumes (WI)	bbls	66,000[A]	170,000	(61%)
Average Realised Price[B]	US$/bbl	$26.2	$49.2	(47%)
Sales Revenue (WI)[C]	US$MM	$4.4	$9.2	(51%)
Sales Revenue (Net)[C]	US$MM	$4.0	$7.7	(47%)
Field Netback	US$MM	$3.4	$5.0	(31%)
Field Netback / bbl (WI)[C]	US$/bbl	$52	$29	78%
Field Netback / bbl (Net)[C]	US$/bbl	$64	$36	79%
EBITDA	US$MM	$1.5	$2.8	(45%)
Cash Balance (Qtr end)	US$MM	$4.4	$13.9	(69%)
Debt Balance (Qtr end)	US$MM	$23.0	$33.0	(30%)

[A] reflects the impact of production curtailments during the quarter
[B] excludes revenue from hedge contracts settled
[C] includes revenue from the settlement of hedge contracts of US$2.69 million (Q1 2020: US$0.77 million)

TMS PRODUCTION AND OPERATING PERFORMANCE

The reporting quarter has been a period of unprecedented oil price volatility, with daily WTI oil prices ranging from minus US$37.63/bbl to US$40.46/bbl with the differentials that contribute to the achieved Australis oil price having similar variations. Australis had hedged approximately 80% of the Ryder Scott estimated proved developed producing volumes for this quarter at an average floor price of US$53/bbl. Additionally, the Company is the operator of 98% of the working interest production volumes and so has significant control over well production rates and shut in status.

Australis managed its production volumes during the Q2 period to maximise revenue and minimise cash expenditure. Production was curtailed during the quarter, with the field production at its lowest levels during May. This led to the total oil sales for Q2 to be limited to 66,000 bbls (WI), a reduction of 61% compared to the previous quarter. Despite the achieved oil price being 47% lower, strong hedge contract settlement revenues ensured that net sales revenues were only 47% down. Furthermore, costs during Q2 were reduced to US$7.87/bbl by managing field Opex. The Opex achieved for Q2 is unusually low but the half year to 30 June average of US$12.51/bbl can be compared to the 2019 average of US$15.39/bbl; a ~20% reduction. Field Netback achieved was US$3.4 million which is only a reduction of 31% to the previous quarter. This careful management of production volumes, costs and hedge revenues led to Field Netbacks on a per bbl basis increasing by 78% and an increase in the cash position following the 6 April debt repayment.

Australis used the curtailment period to monitor pressures from wells that were shut in to gain valuable reservoir knowledge on pressure recovery profiles. Due to the substantial pressure recovery observed in the field, flush production from wells when first reinstated has been encouraging.

FINANCE AND CORPORATE

Cash and Capital

During the quarter, Australis acted swiftly to strengthen its balance sheet in the light of lower realised oil pricing and uncertain markets. The measures taken included:

- Execution of additional oil swaps, at no cost, in June for the period to June 2021 with a protected WTI price ~US$39/bbl
- A continued focus on Opex costs has yielded considerable savings of ~20% compared to the average of 2019
- A restructure of the credit facility with Macquarie Bank Limited ("Facility") resulted in a US$10 million repayment of debt (reduced Facility balance to US$23 million) from available cash and the waiver until year end of financial covenants impacted by low oil prices
- A significant reduction in G&A expenditure including contractor costs, staff rationalisation and material reductions in all KMP cash remuneration resulted in a ~50% reduction in G&A for the half year when annualised and compared to 2019); and
- Accessing federal government COVID–19 wage support programs in both the US and Australia

Due to these actions, the balance sheet remains in a stable position. Despite the challenging environment during the quarter, Australis increased its cash position from US$3.9 million, following the US$10 million debt repayment quarter in April, to US$4.4 million at 30 June 2020.

Cashflow from operations and revenue from hedge positions continue to fund the reduced G&A and financing costs.

Credit Facility

As announced during the quarter, through a proactive dialogue with Macquarie Bank, Australis undertook a further review of the existing Facility with the intention of reducing debt levels and supporting Facility compliance during a period of depressed oil markets. 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. As Australis' current focus is maintaining its balance sheet through the current poor market conditions and managing its TMS assets, access to additional debt funding is no longer a strategic priority.

A pre-emptive restructure of certain terms of the Facility included the immediate reduction of 30% of outstanding debt, the cancellation of available but undrawn debt and the waiver of key financial covenants for the remainder of 2020. The key amendments implemented were 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 amortisation payments of the minimum of US$1 million per quarter are required to be made until 31 December 2020 (Facility repayment date remains at May 2023);
- waiver of the key financial covenant relating to reserve valuation at futures pricing until 31 December 2020, providing relief from current low oil prices; and
- removal of US$40 million 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.

Hedging

During the reporting quarter Australis hedged an additional 69,000 bbls for a 12 month period from 1 July 2020 at an average WTI protected price of US$38.43/bbl. These incremental hedges combined with the hedges executed prior to Q2 2020 provide the following coverage

	Hedged Volume (bbls)	Hedge average floor Price (US$/bbl)	% of PDP profile hedged
Q3 2020	**92,300**	**$48.70**	**81%**
Q4 2020	**78,200**	**$49.70**	**74%**
2021	**163,300**	**$49.20**	**44%**
2022+	**43,300**	**$50.10**	**12%**

The indicative mark-to-market value of the total hedge book of 377,100 bbls, based on futures pricing as at 30 June 2020, was US$3.4 million.

Australis will continue to seek opportunities for additional hedging to secure revenue streams to meet obligations going forward.

Annual General Meeting

Australis held its AGM via an electronic format on 11 June and all resolutions were passed. The CEO provided a presentation that reinforced corporate strategy and provided detail regarding the Company's assets. The presentation can be replayed via a webinar that is available on the Company Website.

Corporate Business Strategy

The Company strategy has remained consistent since formation and as detailed in the IPO prospectus. The intent was to secure a material unconventional Tier 1 oil asset, with a low cost of entry and seek opportunities to realise value through divestment or partnering. The 2018/2019 operational program provided strong evidence to support quality and consistency of the asset, whilst also providing economic benchmarks that were comparable with other more mature and highly regarded plays.

The present market conditions make securing commitment from a partner challenging, but Australis has been able to engage with potential candidates and convince them of the technical and strategic value. We will continue to engage with existing and new counterparties.

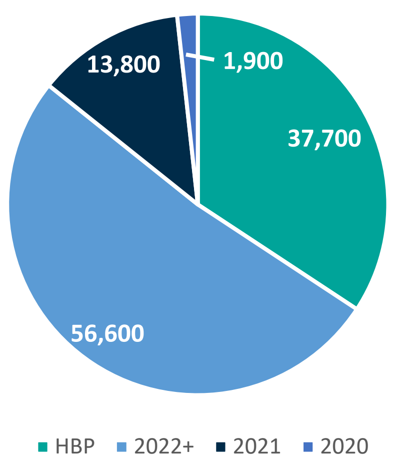
TMS LEASE POSITION

Due to the decision in Q1 2020 to minimise all discretionary expenditure, the active leasing program to maintain the Australis acreage position was paused. As a result, the net acreage position that Australis holds in the TMS has reduced by less than 5% to 110,000 net acres. As can be seen in figure 2, there is a further 1,900 net acres (2%) due to expire during 2H 2020 assuming the same capital expenditure limitations are maintained. Over 85% of the TMS Core acreage is either HBP or has an expiry later than January 2022. This is important in the current environment as it provides Australis with timing flexibility for future capital commitments.

The Australis independently assessed reserve position is based on the development of only 32,000 net acres due to the SPE requirements to qualify within a reserve category, development plans are limited to 5 years. The remaining acreage qualifies as a contingent resource.

Figures 1 and 2 provide more detail on the expiry profile and location of the Core acreage position.

Expiration Year – TMS Core Net Acres



Total TMS Core Net Acres

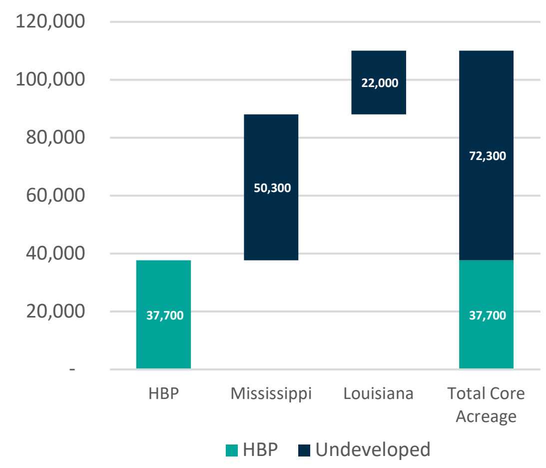


Figure 1: Expiration Year: Undeveloped Net Acres

Figure 2: Australis TMS Core Net Acreage Position

Figure 3 in the 'About Australis' section of the quarterly provides a map of the Australis acreage position.

LUSITANIAN BASIN – PORTUGAL

The Environmental Impact Assessment (EIA) work scope for each concession area was established in Q2 2019, and all phases of the EIA have been well progressed. All base line studies have been completed, detailed engineering work was under way and this would allow the assessment to take place.

Due to uncertainty and logistical limitations related to the global COVID-19 pandemic, all work related to Portugal has been paused. To complete our work, it is necessary for staff, contractors and consultants to travel internationally and spend time in the field in Portugal. Until this can occur again the activities will remain paused.

As reported previously, the EIA will specifically address concerns raised by several environmental groups who have participated in our previous public consultations and have become increasingly vocal about our planned operations. We continue to interact closely with both federal and local authorities on these matters.

Ends

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

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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 400+ net future drilling locations, and an independently assessed 62 MMbbl of 2P oil reserves. As at 31 December 2019 this included 3.5 MMbbl producing reserves providing net free cash flow, as well as 130 MMbbl of 2C contingent oil resource[1].

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.

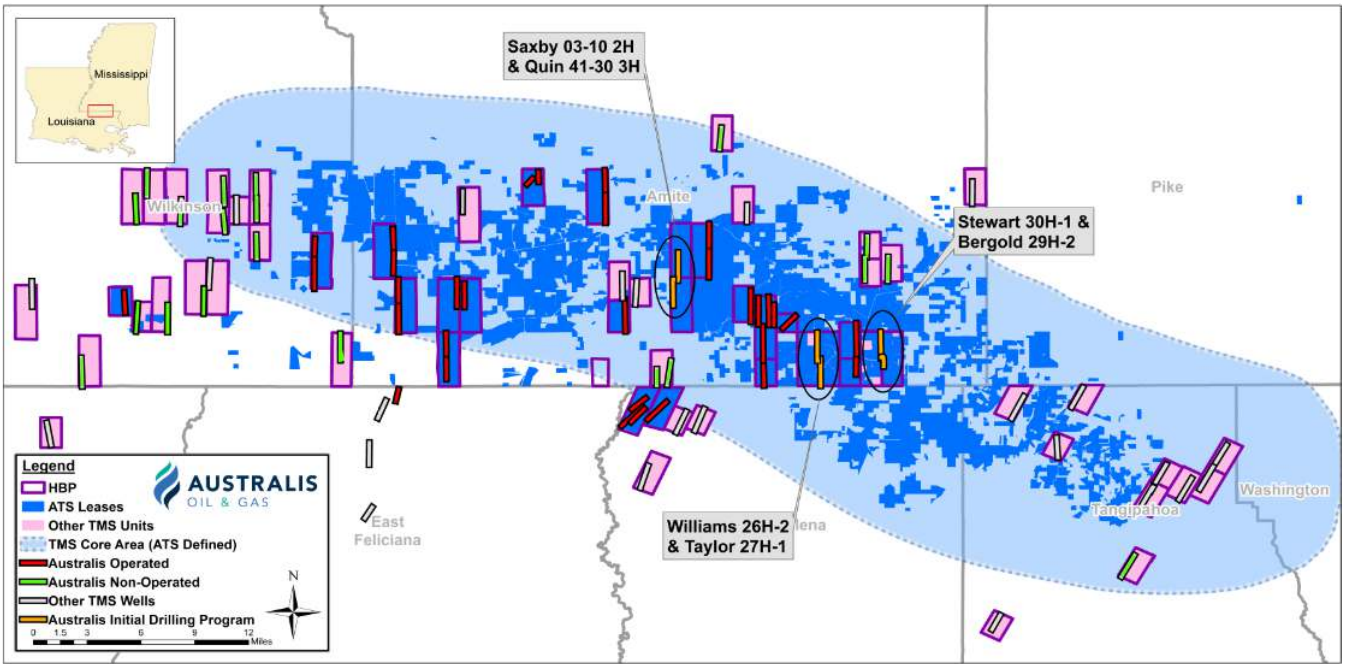

Figure 3: Overview of the TMS Core and Australis approximate lease hold position

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 3 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 4 below. Average TMS production in 2014 already exceeds wells drilled in 2017 in other established basins, without industry improvements being applied.

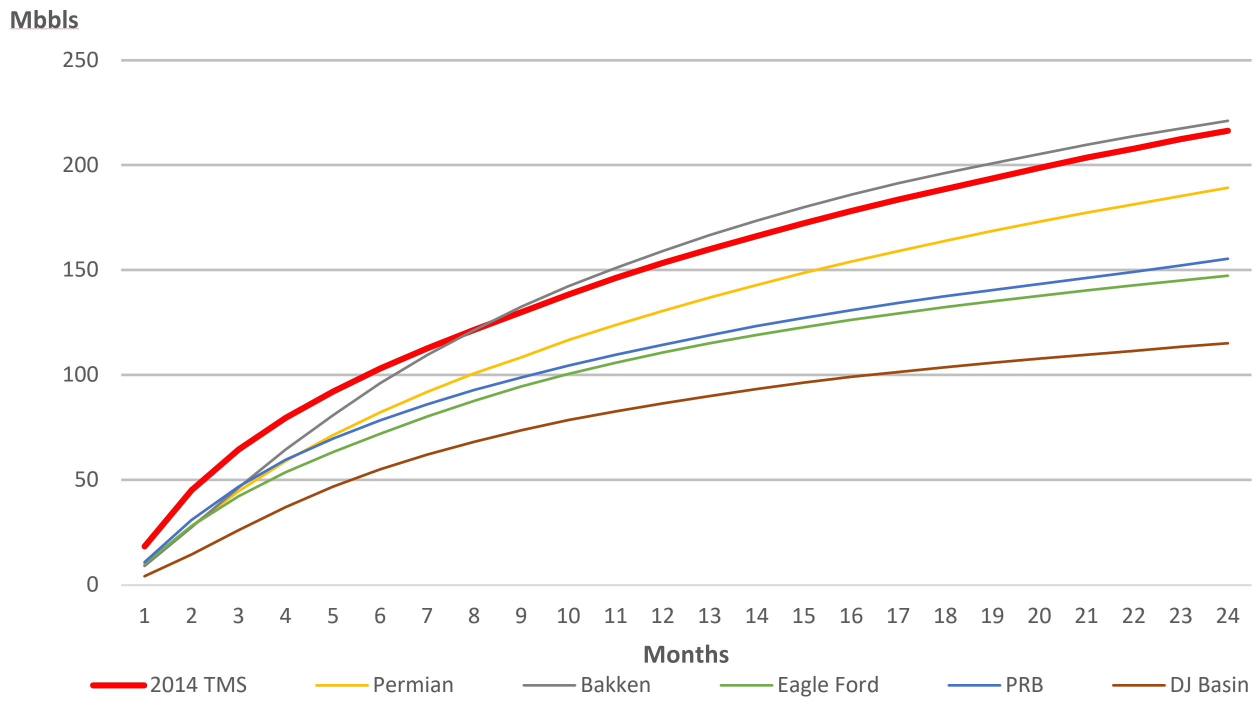

Figure 4: Average oil production of ATS 2014 TMS wells v 2017 wells in other basins[5]

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.

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[4] 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[2] be reassessed as a reserve.

Australis has agreed to a detailed Environmental Impact Assessment (EIA) work scope with the Portuguese authorities to assess the planned operations and, if necessary, identify any mitigating actions or precautions that might be necessary. Once complete this will be presented to the environmental regulator for review and approval. Once granted Australis will be able to proceed with preparation for operational activity.

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
G&A	General & Administrative 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.
KMP	Key Management Personnel
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	Earnings before interest, tax, depreciation, depletion, and amortisation expenses
IP30	The average oil production rate over 30 days of production following clean up
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
IDP	Initial drilling program of 6 wells in the TMS by Australis commencing late 2018

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.

2. 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.

3. 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.

4. 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").

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

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.