

9 February 2023

Reserve and Resource Update Year end 2022

Australis Oil & Gas
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 in the mid case contains 3.1 million bbls of producing reserves providing free cash flow and approximately 117 million bbls of 2C recoverable resource.

The Company was formed by the founders and key executives of Aurora Oil & Gas Limited, a team with a demonstrated track record of creating and realising shareholder value.

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Australis Oil and Gas Limited ("Australis" or "Company") is pleased to provide its Year End 2022 (YE2022) reserve and resource update as independently assessed by Ryder Scott Company L.P. ("Ryder Scott") with an effective date of 31 December 2022.

In 2021 Australis adopted a conservative approach to estimating its oil and gas reserves and resources, this has been continued with the YE2022 assessment which considers existing production only as a reserve and leaves any further development activity to be subject to securing a funding partner.

Therefore, the YE2022 reserve and resource estimate consists of a proved, probable and possible developed reserve estimate only and no reserve estimates have been generated for undeveloped acreage. A contingent resource estimate is provided and, as in previous years, the mid case 2C contingent resource is subject to a qualifying development plan to transition volumes to an appropriate reserve category of proved, probable and possible.

Net Oil Developed Reserves

Ryder Scott made the following estimates¹ of developed recoverable oil volumes, net to Australis (variance vs YE2021²).

Proved – 2.50 MMbbls (-16%)

Probable & Proved – 3.14 MMbbls (-15%)

Possible, Probable & Proved – 3.95 MMbbls (-13%)

The NPV(10) of the PDP reserves is US\$82 million using a flat oil price of \$95.80/bbl.

Contingent Resource

Ryder Scott have made the following estimates¹ of low, mid and high case contingent resources (variance vs YE2021²).

1C – 21.07 MMbbls (-10%)

2C – 117.06 MMbbls (-21%)

3C – 211.98 MMbbls (-21%)

The assumptions made by Ryder Scott for contingent resource have not changed from previous reports, the reductions reflect the reduction in leased acreage only.

Australis year end 2022 reserve and resource estimates

At the effective date of the report, 31 December 2022, Australis held the rights to ~80,000 net acres within the TMS Core area of which 38,700 net acres (49%) are HBP. Australis participated as a 10% WI partner in two drilled uncompleted (DUC) wells during the year which increased the non-operated well count and also has two operated wells deemed PDNP (Proved, Developed, Not Producing) that require well intervention before they will recommence production. In total there are 31 operated wells and 17 non operated wells considered as producing and the two operated PDNP wells in this report.

In 2021 Australis adopted the position for reserves reporting that it would only present an undeveloped reserves estimate when a funding partner had been secured and that any estimate would reflect the planned program. Whilst the Company has made progress with potential partners, definitive terms have not yet been negotiated and so the YE2022 report continues to reflect a developed reserve estimate only. The undeveloped acreage has been assessed as a contingent resource, reflecting the need for funding capacity before it can be reviewed as a reserve.

This decision does not impact the economic potential of the play. As shown in the YE2020 reserve report, which included a modest development program, the proved undeveloped reserves were economic even at the YE2020 reserve report oil price of US\$47.02/bbl. Without a development plan all recoverable oil volumes from future wells are allocated to contingent resources.

The ASX and SPE compliant methodology of taking the average 1st day of the preceding 12-month period yielded an oil price of \$95.80/bbl for use within the YE2022 report.

Table 1 below provides an update to the producing reserve estimates for YE2022.

Reserve Category	Australis Reserves ¹		Net Oil YE2022 vs YE2021 ²
	Gross Oil (Mbbbls)	Net Oil (Mbbbls)	
Proved Developed Producing (PDP)	4,024	2,475	-16%
Proved Developed Not Producing (PDNP)	37	29	0%
Proved Developed (1P)	4,062	2,504	-16%
Probable Developed Producing	1,025	631	-9%
Probable Developed Not Producing	1	0	0%
Probable Developed Total	1,026	631	-9%
Proved + Probable Developed (2P)	5,087	3,135	-15%
Possible Developed Producing	1,317	812	-6%
Possible Developed Not Producing	0	0	0
Possible Developed Total	1,317	812	-6%
Proved + Probable + Possible Developed (3P)	6,405	3,947	-13%

Table 1: Comparison of producing reserve estimates for YE2022 and YE2021 (note: may not tally due to rounding differences)

The YE2022 PDP net reserve estimate¹ of 2.48 MMbbls is reconciled to the YE2021 report below in Table 3. The NPV(10) of the net PDP reserves volume is US\$82.06 million, which is an increase of 33% from the YE2021 value, predominantly due to the higher oil price assumption for the YE2022 report of US\$95.80/bbl (vs. YE2021 assumed price of US\$67.27bbl)³.

Table 2 below provides an update to the net contingent resource estimates for YE2022

Contingent Resource Category	Oil (Mbbbls) ¹	Oil YE2022 vs YE2021 ²	Gas (MMscf) ¹	BOE (Mboe)
Low Estimate (1C)	21,070	-10%	9,430	22,642
Best Estimate (2C)	117,058	-21%	65,730	128,013
High Estimate (3C)	211,981	-21%	144,984	236,145

Table 2: Comparison of net contingent resource estimates for YE2022 and YE2021.

There are no changes to the subsurface assumptions that are used to generate the net contingent resource estimates in each resource category, the only material change is the acreage position that Australis holds which has reduced by 19% overall. However, this acreage position can be quickly increased via a leasing program with the application of capital.

Assumptions

Key assumptions used by Ryder Scott to generate the YE2022 estimates are as follows:

- Reserves and contingent resources estimates are based on the deterministic estimation method.
- The oil price used for all reserves analysis in this report is a flat realised \$95.80/bbl, which is based on the average achieved price by Australis on the first day of the trailing 12 months of 2022.
- Operating costs for developed producing wells are based on the average of actuals incurred between December 2021 and November 2022.
- The existing PDP estimates are based on production from 31 operated and 17 non-operated wells (31.33 net wells).
- The existing PDNP estimates are based on projected production from 2 operated wells (1.93 net wells).
- Contingent resources are estimated for areas outside of a producing well location. The 1C contingent resources are limited to any development unit (usually 1920 gross acres) that contains an existing TMS well which would have been considered as reserves had the development plan included such locations within the five-year development window. The 2C and 3C considered all the remaining undeveloped net acreage within the core area but used different estimates of in-place volumes and recovery factors.
- No gas sales are assumed in the reserve estimates as all gas is presently consumed on the lease, however projected gas volumes are included in the contingent resource estimates which includes an allocation to existing production and undeveloped acreage.

PDP reconciliation

Table 3 below provides a reconciliation of net PDP reserves between 31 December 2021 and 31 December 2022.

Description	Net Oil (Mbbbl)
PDP Reserve (31/12/21)²	2,954
2022 Net Production	(282)
Technical Adjustment	(261)
Higher oil price	23
Operating cost	0
Changes to ownership	35
Other	6
PDP Reserve (31/12/22)¹	2,475

Table 3: Reconciliation of PDP/PDNP reserves between YE2021 and YE2022.

Contributors to the adjustments shown in the above table are discussed below.

- The key material adjustments were due to production and a technical adjustment.
- The net production shown above is consistent with our quarterly reporting and naturally reflects a reduction in our YE2022 producing reserve.
- The material contribution to the technical adjustments can be traced to a few wells:-
 - The Stewart 30H – 1, which has seen a modest reduction in production profile during the latter part of 2022, has been worked over during January 2023 and Australis anticipates recovering productivity as a result.
 - The Ash 13H – 1, where changes to the surface set up during the second half of 2022 have clearly shown improvements in deliverability, however we do not have enough data to extrapolate as yet. We expect this trend to continue through 2023 and to realise a reversal of the technical adjustments made for this report.

TMS Net Contingent Resource reconciliation

Table 4 below summarises the change in net contingent resource estimated on 31 December 2021 and 31 December 2022.

Description	Net Contingent Resource 31 Dec 2022 ¹ (MMbbl)	Net Contingent Resource 31 Dec 2021 ² (MMbbl)
Low Contingent Resource (1C)	21.1	23.4
Most Likely Contingent Resource (2C)	117.1	149.0
High Contingent Resource (3C)	212.0	269.9

Table 4: Comparison of contingent resources for YE2021 and YE2022.

The following key factors contributed to the changes in contingent resource.

- All subsurface assumptions on in place volumes and recovery factors remained identical for both the YE2021 and the YE2022 resource estimates.
- All undeveloped acreage was evaluated for contingent resource based on the decision not to consider a development plan.
- During 2022 Australis carried out strategically targeted leasing, to maintain control and footprint in the play, without necessarily simply maintaining an acreage position. The net resultant reduction was from 98,000 to 79,500 net acres and this directly influences the contingent resource calculation. The 1C figure is influenced less as it is predominantly HBP acreage and the incremental acreage considered in 2C and the 3C estimate is all term lease and subject to expiry.

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

Further Information:

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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
Gross	The total well count or 100% volume produced from a well or in a reserve category
WI	Working Interest - Company beneficial interest before royalties or burdens
Net or NRI	Net Revenue Interest - Company beneficial interest after royalties or burdens
Royalty	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
C	Contingent Resources (1C/2C/3C equivalent to low/most likely/high)
NPV(10)	Net Present Value (@ discount rate)
EUR	Estimated Ultimate Recovery (oil and gas) of a well
WTI	West Texas Intermediate oil benchmark price
LLS	Louisiana Light Sweet oil benchmark price
D, C & T	Drill, Complete, Tie – in and artificial lift
Opex	Operating Expenditure
HBP	Held by production – within a formed unit a producing well meets all lease obligations within that unit. Primary term remains valid whilst well is on production.
LOE	Lease Operating Expense
TMS Core	The Australis designated productive core area of the TMS delineated by production history
Type Curve	The estimated ultimate recovery (EUR) and associated production profile for a future development well location
PDP	Proved Developed Producing – a subset of Proved Reserves
PDNP	Proved Developed Non-Producing – a subset of Proved Reserves
DUC	Drilled uncompleted well
Net Acres	Working Interest in acres
TMS	Tuscaloosa Marine Shale

Notes

1. Estimates from the independent Ryder Scott report, effective 31 December 2022 and dated 7 February 2023. The report was prepared in accordance with the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS) as revised in June 2018. Ryder Scott generated their independent reserve and contingent resource estimates using deterministic methods.
2. Contingent Resources and Reserves estimated with an effective date 31 December 2021 and are taken from the independent Ryder Scott report dated 31 January 2022 and announced on 07 February 2022 and titled 'Reserve and Resource Update Year End 2021'.
3. The achieved price and NPV(10) values quoted are for the project only, they do not include any impact from the existing oil price hedges that Australis has entered into.

Competent Persons Statement

The reserves and contingent resource estimates provided in this announcement pertaining to the Tuscaloosa Marine Shale is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Raymond Yee, P.E., who is an employee of Ryder Scott Company, L.P. an independent professional petroleum engineering firm. Mr Yee is a Professional Engineer in the State of Texas (Registration No. 81182). The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this announcement has been issued with the prior written consent of Mr Yee in the form and context in which it appears.

Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Australis' planned development 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.