Key Activities & Highlights 28 July 2023

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 120 million bbls of 2P+2C net reserves and resources including 2.5 million bbls producing reserves[1] providing free cash flow.

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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Australis holds a material operated position in the Tuscaloosa Marine Shale (TMS), a uniquely appraised but undeveloped play within an increasingly mature unconventional domestic oil industry and a global sector that is struggling with under investment and limited supply.

Australis seeks an industry partner who recognises the underlying value of the TMS opportunity as an early stage play with materiality, proven productivity and infrastructure advantages and is willing to invest in its continuing evolution.

Overview

- Australis holds approximately 73,300 net acres and ~260 net future drilling locations within the production delineated core of the TMS.
- Australis generated stronger field netbacks than the previous quarter, primarily driven by a lower workover frequency and reduced operating costs.
- Australis continues to strategically manage its leasehold position and incurred discretionary capital expenditure of US$0.35 million on land. The Company leased approximately 3,600 net acres of expiring and new mineral rights during the quarter.
- Australis is actively working with potential partners to evaluate opportunities for their participation under a variety of structures that achieve our objectives.

Operations and Financial Summary – 2nd quarter 2023

During the quarter Australis generated:

- Sales volume of 73,000 barrels (WI) (-4% vs Q1/2023)
- Revenue of US$5.2 million (-5% vs Q1/2023), including hedge losses on Credit Facility required oil price hedges of US$0.2 million
- Field Netback of US$2.4 million (+41% vs Q1/2023) reflecting lower operating costs despite lower sales volumes and pricing
- Cash balance at quarter end of US$3.7 million
- Credit Facility principal amount reduced by a further US$1 million to US$10 million.

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q2 2023 and provides a comparison to Q1 2023.

Key Metrics	Unit	Q2 2023	Q1 2023	Qtr on Qtr Change
TMS Core Land (Net)	acres	73,300	77,200	-5%
Net Oil resource (2P + 2C)[1]	MMbbls	120	120	0%
Sales Volumes (WI)	bbls	73,000	76,200	-4%
Average Realised Price[A]	US$/bbl	$74.02	$76.75	-4%
Average Achieved Price[B]	US$/bbl	$71.82	$72.55	-1%
Sales Revenue (WI)[B]	US$MM	$5.2	$5.5	-5%
Sales Revenue (Net)[B]	US$MM	$4.2	$4.4	-5%
Field Netback	US$MM	$2.4	$1.7	41%
Field Netback / bbl (WI)[B]	US$/bbl	$33.04	$21.60	53%
Field Netback / bbl (Net)[B]	US$/bbl	$40.94	$26.75	53%
EBITDA	US$MM	$0.8	$0.1	700%
Cash Balance (Qtr end)	US$MM	$3.7	$5.4	-31%
Total Debt (Qtr end)	US$MM	$10.0	$11.0	-9%

[A] excludes effect of settled hedge contracts
[B] includes the loss from the settlement of hedge contracts of US$0.16 million (Q1 2023: loss of US$0.32 million)

TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were down 4% compared to the previous quarter at 73,000 bbls (802 bbls/d) and inventory increased by a modest 300 bbls over the quarter, meaning that production volumes were slightly higher by 3 bbls/d. Beyond natural depletion, several wells are candidates for discretionary workovers to improve production rates. However, prudent capital discipline leads to them being produced periodically, without artificial lift at lower effective rates which are still sufficient to hold acreage and avoids the workover costs at this time. Actual well productivity was largely in line with expectation as projected by our recent Ryder Scott Reserve report.

There was only one workover during the quarter on the Ash 13H – 2, where production tubing was successfully recovered and replaced where needed. Lower workover costs this quarter, compared to the previous period, was the primary contributor to lower operating costs and improved field economics. With only 5 workovers over 1H 23, the field is on target to match last year's workover frequency.

WTI crude prices dropped further during the quarter, and this is reflected in our Realised Price (excluding hedging) being 4% lower at $74/bbl. At these lower oil prices, and as a result of the improvement in the hedged pricing over the past 18 months, the hedge losses were reduced to $0.2 million (vs Q1 2023 losses of $0.3 million and Q4 2022 losses of $0.5 million), and hence the Achieved Price (including hedging) was only 3% lower ($72/bbl) than the Realised Price.

In our 2022 annual report, we provided an estimate of our 2022 Scope 1 emissions at 26,000 mt CO_2e. In accordance with US EPA directed calculation methodology adjustments, this has reduced to 24,465 mt CO_2e, which in turn reduces the carbon intensity of our Scope 1 emissions to 63.8 mt CO_2e/MBoe, representing a 4% reduction on our 2021 intensities.

FINANCE AND CORPORATE

Cash and Capital

Results for the quarter include:

- Sales Revenue (after the impact of hedges) was US$5.2 million in the quarter, (Q1 2023: US$5.5 million) reflecting the reduced achieved oil pricing and lower sales volumes
- EBITDA of US$0.8 million for the quarter (Q1 2023: US$0.1 million) which reflects the lower operating costs, primarily due to reduced workover frequency, despite the reduction in revenue
- Capex spend of US$0.35 million on strategic acreage leasing within the TMS Core
- Total debt under our Macquarie Credit Facility reduced by US$1 million to US$10 million

Credit Facility

The outstanding debt under our Macquarie Credit Facility was reduced by US$1 million in the quarter, resulting in a balance of US$10 million as at 30 June 2023. Australis continued to exceed all covenant requirements and serviced interest, other facility costs and the scheduled amortisation payment out of cash flow during the reporting period. The Facility may be repaid or refinanced at any time without penalty.

Oil Price Hedging

During the reporting quarter Australis realised lower oil price hedging losses (US$0.2 million) compared to previous quarters due to the effects of the hedge book having transitioned over the past year to a higher weighting of zero cost collars (ZCC).

A total of 42k bbls hedges were settled (WTI) for Q2 2023:

- ZCC: 33k bbls protecting an average downside price of US$53/bbl and maintaining the upside in oil price up to an average of US$78/bbl, and
- Swaps: 9k bbls protecting an average downside price of US$65/bbl

The average WTI oil price in each of the months in the quarter, ranged from US$80/bbl to US$70/bbl.

The table below summarises the protected WTI floor prices and the ceiling prices for all hedged volumes on future production.

Australis' current WTI oil price hedge position as at 1-Jul-23					
	WTI Swaps		WTI Collars		
Qtr/Year	Volume	Protected Price	Volume	Protected Price (A)	Ceiling Price (A)
	000bbls	US$/bbl	000bbls	US$/bbl	US$/bbl
Q3/2023	11	$66	26	$51	$77
Q4/2023	11	$65	17	$63	$87
Q1 – Q4/2024	24	$67	53	$54	$84
Q1 – Q4/2025	12	$65	23	$49	$81
	57		118		

A. Based on weighted average monthly price

TMS Lease Position

Australis continued its capitally disciplined strategic leasing program in Q2 2023, seeking to maintain the Company's control and exposure to the TMS Core area for development purposes.

As at 30 June 2023 Australis holds ~73,300 net acres in the TMS Core, of which 38,800 net acres (53%) are HBP.

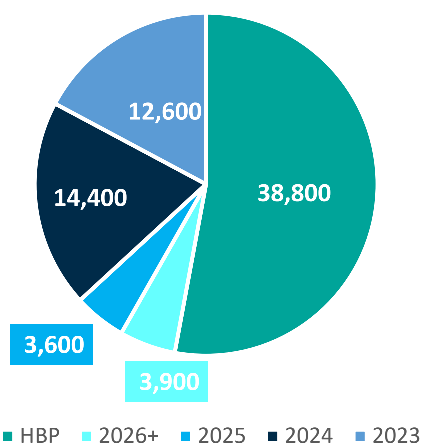
After giving effect to the ~3,600 net acres of targeted leases that were renewed or extended in the quarter, the Company's lease position decreased by ~3,900 net acres over the quarter due to the expiry of legacy leases. Australis continues to balance capital discipline with a continued program of high grading and strategic renewal leasing of acreage.

As at the end of the quarter, Australis has ten undeveloped units permitted as operator.

Figure 1 below provides more detail on the expiry profile of the TMS Core acreage position as at 30 June 2023. Figure 2 provides a map of the Australis acreage position.

Expiration Year – TMS Core Net Acres

Figure 1: Expiry profile of Australis TMS acreage



Business Development and Corporate Strategy

Australis has engaged with a number of parties, including public and private oil and gas companies and financially orientated entities, evaluating the potential participation in a work program within the TMS Core that will add to the existing well count and advance the evolution of the play. Many of those parties have completed diligence exercises and concurred with Australis's view of the play and opportunity, however factors such as their internal prioritization on short term returns, focus on existing basins or concerns over external market conditions and perceptions have become obstacles in completing a transaction. Australis is currently in discussion with multiple parties, some of whom have returned to the asset as their particular conditions have evolved. These parties are evaluating a variety of potential means of participation that achieve our strategic objectives.

More broadly, industry dialogue has continued to focus on limited well inventory, a theme Australis has long articulated. Varying reports of dwindling quality inventory within existing portfolios and sparse opportunities for acquisition within the established plays will, Australis believes, force companies to consider alternative basins and earlier stage plays such as the TMS.

As yet these pressures have not led to Australis agreeing terms with potential partners. Although there can be no guarantee that Australis will be able to ultimately complete a partnering transaction on satisfactory terms (or at all), we remain confident in our ability to do so in due course, and we remain patient in our approach and expectations.

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.

With approximately 73,300 net acres (53% HBP) within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 260 net future drilling locations.

At year end 2022 Ryder Scott independently assessed Australis acreage with 120 MMbbls of 2P + 2C recoverable volume including 2.5 MMbbls producing reserves providing net field cash flow[1]. The contingent oil resource is only contingent on a qualifying development program and Australis will carry out a reassessment of its undeveloped reserve position when a partner and funding is secured.

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

The map shown in Figure 2 is a representation of the acreage position that Australis holds within the TMS Core.

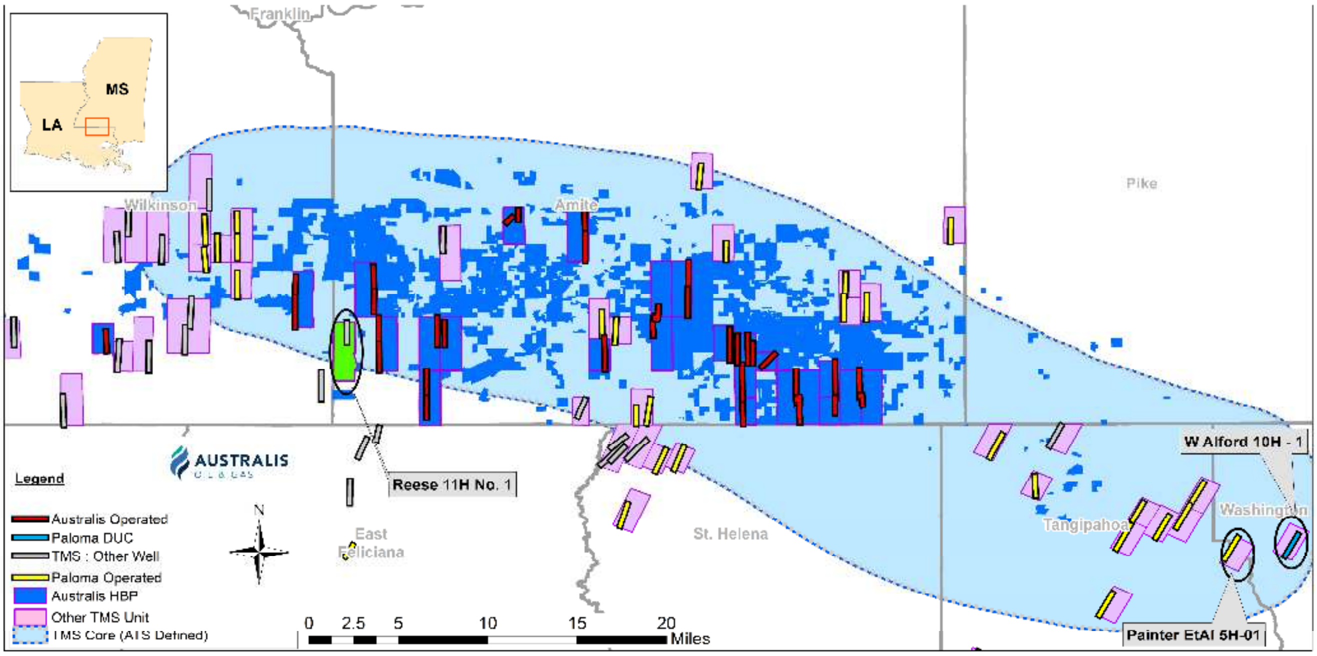

Figure 2: Location of Australis Acreage and Well Locations including the State Line Exploration well (Reese) and the recently completed Paloma operated wells (W Alford & Painter)

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 relatively deep, high pressured and oil weighted. As experienced in most unconventional plays, early results (2010 – 2014) demonstrated variable production performance and relatively high well costs, driven by initial operational difficulties encountered whilst drilling and completing the wells. The activity that did take place 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 2 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 the three type curves generated by Ryder Scott for the YE 2020 reserve report is shown in Figure 3 below.

To qualify as a reserve Ryder Scott must assess a future location as economic and the YE 2020 reserve report was evaluated assuming a flat oil price of US$47.02/bbl[4]. Note the YE 2022 Reserve Report[1] did not assess undeveloped reserves as any assessment is dependent on a drilling plan for the next 5 years. Australis made the decision to defer the assessment until a partner is introduced and a development plan is determined.

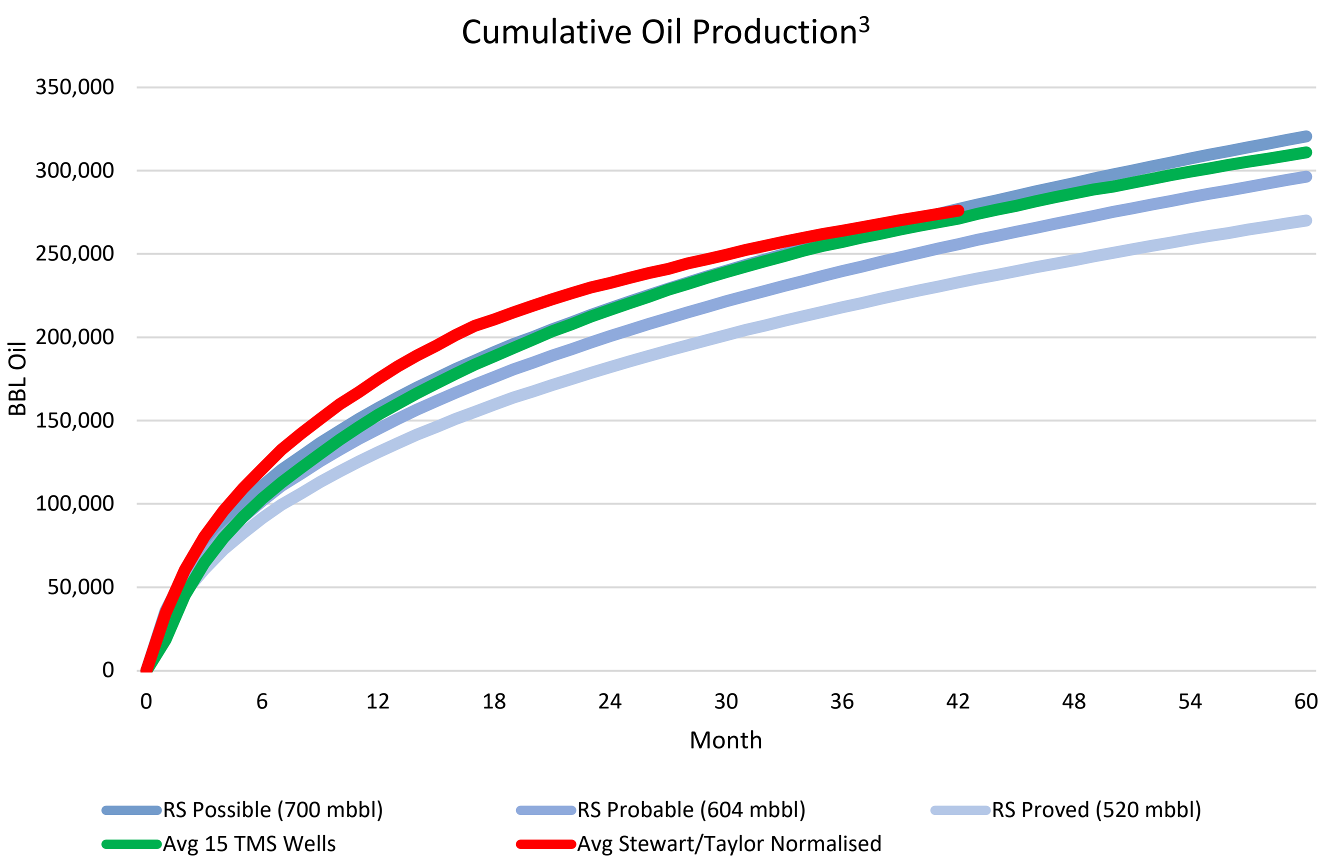

Figure 3: Average oil production of ATS 2014 TMS wells v Ryder Scott Proved, Probable and Possible Type Curves and the performance of full length laterals drilled by Australis in 2018

The 2014 fall in commodity price generated the opportunity for the two low cost acquisitions by Australis in the TMS and for an ongoing cost-effective and strategic 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 is the only company to have drilled new wells in the play since the beginning of 2015 other than in the last quarter of 2021, when State Line Exploration successfully drilled and cased their first well in the play. Consequently, none of the numerous industry improvements that have continued to drive forward the economics of other unconventional plays have yet been applied to the TMS. The production results of the full length laterals drilled by Australis in 2018[3] are also shown above on Figure 3.

GLOSSARY

Unit	Measure	Unit	Measure
B	Prefix – Billions	**bbl**	Barrel of oil
MM	Prefix – Millions	**boe**	Barrel of Oil equivalent (1bbl = 6 mscf)
M or k	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
SOFR	Secured Overnight Financing Rate
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.
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 and 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
YOY	Year on year
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
DUC	Drilled uncompleted well
OD	Outer Diameter of a tubular

Notes

1. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2022 and generated for the Australis concessions to SPE standards. See ASX announcement released on 9 February 2023 titled "Reserves and Resources Update Year End 2022". 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. Average production from Stewart 30H-1 and Taylor 27H-1 wells normalized to 7,200 ft completed horizontal length and adjusted for production curtailments during COVID low oil prices Q2 2020.

4. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2020 and generated for the Australis concessions to SPE standards. See ASX announcement released on 5 February 2021 titled "Reserves and Resources Update Year End 2020". 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.

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 and EBITDA, as defined within the Glossary, are Non-IFRS financial measures 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.