Key Activities & Highlights 30 April 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.

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.

Address
Level 29, Allendale Square
77 St. Georges Tce
Perth WA 6000 Australia

Suite 3750
3 Allen Center
333 Clay Street
Houston, Texas U.S.A
77002

Contact
Telephone:
+61 8 9220 8700

Facsimile:
+61 8 9220 8799

Email:
contact@australisoil.com

Web:
www.australisoil.com

Operating performance and oil price hedges continue positive cash flow

- Total oil sales of 170,000 barrels (WI) with continued strong performance from IDP wells (notably Stewart 30H-1 remains 22% above TMS type curve)
- Strong Field Netbacks of US$29/bbl (gross production) or US$36/bbl (net production) reflecting reduced operating costs despite significantly lower realised oil pricing
- Cash flow from operations funded overheads and financing expenditure with EBITDA of US$2.8 million
- As operator, Australis has the flexibility to manage field production volumes relative to hedge positions to maximise cash flow for the Company

Significant upgrade to Reserves and Resources[1]

- Results from the 2019 drilling program generated a substantial increase in reserves and resources at year-end
  - 1P reserves increased by 53% to 49 MMbbl
  - 2P reserves increased by 25% to 62 MMbbl
  - 2C resources increased by 20% to 130 MMbbl

Balance sheet stabilised

- Australis acted swiftly in response to the market uncertainty by strengthening the balance sheet through debt reduction, facility restructuring, suspension of discretionary capex, G&A reductions and incremental hedging
- At 31 March 2020, cash on hand totalled US$13.9 million, which was reduced to US$3.9 million following the US$10 million debt repayment on 3 April reducing debt balance to US$23 million
- Waiver of the credit facility's financial covenants until year end
- The indicative mark-to-market value of Australis hedge book was US$8.7 million based on futures pricing as at 31 March 2020
- A significant reduction in G&A including staff and contractor rationalisation and material reductions in all KMP cash remuneration

Outlook

- During the period of oil price volatility, Australis cashflow remains well protected in the short term via its WTI hedge positions and the prompt actions to materially reduce opex and overhead expenditure and eliminate discretionary capex
- Safeguarding the TMS asset is the priority during this volatile oil price period whilst continuing to explore strategic partner opportunities

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q1 2020

Key Metrics	Unit	Q1 2020	Q4 2019	Qtr on Qtr Change
Core Land Position (Net)	acres	115,000	115,000	-
Net Oil (2P + 2C)	MMbbls	192	158	22%
Sales Volumes (WI)	bbls	170,000	208,000	(18%)
Average Realised Price[A]	US$/bbl	$49.2	$60.7	(19%)
Sales Revenue (WI)[B]	US$MM	$9.2	$12.6	(27%)
Sales Revenue (Net)[B]	US$MM	$7.7	$10.3	(25%)
Field Netback	US$MM	$5.0	$7.2	(31%)
Field Netback / bbl (WI)	US$/bbl	$29	$35	(17%)
Field Netback / bbl (Net)	US$/bbl	$36	$42	(14%)
EBITDA	US$MM	$2.8	$4.1	(32%)
Cash Balance (Qtr end)	US$MM	$13.9	$16.1	(14%)
Debt Balance (Qtr end)	US$MM	$33.0	$33.0	-

[A] excludes revenue from hedge contracts settled
[B] includes revenue from settlement of hedge contracts of US$0.77 million (Q4 2019: US$0.008 million)

TMS PRODUCTION AND OPERATING PERFORMANCE

Oil sales volumes were lower than the previous quarter as no new wells came online and therefore production performance was subject to natural decline rates. Total oil sales were 170,000 barrels (WI), an average of 1,873 bbls per day throughout the quarter. The IDP wells continued to perform strongly. Notably, Saxby 03-10 2H produced 18,426 bbls during the quarter which was significantly above expectations. Furthermore, Stewart 30H-1 remains 22% above TMS Type Curve and reached an important milestone in Q1 by achieving payout, which means that cumulative gross sales revenue exceeded the capital expenditure and operating expenses for that well after only 13 months on production. We consider this illustrative of the potential of our acreage position under a full development scenario with a reasonable oil price environment.

Australis has continued to implement initiatives to reduce field costs. These initiatives are continuing to bear fruit with notable reductions in costs observed towards the end of the quarter. Opex costs reduced from the Q4 2019 average of US$13/bbl to under US$9/bbl for March 2020. As a result of these reduced costs and despite significantly lower achieved oil prices quarter on quarter, the Field Netback performance was encouraging. Field Netback was US$29/bbl on a working interest basis, and US$36/bbl on a net basis for the quarter.

Further reduction of field costs is a priority as realised prices continued at historic lows early in the second quarter. In this low oil price environment and as operator of approximately 98% of its production, Australis is managing net production volumes to its strong hedge book to maximise total revenues whilst reducing operating costs.

The following table summarises oil sales and Field Netback for Q1 2020 and Q4 2019.

	1ST Quarter 2020			4TH Quarter 2019		
	bbls	US$MM	US$/bbl	bbls	US$MM	US$/bbl
Sales (WI)[A]	170,000	$8.4	$49	208,000	$12.6	$61
Net Sales (Net)[A]	139,000	$6.9	$49	170,000	$10.3	$61
Field Netback (WI)		$5.0	$29		$7.2	$35
Field Netback (Net)		$5.0	$36		$7.2	$42

[A] excludes revenue from settlement of hedge contracts of US$0.77 million (Q4 2019: US$0.008 million)

RESERVES REPORT

In February 2020 Australis released its year-end reserve and resource estimates which were prepared by independent engineers, Ryder Scott Company LP (“Ryder Scott”).

This year-end estimate only assessed 31% of the total TMS Core acreage due to an assumed development program that makes conservative assumptions on rig schedule and fits within the maximum five-year period that complies with development guidelines allowed for independently assessed reserve estimates under SPE-PRMS (2018). The balance of the undeveloped TMS Core acreage was allocated a Contingent Resource and is subject only to a permissible development plan.

Net Reserves as at 31 December 2019[1]	MMbbl	% increase to YE18
Proved Reserves (1P)	**48,600**	**52.5%**
Probable Reserves	13,507	
Proved + Probable Reserves (2P)	**62,107**	**24.9%**
Possible Reserves	31,648	
Proved + Probable + Possible Reserves (3P)	**93,755**	**5.1%**
Net Resources as at 31 December 2019[1]	**MMbbl**	
2C Resources	**129,539**	**20.2%**

Both the reserves and resources have increased substantially driven by the following factors:

- the IDP wells drilled by Australis during 2018/2019 continued the de-risking of the reserves development area, allowing future well locations to be transitioned from the Possible and Probable categories to the lower risk Proved (1P) category;
- evaluation of the production data, including the addition of new 2019 wells, led Ryder Scott to increase their expectation of performance of future wells in each reserve category;
- the focused leasing program in 2019 led to an increase in the Company’s
  - working interest in the acreage within the assessed reserves development area; and
  - overall acreage position in the TMS Core increased by 5,000 net acres and its bias to the high graded areas in the overall net acreage has led to increased Contingent Resources estimates.

FINANCE AND CORPORATE

Cash and Capital

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

- Execution of additional costless oil hedges in February with a protected WTI price >US$50/bbl;
- Immediate suspension of all discretionary capital expenditure and minimal land leasing;
- A restructure of the credit facility with Macquarie Bank Limited ("Facility") resulting in a post quarter end US$10 million repayment of debt (reduced Facility balance to US$23 million) and the waiver of financial covenants impacted by low oil prices until year end; and
- A significant reduction in G&A including contractor costs, staff rationalisation and material reductions in all KMP cash remuneration.

Due to these actions, the balance sheet remains in a stable position. At 31 March 2020, cash on hand totalled US$13.9 million, which was reduced to US$3.9 million following the US$10 million debt repayment on 3 April.

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

Credit Facility

As disclosed previously, Australis undertook a review of the Facility during the quarter with the intention of reducing debt levels and supporting Facility compliance during the prevailing 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 balance sheet headroom to manage the TMS assets through the current poor market conditions, 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 further amortisation payments 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 until 31 December 2020, providing relief from short term 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

As previously announced, Australis has a 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 237,000 bbls hedged for the remainder of 2020 at an average WTI price of US$52 per bbl. Those volumes would be over 70% of Australis' expected net production as estimated by Ryder Scott in 2020 and over 80% of expected net production as estimated by Ryder Scott in Q2 2020, based on production estimates in the 2019 Reserve Report. With the current low oil price environment, actual production is expected to be curtailed in the second quarter to avoid associated production costs whilst maintaining the hedge revenues, which maximises the net revenue for Australis. As Operator we have control over 98% of our production and can control curtailment to optimise our position relative to the prevailing oil sales price and offtake capacity.

The indicative mark-to-market value of the hedge book based on futures pricing as at 31 March 2020 was US$8.7 million.

G&A and KMP Cost Reductions

At the beginning of 2020, Australis advised it had taken steps to reduce its G&A cash costs by 20%. Due to the weakening oil market conditions additional substantial reductions have been made throughout the first quarter reducing expected overhead by an additional 40%. Measures taken since November 2019 include:

- all Directors have offered key reductions in cash remuneration as follows:
  - Chairman offered to forgo 100% of his cash fees;
  - Non-executive directors offered to forgo 50% of their cash fees; and
  - CEO and CFO forgoing 52% and 48% of their cash remuneration, respectively;
- material headcount reduction through permanent and temporary layoffs and salary reductions throughout the Company's workforce; and
- reduction in 3rd party contractors and service providers.

TMS LEASE POSITION

During the quarter, Australis maintained its land position and extended the expiry profile of the Tier 1 acreage position. Over 80% 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.

Figures 2 and 3 provide more detail on the expiry profile and location of the Core acreage position.

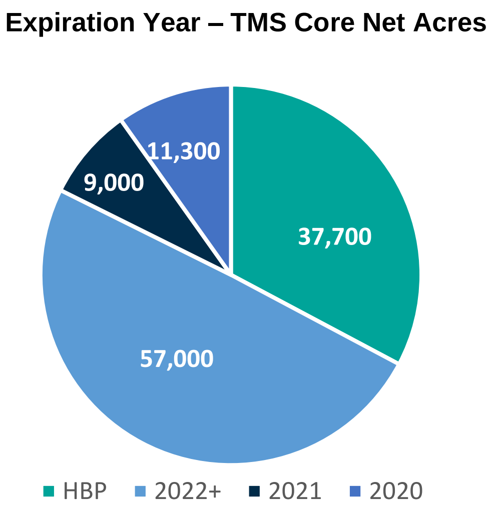

Figure 2: Expiration Year: Undeveloped Net Acres

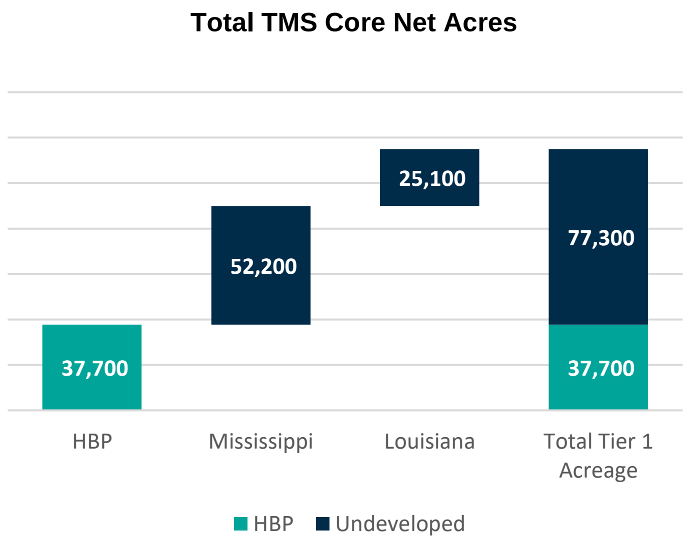

Figure 3: Australis TMS Core Net Acreage Position

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

However, due to uncertainty and logistical limitations related to the global COVID-19 pandemic, all work related to Portugal has been paused. The work completed to date on the EIA process remains valid and can be resumed if and when conditions improve and the decision is made to recommence work.

Ends

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

Further Information:

Ian Lusted	Graham Dowland
Managing Director	Finance Director
Australis Oil & Gas	Australis Oil & Gas
+61 8 9220 8700	+61 8 9220 8700

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 62 MMbbl of 2P oil reserves. This includes 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 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.

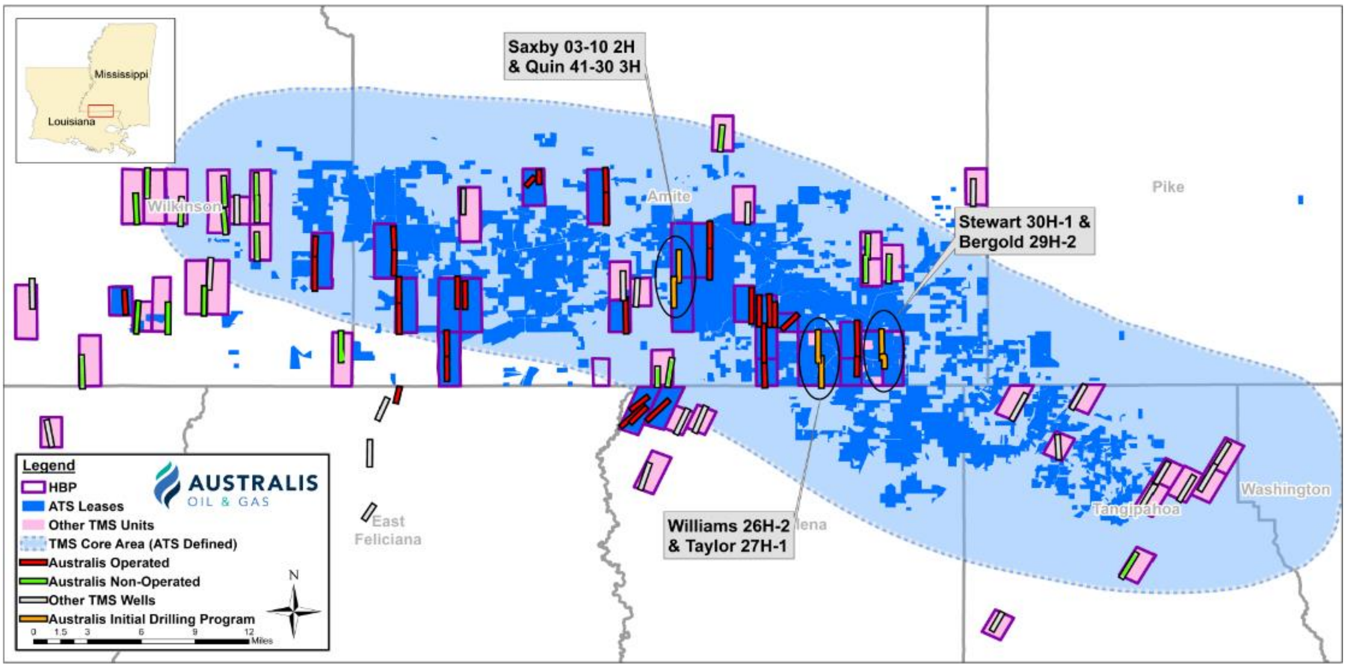

Figure 4: Overview of the TMS Core and Australis approximate lease hold position

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.

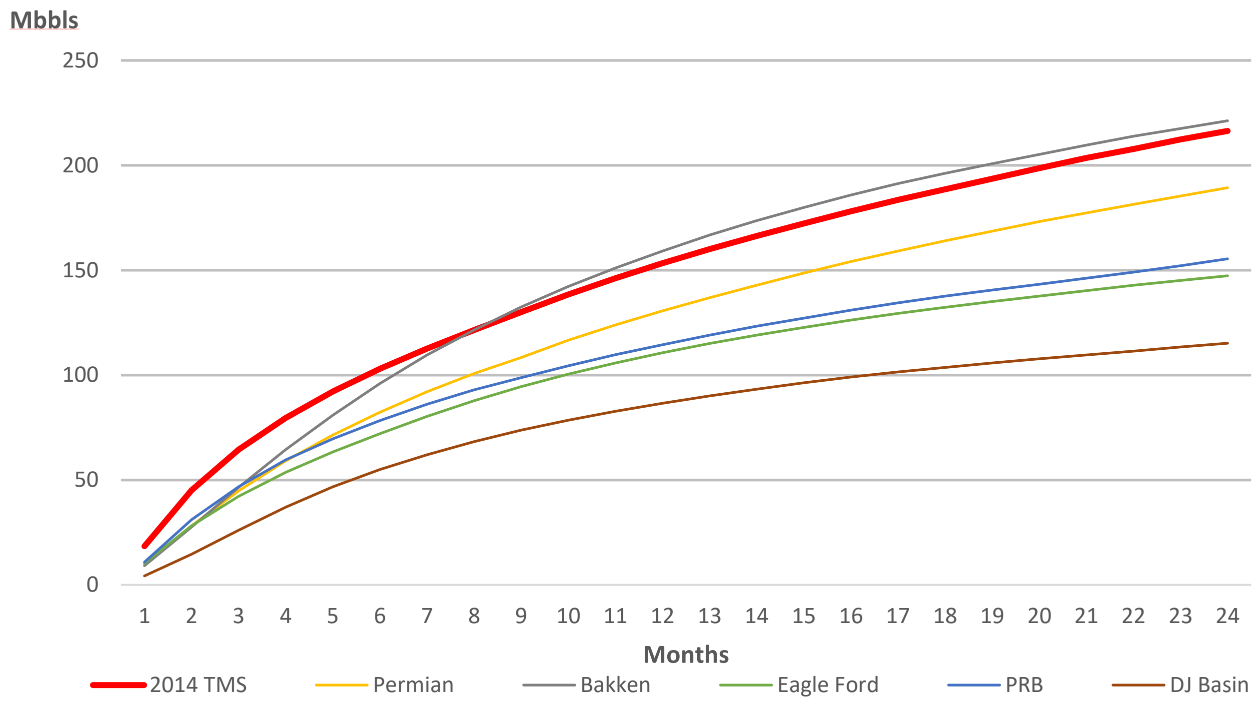

Figure 5: Average oil production of ATS 2014 TMS wells v 2017 wells in other basins[5]

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
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.