Key Activities & Highlights 27 October 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.

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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Lodged Australian Securities Exchange

Australis continues to demonstrate the strong cash generative economics of the TMS and new third party TMS drilling planned

Operations Summary – 3rd quarter 2020

- Production was re-established at full rate having been voluntarily curtailed in the 2nd Quarter.
- Sales volume totalled 143,300 barrels (WI)
- Field Opex costs, including workovers, were US$12.57/bbl (average for 2020: US$12.53/bbl, a 19% reduction from the 2019 average)
- Additional oil hedges were contracted – Q4 2020 is hedged at 85% of forecast net PDP at an effective price of WTI US$48/bbl and 2021 is 60% hedged at US$47/bbl
- During the reporting quarter Australis generated
    - effective Field Netback of US$24/bbl
    - EBITDA of US$1.9 million
- Australis' cash balance at quarter end was US$6.8 million, an increase of US$2.4 million (55%) during the quarter underlining strong revenues even during this challenging oil price environment.

Third Party activity in TMS

- A new TMS well has been permitted in the TMS Core; the first new third party well since Australis commenced operated activities in 2017.

Business Development

- We continue a targeted program aimed at securing potential partners to contribute to a forward program of acreage and asset maintenance during this period of low oil prices and potentially further drilling in an improved environment. Prevailing market conditions continue to be challenging however, increased interest and activity by others aids ongoing discussions.

Outlook

- Australis continues to manage cashflow carefully. Operations generated an additional US$2.4 million of cash. Additional hedges were secured during intermittent periods of stronger oil prices during the quarter and offer a high degree of certainty to operating revenues into 2021, which will assist in meeting debt obligations. Net debt at the end of the quarter is US$16.2 million.
- Safeguarding the TMS project assets (producing wells, HBP leasehold and core undeveloped leaseholds) is the priority whilst continuing to explore strategic partner opportunities.

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KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q3 2020

Key Metrics	Unit	Q3 2020	Q2 2020	Qtr on Qtr Change
Core Land Position (Net)	acres	110,000	110,000	-
Net Oil resource (2P + 2C)[1]	MMbbls	192	192	-
Sales Volumes (WI)	bbls	143,300	66,000[A]	117%
Average Realised Price[B]	US$/bbl	$41.37	$26.20	58%
Sales Revenue (WI)[C]	US$MM	$6.6	$4.4	50%
Sales Revenue (Net)[C]	US$MM	$5.5	$4.0	38%
Field Netback	US$MM	$3.5	$3.4	3%
Field Netback / bbl (WI)[C]	US$/bbl	$24	$52	(54)%
Field Netback / bbl (Net)[C]	US$/bbl	$30	$64	(53)%
EBITDA	US$MM	$1.9	$1.5	27%
Cash Balance (Qtr end)	US$MM	$6.8	$4.4	55%
Debt Balance (Qtr end)	US$MM	$23.0	$23.0	-

[A] reflects the impact of voluntary production curtailments during the quarter
[B] excludes revenue from hedge contracts settled
[C] includes revenue from the settlement of hedge contracts of US$0.7 million (Q2 2020: US$2.7 million)

TMS PRODUCTION AND OPERATING PERFORMANCE

Following voluntary curtailment during Q2 2020, production was increased and maintained at planned rates during the third quarter and we also benefited from higher WTI oil pricing in the period. Daily WTI oil prices ranged from US$36.13/bbl to US$43.78/bbl and averaged US$40.86/bbl during the quarter. Australis achieved a quarterly average sales price of US$41.37/bbl before the effect of hedges, showing a continued modest positive differential to WTI. Further, our strong hedged position (85% of production in the quarter at an average WTI price of US$48/bbl) resulted in an average realised price of US$46.36/bbl.

As previously reported, in Q2 wells were shut in during a 6 weeks period of low oil price. Reservoir pressure recharge was observed which led to periods of flush production as wells were brought back online. After this period of incremental production, well performance has now returned to pre-shut in rates. Total working interest sales volumes for the quarter were 143,300bbls, which is consistent with management's expectation.

Field operating costs per barrel were slightly higher than Q2, which was an anomaly due to the curtailments that occurred, however remain substantially lower than the 2019 average as a result of efficiency improvements made during the last 9 months. LOE costs for 2020 to date are US$12.53/bbl and this includes workover costs (US$2.10/bbl). This represents a 19% reduction from 2019 averages. As a result, Australis achieved strong field netbacks of US$24/bbl (WI) during the reporting period.

Four workover operations were carried out this past quarter, bringing the total for the year to date to

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seven workovers. The decrease in workover frequency is directly attributable to the changes in completion design and operating practice improvements instigated by the Australis field and operations team during 2019 and 2020 and has been a significant contributor to the total LOE reductions that have been achieved.

During the quarter there were a number of hurricanes that crossed the gulf coast region. None caused any damage or major interruption to production operations.

TMS FIELD ACTIVITY

In early 2015 all new TMS development activity came to a halt due to the then prevailing low oil prices. Australis took advantage of this uncompetitive environment to build a unique and valuable acreage position on a highly accretive cost base, solely in the proven core of the play. Since early 2015, there have been no new wells drilled by any other operator in the TMS, with only nearby Austin Chalk exploration wells being drilled to the southwest of the Australis acreage.

We have been aware that a number of companies did accumulate nearby acreage during the period 2018 - 2020, seeking to gain exposure to both the Austin Chalk activity to the south in East and West Feliciana Parishes in Louisiana and the Australis TMS activity just over the border in Mississippi. There has been limited encroachment into our designated TMS Core due to the contiguous and high working interest Australis holds. Third parties have however, accumulated positions around and adjacent to it.

State Line Exploration LLC (State Line) has recently been granted a new TMS drilling permit and unit in Amite County, Mississippi. State Line is the regional portfolio operating company for Juniper Capital Advisors (Juniper), a US based energy investment firm with over US$1.2 billion in assets under management. Juniper have a strong track record in multiple US unconventional basins and have a number of active investments, including in the Permian, Eagle Ford, Powder River and DJ basins.

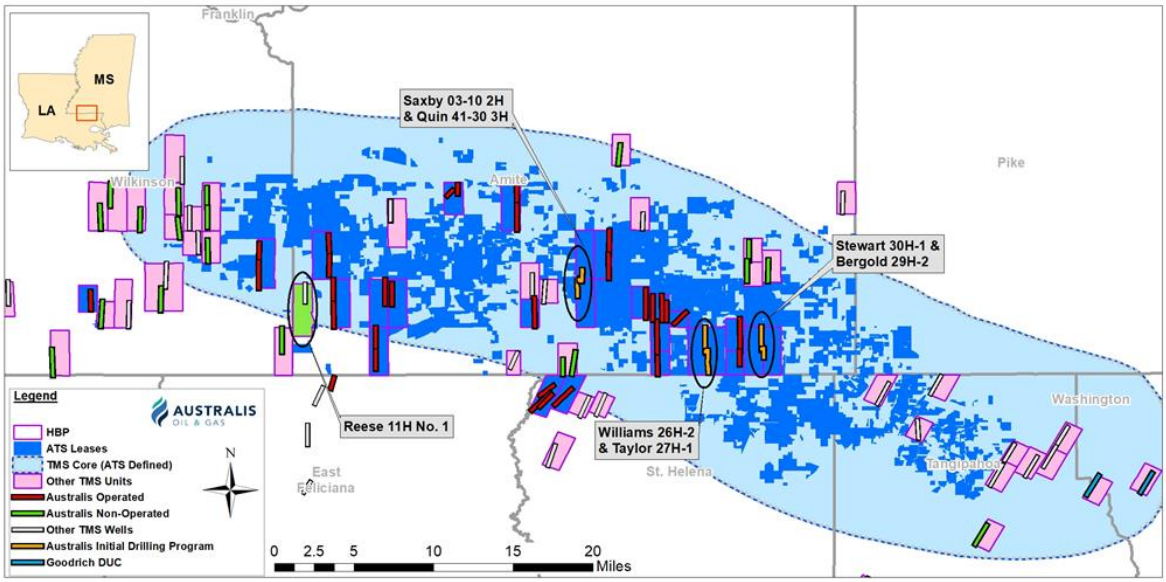


Figure 1: Australis Acreage and Well Locations with State Line Exploration permitted well

The approved drilling unit is within the Australis designated TMS Core and is in close proximity to the Australis operated Ash 13H 1 and 2 wells, the Pintard 28H 1 and 2 wells and the Lyons 35H 1 and 2 wells. The unit has been designated as Reese 11H and its location is shown in the Figure 1 above.

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Australis does not have an interest in the unit and will therefore not be a participant in the well costs.

Australis views this renewal of third-party activity as indicative of the increasing interest in the TMS play and the unique opportunity it presents. Furthermore, the selection of a proposed well location in close proximity to our existing wells and within our designated TMS Core, is further validation of the high grading of the Australis acreage and our strategy to remain disciplined in accumulating only within the delineated area.

Australis will continue to monitor progress and advise the market if Stateline commences field operations.

FINANCE AND CORPORATE

Cash and Capital

During the quarter, Australis has continued to strengthen its' balance sheet despite challenging market conditions.

- Cash has increased to US$6.8 million from US$4.4 million at 30 June 2020.
- Execution of additional WTI oil swaps in August, at no cost, for the period from November 2020 to January 2021, increased the Q4 2020 hedged position to 85% of net PDP projections at an average protected WTI price of ~US$48/bbl.
- Field operating costs have remained a focus, with savings to 2019 now averaging 19% despite the field being back at full production rates in Q3.
- The G&A expenditure reductions reported last quarter, have been reduced by a further 38% quarter on quarter as further cost savings initiatives implemented and one-off termination benefits for laid off staff have now been paid out.

Cashflow from operations and revenue from hedge positions continue to fund the reduced G&A and financing costs whilst modestly building cash reserves.

Credit Facility

Following the accelerated repayment made last quarter, no further amortisation payments were required to be made in this quarter. Australis has met all covenant requirements and has serviced interest and other facility costs out of existing cash flow during the reporting period.

Hedging

During the reporting quarter Australis hedged an additional 10,600 bbls over the 3 month period from 1 Nov 2020 to 31 Jan 2021 at an average WTI protected price of US$43.86/bbl. These incremental hedges combined with the existing hedges provides an average WTI protected price for Q4 2020 of $48.64/bbl. The table below summarises the protected WTI prices for all hedged volumes.

	Hedged Volume (bbls)	Hedge average WTI floor Price (US$/bbl)	% of Net PDP profile hedged
Q4 2020	92,100	$48.64	85%
H1 2021	130,000	$47.06	67%
H2 2021	84,800	$47.71	47%
2022+	43,300	$50.18	12%

The indicative mark-to-market value of the total hedge book of 350,200 bbls, based on futures pricing as at 1 October 2020, was US$2.1 million.

Australis will continue to seek opportunities for additional hedging to secure revenue streams.

TMS LEASE POSITION

In Q1 2020 Australis made the decision to minimise all discretionary expenditure, leading to a pause in the active leasing program. As a result, there was some minor expiries during the quarter with the net acreage position that Australis holds in the TMS remaining at 110,000 net acres. As can be seen in Figure 2, there is a further 2,400 net acres (2%) due to expire during Q4 2020 assuming the same capital expenditure limitations are maintained. Over 65% of the TMS Core acreage is either HBP or has an expiry later than January 2023. 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. Under SPE rules, to qualify within a reserve category, development plans are limited to 5 years. The remaining acreage qualifies as a contingent resource.

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

Expiration Year – TMS Core Net Acres

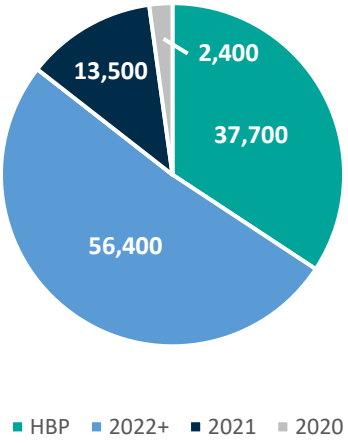


Figure 2: Expiration Year: Undeveloped Net Acres

Total TMS Core Net Acres

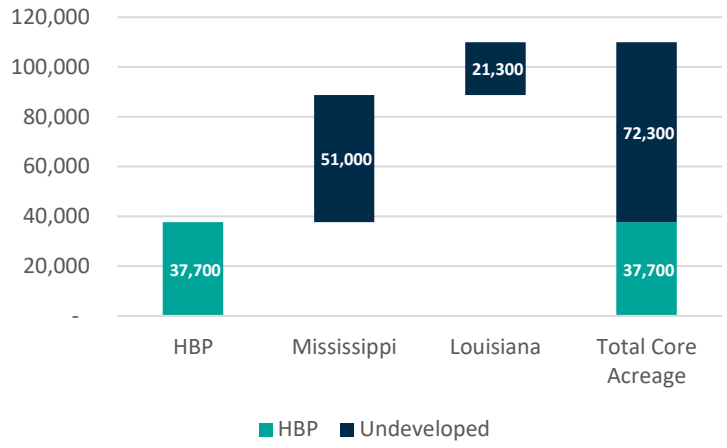


Figure 3: Australis TMS Core Net Acreage Position

Figure 1 on page 3 of this report above provides a map of the Australis acreage position.

LUSITANIAN BASIN – PORTUGAL

Following the decision to relinquish the Portuguese exploration concessions, Australis is presently communicating with the regulatory authorities to address any outstanding obligations. The Company does not anticipate any material costs associated with these final actions.

Ends

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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.

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.

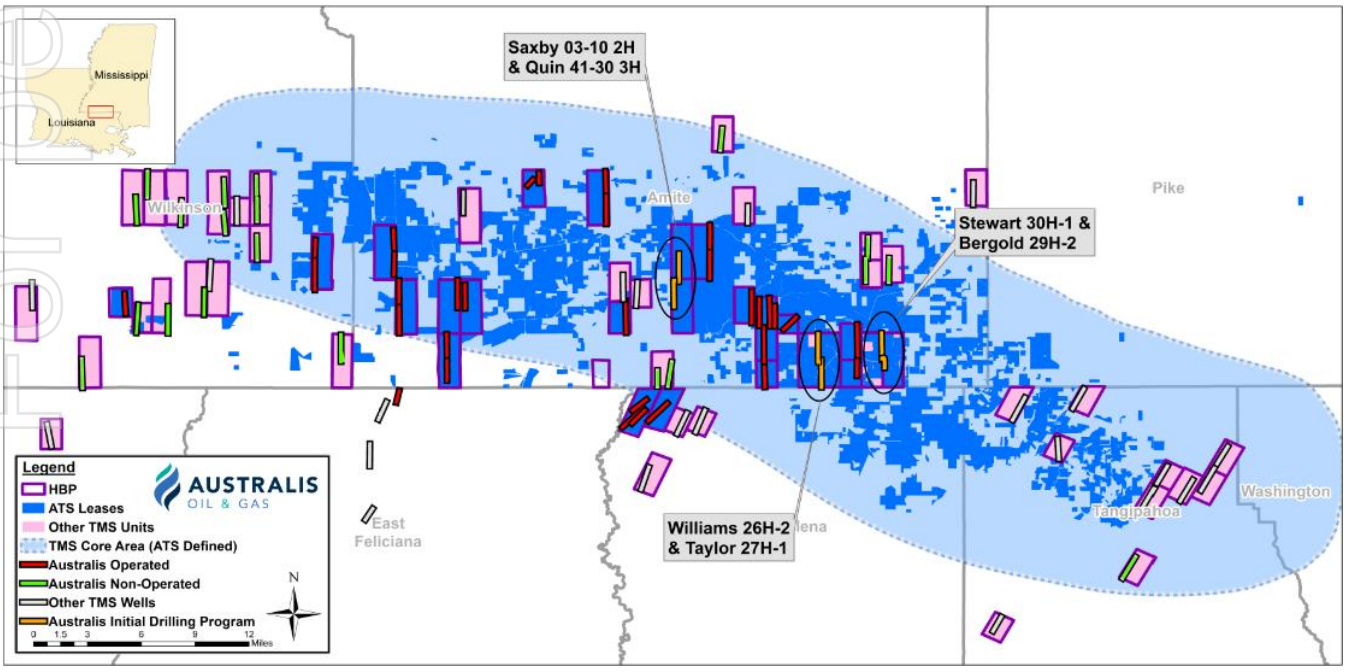


Figure 4: Overview of the TMS Core and Australis approximate lease hold position

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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.

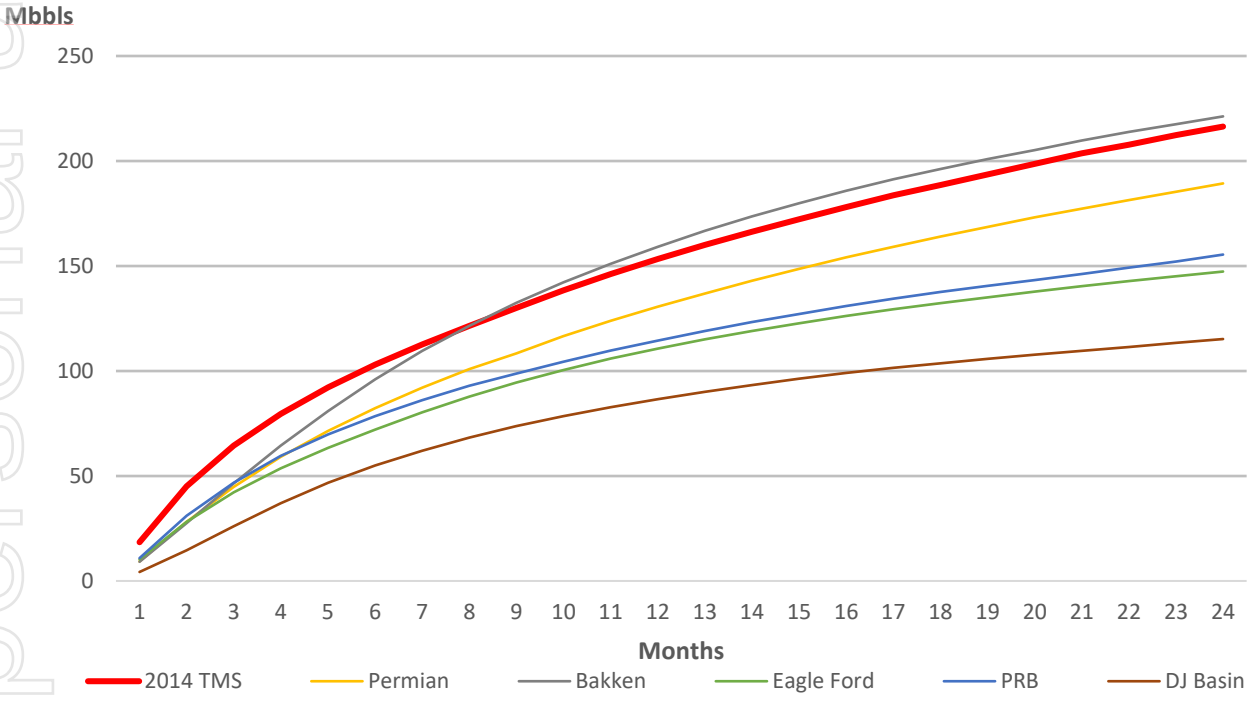


Figure 5: Average oil production of ATS 2014 TMS wells v 2017 wells in other basins[3]

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.

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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 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.

3. 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 or financial measures that are relevant to Australis. Non-IFRS financial measures used by the Company 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.

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