Key Activities & Highlights

29 January 2021

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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The TMS delivers another quarter of positive EBITDA despite challenging global oil market.

Operations Summary – 4th quarter 2020

- Sales volume totalled 125,200 barrels (WI)
- During the reporting quarter Australis generated
  - Revenue of US$47.25/bbl including hedge income of US$4.44/bbl
  - Field Netback of US$2.7 million ($21.83/bbl (WI))
  - EBITDA of US$0.8 million
- Field Opex costs, including workovers, were US$15.73/bbl (average for 2020: US$13.33/bbl, a 13% reduction from the 2019 average)
- Continued generation of EBITDA facilitates debt reduction, with a further US$3 million repayment made during the quarter.
- Australis' cash balance at quarter end was US$4.7 million after debt repayment of $US3 million.

Business Development and Operational Outlook

- The TMS remains one of the very few delineated, but undeveloped, material Tier 1 unconventional oil plays in the USA. With most basins maturing there is a growing scarcity of quality undeveloped Tier 1 inventory. This, together with several key attributes that include location and access to infrastructure, differentiate the TMS core and increase its value from a US oil shale perspective.
- 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, together with potential for further development drilling in an improved environment. Improving sentiment and consolidation of industry participants together with operational plans by new play entrants are all positive indicators for 2021.
- Operations continued to generate positive cashflow to meet debt servicing requirements and to repay principle. Net debt at 31 December 2020 was US$15.3 million.
- Safeguarding the TMS project assets (producing wells, and core HBP and undeveloped leaseholds) remains the priority whilst continuing to explore strategic partner opportunities.
- We continue to focus on maximising positive group wide cashflow which has meant a disciplined approach to all expenditure and maintaining a significant hedge position to protect revenues.

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q4 2020

Key Metrics	Unit	Q4 2020	Q3 2020	Qtr on Qtr Change
Core Land Position (Net)	acres	107,500	110,000	(2%)
Net Oil resource (2P + 2C)[1]	MMbbls	192	192	-
Sales Volumes (WI)	bbls	125,200	143,300	(13%)
Average Realised Price[A]	US$/bbl	$42.78	$41.37	3%
Sales Revenue (WI)[B]	US$MM	$5.9	$6.6	(11%)
Sales Revenue (Net)[B]	US$MM	$4.9	$5.5	(11%)
Field Netback	US$MM	$2.7	$3.5	(23%)
Field Netback / bbl (WI)[B]	US$/bbl	$22	$24	(8)%
Field Netback / bbl (Net)[B]	US$/bbl	$27	$30	(10)%
EBITDA	US$MM	$0.8	$1.9	(58%)
Cash Balance (Qtr end)	US$MM	$4.7	$6.8	(31%)
Debt Balance (Qtr end)	US$MM	$20.0	$23.0	13%

[A] excludes revenue from hedge contracts settled
[B] includes revenue from the settlement of hedge contracts of US$0.6 million (Q3 2020: US$0.7 million)

BUSINESS DEVELOPMENT AND CORPORATE STRATEGY

Australis is presently seeking a partner to participate in the Company's TMS asset value creation strategy. The Company has engaged with a number of potential parties, although interest remains tempered by market conditions. The rising oil price in Q1 2021 and improving visibility to the ultimate resolution of the Covid 19 pandemic are all contributing factors to some positive movement in market sentiment, with the consequent transition by potential partners from a short term focus on asset preservation to consideration of longer term growth opportunities, which we feel will be beneficial to the likelihood of a deal being agreed on acceptable terms.

Australis believes that the US shale industry was, prior to Covid 19, already undergoing a significant transition from its status as an emerging contributor to global production, capable of rapid growth to a more mature status where growth is incremental in nature. Global events during 2020 accelerated this transition, with US production dropping by up to 2 million bbls/d and the more developed plays unlikely to return to material growth status in the future. The underlying drivers for this transition are summarised below and have been noted by many industry participants:

- a reduced undeveloped well inventory of Tier 1 oil development locations in more mature plays;
- aggressive assumptions on spacing that have led to lower well performance and further reduction in assumed inventory; and
- shareholder pressure for free cash flow and the limited availability of capital markets funding for growth stories is reducing development budgets for anything other than Tier 1 assets.

The impact of this was already seen in 2019 with significant reductions in horizontal drilling rig counts and frac fleet utilisation. The low oil price environment during 2020 led to a further dramatic reduction in rig counts and a number of fields being shut in during the Q2/Q3 period. Furthermore, the one area generally seen capable of significant production growth, the Permian basin, saw consolidation of most of the larger participants during the latter part of 2020. This puts the majority of the remaining Tier 1 development inventory in the hands of a select few operators.

As access to Tier 1 undeveloped locations in existing basins becomes more difficult, the industry will need to find replacement inventory in new and emerging plays. Australis believes these circumstances have made the TMS Core an increasingly unique and attractive play together with the following attributes:

- the TMS Core is a highly productive oil-weighted reservoir proven to be as prolific as mature developed Tier 1 plays in the US;
- Australis has an acreage position that is sizable and contiguous, and enables control of development of the play. The acreage remains long dated with over 66% either HBP or an expiry date beyond January 2023.
- for prospective partners, Australis' acreage is at an attractive stage where it has been substantially de-risked and delineated but remains largely undeveloped;
- the proximity of the TMS to oil sales infrastructure, with large capacity and multiple markets;
- the TMS produces quality light crude that continues to attract premium LLS pricing; and
- TMS development benefits from favourable land and development rules, regulatory context and receptive local and state governments, which may become increasingly relevant during the new Biden Administration that has signalled an intention to target gas flaring, fraccing on federal land and water usage/disposal during their term in office. The Australis TMS offers insulation from these potential regulatory issues.

Australis will maintain its strategy of seeking a partner, and believes that during 2021, market conditions will become more conducive to that process.

TMS PRODUCTION AND OPERATING PERFORMANCE

Field operations were carried out safely without incident during the quarter and there were no reportable spills. The production operations team continue to take all appropriate precautions for their health and wellbeing in light of the COVID 19 pandemic.

Production during Q4 2020 was approximately 7% below target primarily due to the impact of an unusual number of hurricane systems in the Gulf of Mexico area. Whilst little direct damage was done to Australis facilities, power supply was interrupted and road access for oil takeaway tankers was at times restricted. This led to higher downtime for wells during the quarter, which impacted production. A lessor contributing factor was due to several workovers taking place on higher production wells during the quarter, which led to a disproportionate impact on production. All workover operations were successful, with wells returning to full production on reinstatement.

Lease operating cost this quarter was a little higher due to the workovers carried out, adding $3.26/bbl to the total LOE figure of $15.73/bbl. But during 2020 the workover costs have reduced by 63% despite the well count increasing during 2019. Overall LOE has reduced by 45% YOY in absolute terms and by 13% on a per barrel basis.

TMS FIELD ACTIVITY

As advised last quarter, State Line Exploration LLC (State Line) applied for a TMS drilling permit and formed a drilling 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. Permits were granted in the quarter to enable the Reese 11H No. 1 well to be drilled.

As shown in Figure 1 below the unit is located within the Australis designated TMS Core and is in close proximity to a number of Australis operated and producing wells. Australis will continue to monitor progress and advise the market when State Line commences field operations.

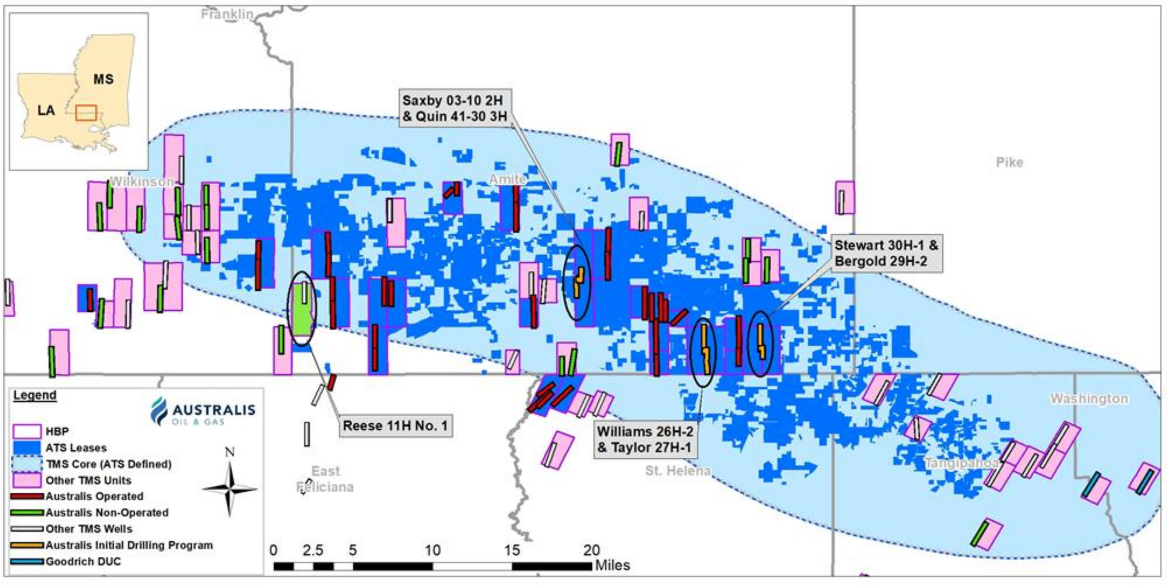

Figure 1: Australis Acreage and Well Locations with State Line Exploration permitted well

After the end of the reporting period a new Austin Chalk well was spudded in Avoyelles Parish, Louisiana approximately 70km to the SW of the TMS Core, close to the Eagle Ranch 14H chalk well drilled by EOG in 2017. Australis continues to monitor regional activity in other horizons to assess for applicability to the Australis leasehold positions, which holds rights to all depths on most leases.

FINANCE AND CORPORATE

Cash and Capital

During the continuing challenging global oil market conditions in the quarter, Australis maintained its focus on generating positive group-wide cashflow. Results for the quarter include:

- EBITDA of US$0.8 million for quarter and US$7.0 million for the year
- Interest expense of US$0.4 million for the quarter and US$2.1 million for the year
- Debt reduced by US$3 million at year end to US$20 million, a reduction of US$13 million for FY 2020.
- Cash at 31 December 2020 of US$4.7 million (31 Dec 19: US$16.1 million).
- Continued expenditure reduction and discipline:
  - Field operating costs: averaging 13% per bbl lower in 2020 despite lower production (42%) compared to 2019; and
  - G&A expenditure: averaging 47% lower in Q4 2020 compared to Q4 2019 and annually 53% lower in 2020 (US$5.9 million) compared to 2019 (US$12.7 million).

Credit Facility

The outstanding debt balance to Macquarie was reduced by US$3 million in the quarter, resulting in a balance at 31 December 2020 of US$20 million. Australis continued to meet all covenant requirements and has serviced interest and other facility costs out of existing cash flow during the reporting period. The credit facility maturity remains at November 2023 with minimum quarterly repayments of US$1 million.

Hedging

During the reporting quarter Australis hedged an additional 62,500 bbls for the 2021 year at an average WTI protected price of US$41.53/bbl via a combination of swaps and costless collars, the latter providing some exposure to stronger prevailing oil prices in early 2021. These incremental hedges combined with the existing hedges provides an average WTI protected price for 2021 of $46/bbl. The table below summarises the protected WTI prices for all hedged volumes as at 31 December 2020.

	Hedged Volume (bbls)	Hedge average WTI floor Price (US$/bbl)	% of forecast Net PDP profile hedged
H1 2021	161,900	$46	80%
H2 2021	115,400	$46	65%
2022+	49,300	$49	13%

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, through the year there have been some minor expiries during each quarter, and the Company's net acreage position in the TMS Core was 107,500 net acres at the end of Q4 2020.

As can be seen in Figure 2, 13,300 net acres are due to expire during 2021 if no further leasing takes place, although ~4,800 net acres are subject to an extension option in favour of Australis. Australis is confident when the Company decides to recommence leasing activities, it could recover the lost acreage position. We closely monitor leasing activity in the area, which might be a catalyst to this decision.

Of the 107,500 net acres over 66% is either HBP or has an expiry date after January 2023. 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.

Expiration Year – TMS Core Net Acres

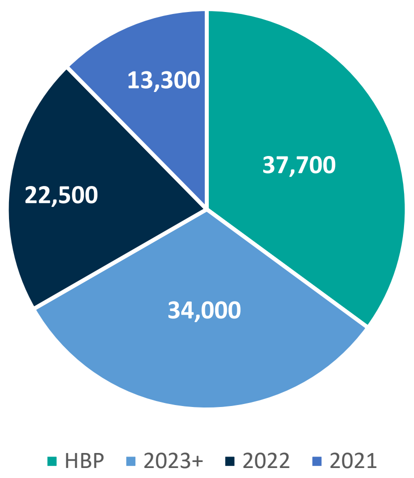

Figure 2: Expiration Year: Undeveloped Net Acres

Total TMS Core Net Acres

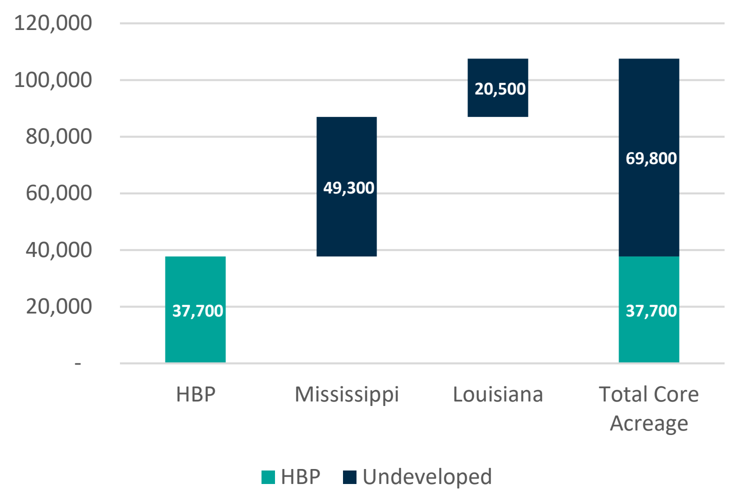

Figure 3: Australis TMS Core Net Acreage Position

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

LUSITANIAN BASIN – PORTUGAL

During the reporting quarter, following the decision to relinquish the exploration licences, Australis fulfilled its remaining concession obligations and performance bonds held in favour of the government have been released. The Company is now moving to winding up the remaining interests and corporate entities in the country.

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.

With over 100,000 net acres within the production delineated core of the oil producing TMS, Australis retains significant upside potential with a Company approximately 400 net future drilling locations, and an independently assessed 62 MMbbl of 2P oil reserves as at 31 December 2019 which 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 107,500 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.

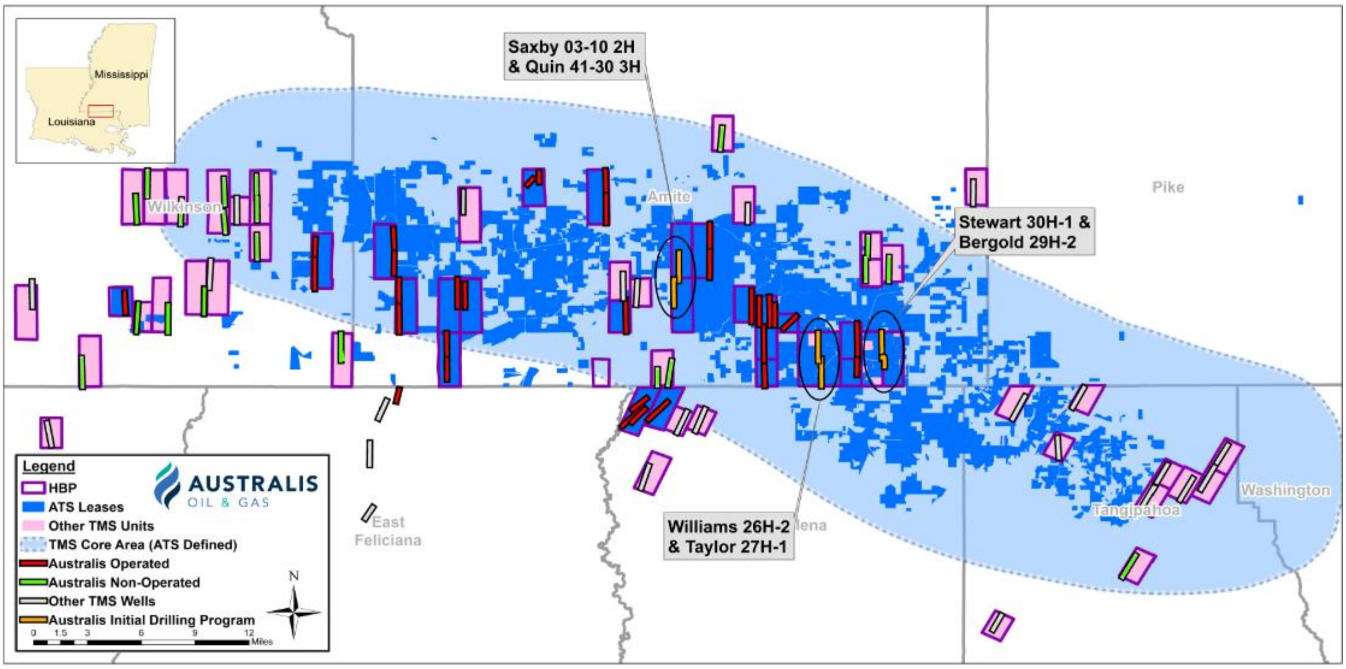

Figure 4: Overview of the TMS Core and Australis approximate lease hold position

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.

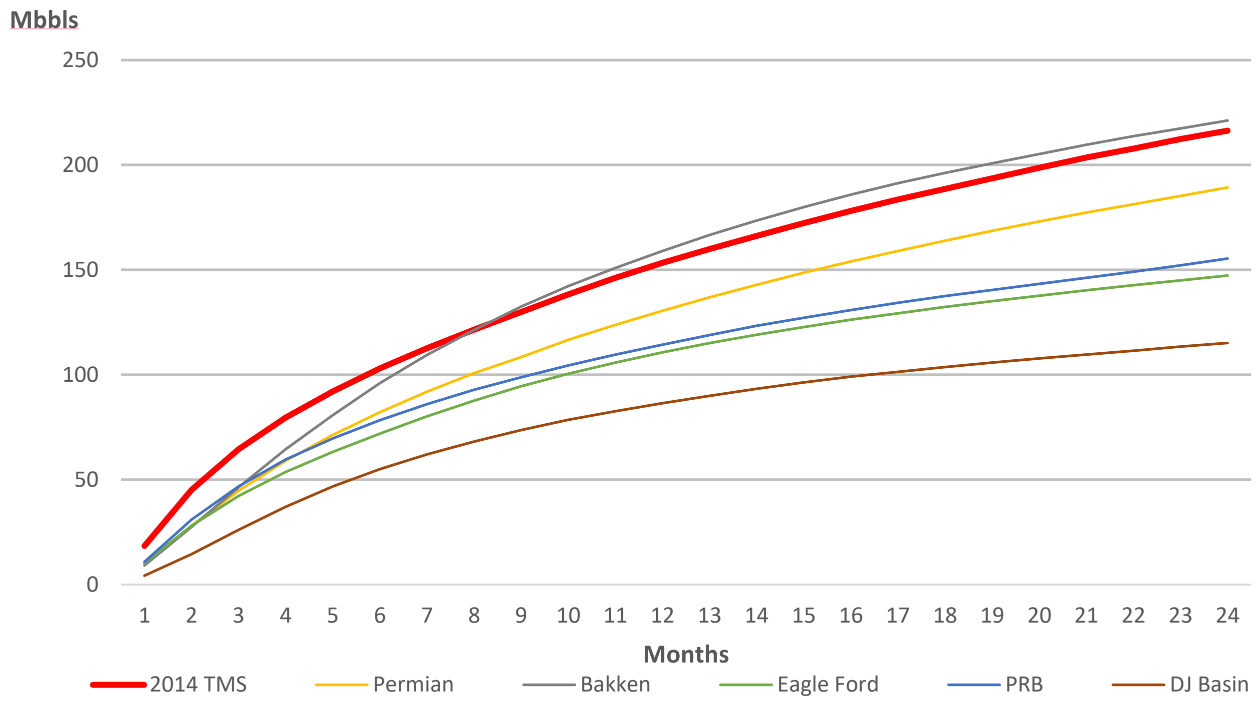

Figure 5: Average oil production of ATS 2014 TMS wells v 2017 wells in other basins[3]

The 2014 fall in commodity price generated the opportunity for the two low cost acquisitions by Australis in the play and for a cost-effective leasing program where longer lease life was 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' 2019 operations were the first drilling activity that has occurred since the beginning of 2015. As this drilling operation was limited to 6 wells many of the numerous industry improvements that have continued to drive forward the economics of other unconventional plays have yet been applied to the TMS.

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
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

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.