Key Activities & Highlights 27 April 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 significant operated position in the Tuscaloosa Marine Shale (TMS), one of the last appraised but undeveloped unconventional oil plays onshore in the USA.

Australis is seeking an industry partner to invest in the TMS asset and demonstrate underlying value to a market that is increasingly receptive to an undeveloped play with materiality, proven productivity and infrastructure advantages.

Overview

- Australis holds approximately 77,200 net acres and ~280 net future drilling locations within the production delineated core of the TMS
- Operationally, Australis managed an elevated level of workover activity in the quarter, incurring the associated increased well downtime and costs (including some one-off expenses), and made a limited number of discretionary expenditures to build critical inventory
- Australis continues to strategically manage its leasehold position, with a modest capital budget allowing targeted leasing and permitting activity
- Interactions with several potential partners continued during the quarter

Operations Summary – 1st quarter 2023

During the quarter Australis generated:

- Sales volume of 76,200 barrels (WI) (-9% on Q4/2022)
- Revenue of US$5.5 million (-17% on Q4/2022) including hedge losses on Credit Facility required oil price hedges of US$0.3 million (down from US$0.5 million in Q4/2022)
- Field Netback of US$1.7 million (-39% on Q4/2022) reflecting lower sales volumes and realised oil price and higher workover costs in the quarter

Financial and Corporate

- Cash balance at quarter end of US$5.4 million
- Credit Facility reduced by a further US$1 million to US$11 million.
- Capital expenditure of US$0.9 million including a modest land program and key inventory items affected by supply chain issues.

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q1 2023 and provides a comparison to Q4 2022.

Key Metrics	Unit	Q1 2023	Q4 2022	Qtr on Qtr Change
TMS Core Land (Net)	acres	77,200	79,600	-3%
Net Oil resource (2P + 2C)[1]	MMbbls	120	153	-22%
Sales Volumes (WI)	bbls	76,200	83,300	-9%
Average Realised Price[A]	US$/bbl	$77	$85	-9%
Average Achieved Price[B]	US$/bbl	$73	$80	-9%
Sales Revenue (WI)[B]	US$MM	$5.5	$6.6	-17%
Sales Revenue (Net)[B]	US$MM	$4.4	$5.3	-17%
Field Netback	US$MM	$1.7	$2.8	-39%
Field Netback / bbl (WI)[B]	US$/bbl	$22	$33	-33%
Field Netback / bbl (Net)[B]	US$/bbl	$27	$42	-36%
EBITDA	US$MM	$0.1	$1.1	-91%
Cash Balance (Qtr end)	US$MM	$5.4	$7.8	-31%
Total Debt (Qtr end)	US$MM	$11.0	$12.0	-8%

[A] excludes effect of hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$0.3 million (Q4 2022: loss of US$0.5 million)

TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were down 9% compared to the previous quarter at 76,200 bbls (847 bbls/d) and inventory reduced by 800 bbls over the quarter, meaning that production volumes were down by ~10%. Beyond natural depletion, there was a material increase in downtime on the wells due to a number of workovers needed and several days of delays due to difficulty in securing a suitable rig to execute these operations. Actual well productivity was largely in line with expectation as projected by our recent Ryder Scott Reserve report.

There were four workovers during January and February and operational complications led to one workover requiring two rig mobilisations with increased associated costs. Although there were no further well interventions during March, over the quarter this still represented an increase on recent workover frequency, as only 10 were required during the whole of 2022. The increased workover frequency and the complexity of one operation were the major contributors to the 10% lower production volumes and higher costs during the quarter. It is worth noting that the average time since last workover for the four wells was 713 days, which is a 20% improvement on the 2022 average and a 42% improvement on the

2020 average, so whilst unfortunate we had four wells needing workovers this quarter, the overall trend continues in the right direction.

WTI crude prices dropped during the quarter, and this is reflected in our Realised Price (excluding hedging) being 9% lower at $77/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 significantly reduced to $0.3 million (vs Q4 2022 losses of $0.5 million and Q3 2022 losses of $1.11 million), and hence the Achieved Price (including hedging) was only 5% lower ($73/bbl) than the Realised Price.

During Q4 2022 and Q1 2023, Australis proactively increased its inventory of critical production and completion equipment spares due to rising costs and longer lead times. Whilst this has led to the incurrence of additional discretionary costs, it does safeguard the company from protracted downtime associated with the lead times and further inflationary pressure on equipment costs.

The lower sales volumes and oil prices, together with higher workover costs and additional inventory costs negatively impacted the quarterly Field Netback and EBITDA.

FINANCE AND CORPORATE

Cash and Capital

Results for the quarter include:

- Sales Revenue (after the impact of hedges) was US$5.5 million in the quarter, (Q4 2022: US$6.6 million) reflecting the reduced achieved oil pricing and lower sales volumes
- EBITDA of US$0.1 million for the quarter reflecting the lower sales revenue and higher than usual workover costs
- Total debt under our Macquarie Credit Facility reduced by US$1 million in the quarter to US$11 million

Capital expenditure for the quarter of US$0.9 million (Q4 2022: US$0.5 million) included:

- costs of leasing and permitting under the Company's strategic leasing renewal program
- replacing plant and equipment and increasing inventory for critical field equipment
- adjustment to the well rehabilitation provision in light of recent price increases
- additional completion and other costs associated with the Australis 10% WI in the non-operated W. Alford well (Paloma Natural Gas Partners operated)

Credit Facility

The outstanding debt under our Macquarie Credit Facility was reduced by US$1 million in the quarter, resulting in a balance at 31 March 2023 of US$11 million. Australis continued to exceed all covenant requirements and serviced interest, other facility costs and the scheduled amortisation payment out of operating cash flow during the reporting period. As previously reported, Australis has obtained an extension to the maturity date of the Facility of 18 months, to May 2025, which provides balance sheet flexibility in the intervening 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$0.3 million) compared to previous quarters due to the effects of the hedge book transitioning to a higher weighting of zero cost collars (ZCC).

A total of 40k bbls were hedged (WTI) for Q1 2023:

- ZCC: 26k bbls protecting an average downside price of US$52/bbl and maintaining the upside in oil price up to an average of US$80/bbl, and
- Swaps: 13k bbls protecting an average downside price of US$61/bbl

The average WTI oil price in each of the months in the quarter, ranged from US$79/bbl to US$72/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-Apr-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
Q2/2023	9	$65	23	$53	$78
Q3/2023	11	$66	20	$51	$73
Q4/2023	11	$65	11	$71	$86
Q1 - Q4/2024	24	$67	38	$57	$83
Q1 - Q4/2025	12	$65	17	$50	$80
	67		109		

A. Based on weighted average monthly price

Year end 2022 Ryder Scott Reserve Report

Australis released the Ryder Scott year end 2022 reserve report on 9 February 2023[1]. Ryder Scott evaluated the existing producing asset to generate proved, probable and possible developed reserve estimates and evaluated the undeveloped acreage position as a contingent resource. The analysis generated the following estimates:

RESERVE CATEGORY	AUSTRALIS RESERVES[1]	
	Gross Oil (Mbbls)	Net Oil (Mbbls)
Proved Developed Producing (PDP)	4,024	2,475
Proved Developed Not Producing (PDNP)	37	29
Proved Developed (1P)	**4,062**	**2,504**
Probable Developed Producing	1,025	631
Probable Developed Not Producing	1	0
Probable Developed Total	1,026	631
Proved + Probable Developed (2P)	**5,087**	**3,135**
Possible Developed Producing	1,317	812
Possible Developed Not Producing	0	0
Possible Developed Total	1,317	812
Proved + Probable + Possible Developed (3P)	**6,405**	**3,947**

TMS Lease Position

Australis continued its capitally disciplined strategic leasing and permitting program in Q1 2023, seeking to maintain the Company's control and exposure to the TMS Core area for development purposes.

Australis permitted three additional units in Mississippi during the quarter as part of the preliminary planning to maintain operatorship for drill readiness. As at the end of the quarter, Australis has eleven undeveloped units permitted as operator. The Company will continue a modest leasing and permitting program in 2023 where prudent to preserve its strategic position in the TMS Core and as cashflows permit.

As at 31 March 2023 Australis holds ~77,200 net acres in the TMS Core, of which 38,700 net acres (50%) are HBP.

The Company's lease position decreased by ~2,400 net acres over the quarter due to the anticipated expiry of legacy leases. Australis continues to balance capital discipline with a continued program of high grading and strategic renewal leasing of acreage.

Approximately 350 net acres were leased during the quarter, and Australis has commitments on a further ~ 500 net acres of targeted leases.

Figure 1 below provides more detail on the expiry profile of the Core acreage position as at 31 March 2023. Figure 2 provides a map of the Australis acreage position.

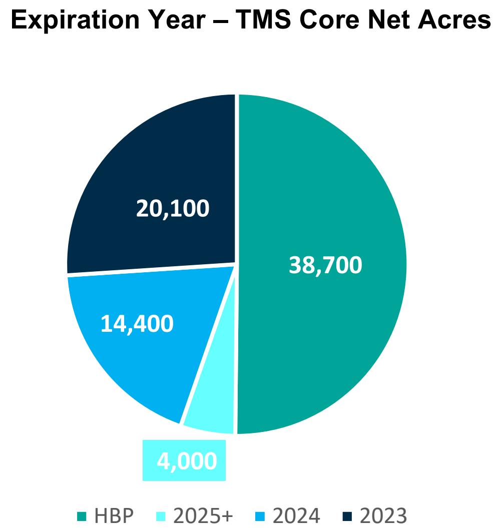

Figure 1: Expiry profile of Australis TMS acreage

Business Development and Corporate Strategy

From 2016 Australis has consistently laid out a clear and simple business strategy. To secure a low entry cost interest, in a high-quality oil weighted onshore shale play that could be revalued with the application of modest development capital and then combined with improvements in oil price, seek to monetise this asset value for shareholders. We have been able to execute on the first elements of that strategy with the ground floor entry into the TMS together with confirmation of the productivity of the play from our initial development program. However, with changes in industry conditions that have occurred since 2020, we have identified the need to apply additional development capital to unlock the TMS asset value. Australis has therefore been seeking to secure an appropriate industry partner willing to apply this capital and participate in the play on terms acceptable to Australis.

Whilst industry conditions within the US onshore unconventional industry have not been conducive for some time for an emerging early stage play such as the TMS, the fundamental drivers of limited remaining inventory in established plays, growing demand and constrained investment within the industry, all continue to force participants to seek new and alternative development opportunities. As yet these pressures have not led to Australis agreeing terms with potential partners, but 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 77,000 net acres (50% HBP) within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 280 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.

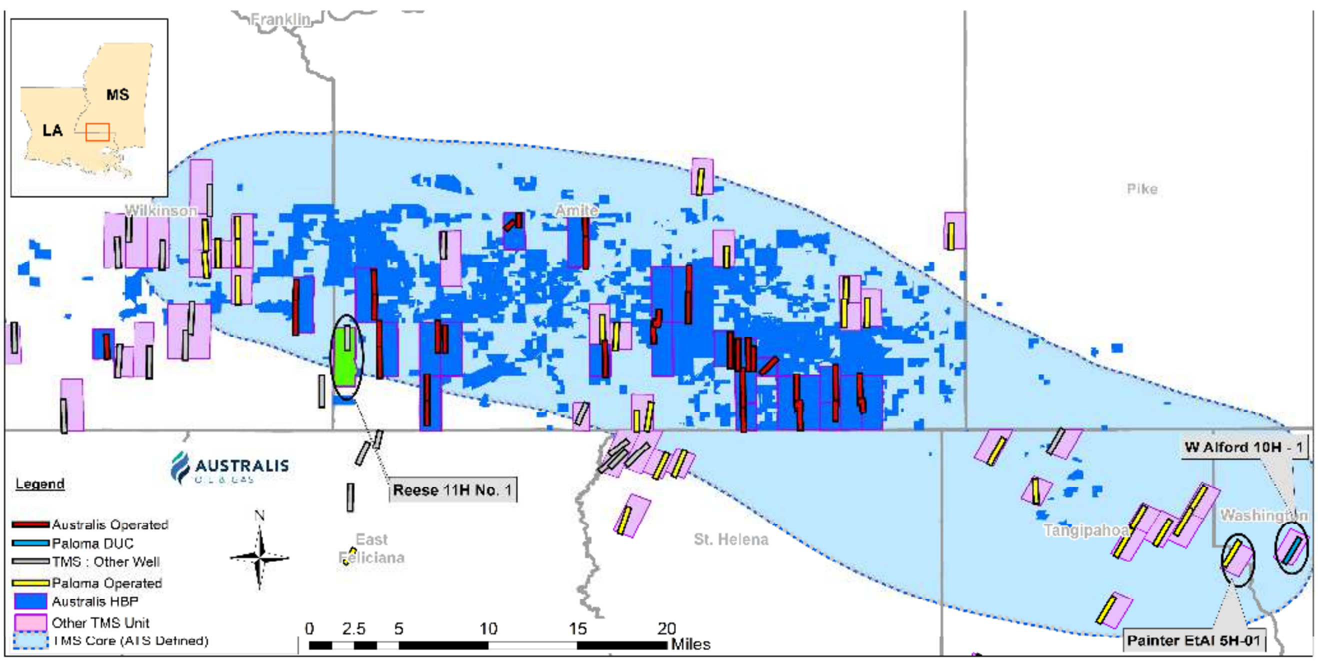

Figure 2: Location of Australis Acreage and Well Locations including the State Line Exploration well (Reese) and the recently completed Paloma operated wells (W Alford & Painter)

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.

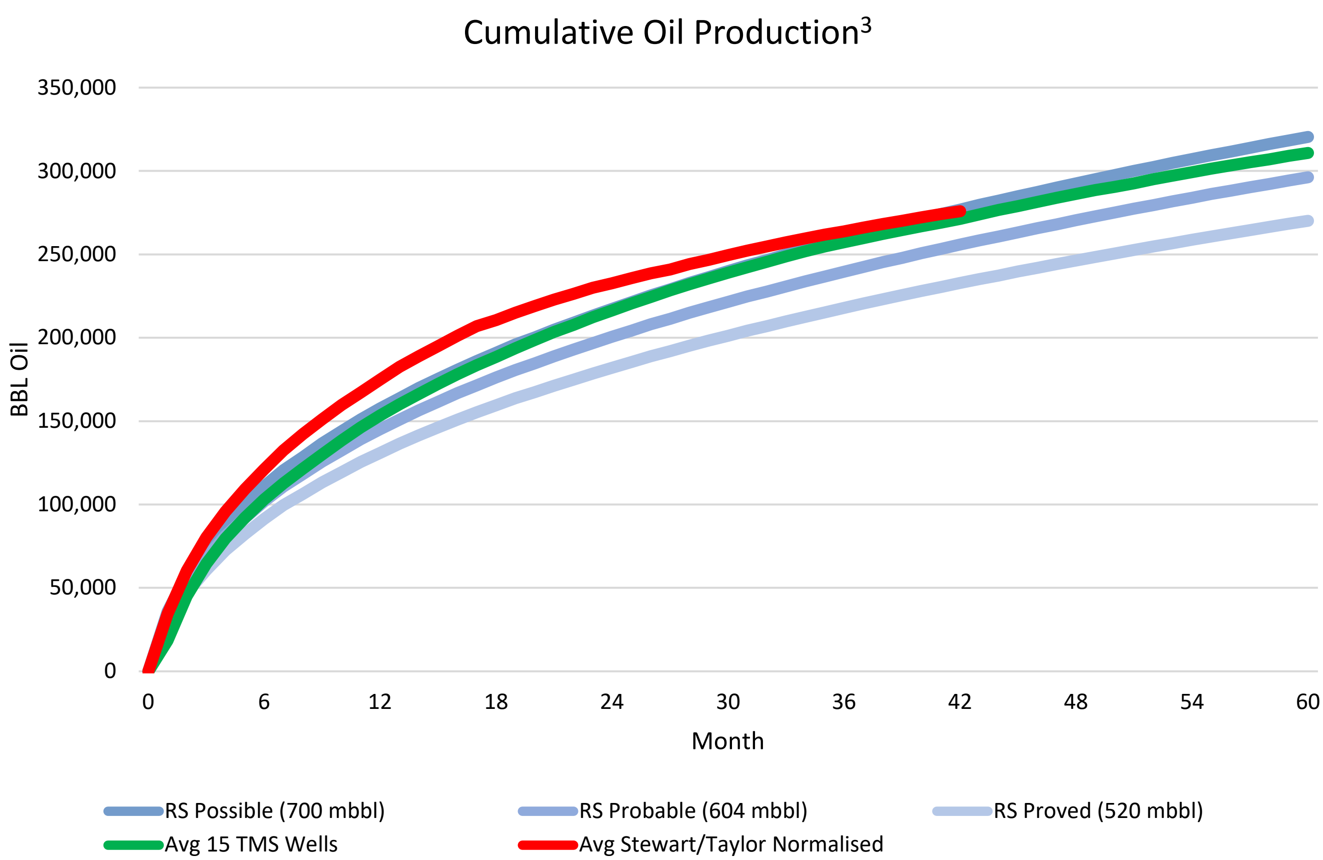

Figure 3: Average oil production of ATS 2014 TMS wells v Ryder Scott Proved, Probable and Possible Type Curves and the performance of full length laterals drilled by Australis in 2018

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	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.