# Key Activities & Highlights 30 October 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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**The Tuscaloosa Marine Shale (TMS) is an early-stage oil weighted unconventional asset and Australis holds a material contiguous operated position in the production delineated core area.**

**Australis seeks an industry partner who recognises the TMS as a uniquely appraised but undeveloped large basin and is seeking to add quality inventory to their portfolio.**

## Overview

- Australis holds approximately 66,000 net acres and ~230 net future drilling locations within the production delineated core of the TMS.
- Australis continues to manage its leasehold position with a view to maintaining our strategic position inside the TMS Core.
- Australis continues to work actively with potential partners to achieve our objectives of advancing the play through a variety of engagement structures.

## *Operations and Financial Summary – 3rd quarter 2023*

- Sales volume of 69,000 barrels (WI) (-5% vs Q2/2023).
- Improved oil pricing led to moderately higher revenue of US$5.3 million (+2% vs Q2/2023), including hedge losses on Credit Facility required oil price hedges of US$0.4 million.
- Field Netback of US$2.0 million (-17% vs Q2/2023) with increased workover costs during the quarter.
- An increased cash balance at quarter end of US$3.9 million.
- Reduction of Credit Facility principal amount reduced by a further US$1 million to US$9 million, with net debt of US$5.1 million.

## KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q3 2023 and provides a comparison to Q2 2023.

| Key Metrics | Unit | Q3 2023 | Q2 2023 | Qtr on Qtr Change |
|---|---|---|---|---|
| TMS Core Land (Net) | acres | 65,800 | 73,300 | -10% |
| Net Oil resource (2P + 2C)[1] | MMbbls | 120 | 120 | 0% |
| Sales Volumes (WI) | bbls | 69,000 | 73,000 | -5% |
| Average Realised Price[A] | US$/bbl | $82.96 | $74.02 | +12% |
| Average Achieved Price[B] | US$/bbl | $76.73 | $71.82 | +7% |
| Sales Revenue (WI)[B] | US$MM | $5.3 | $5.2 | +2% |
| Sales Revenue (Net)[B] | US$MM | $4.2 | $4.2 | 0% |
| Field Netback | US$MM | $2.0 | $2.4 | -17% |
| Field Netback / bbl (WI)[B] | US$/bbl | $28.90 | $33.04 | -13% |
| Field Netback / bbl (Net)[B] | US$/bbl | $35.84 | $40.94 | -12% |
| EBITDA | US$MM | $0.6 | $0.8 | -25% |
| Cash Balance (Qtr end) | US$MM | $3.9 | $3.7 | +5% |
| Total Debt (Qtr end) | US$MM | $9.0 | $10.0 | -10% |

[A] excludes effect of hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$0.43 million (Q2 2023: loss of US$0.16 million)

## TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were down 5% compared to the previous quarter at 69,000 bbls (750 bbls/d) and inventory increased by a modest 300 bbls over the quarter, meaning daily production volumes were slightly higher by 3 bbls/d. The only operational issue during the quarter was downtime associated with wells awaiting workover.

There were two workovers during the period, compared to one workover in the prior quarter and overall workover frequency to the end of the quarter remain below 2022 figures and in line with expectation.

As identified in the previous quarterly report, several lower producing wells are candidates for workovers, but can be flowed periodically without artificial lift. Whilst this results in lower monthly rates it is at a lower production cost and still economical at prevailing oil prices.

WTI crude prices improved during the quarter with our Realised Price (excluding hedging) increasing by 12% to US$83/bbl. Our hedge position is designed to protect pricing downside and is mandated by Macquarie under our credit agreement, by its nature this limits our exposure to upside and with the rise in prices, our hedging losses increased to US$0.43 million from US$0.16 million in the prior quarter.

## FINANCE AND CORPORATE

### *Cash and Capital*

Results for the quarter include:

- Sales Revenue (after hedges) of US$5.3 million was slightly higher than the previous period (Q2 2023: US$5.2 million) reflecting higher pricing that was partially offset by reduced sales and increased hedging losses.
- EBITDA of US$0.6 million for the quarter (Q2 2023: US$0.8 million) reflects the 2 workovers undertaken during the period compared to one workover in the previous quarter.
- Total debt under our Macquarie Credit Facility reduced by US$1 million to US$9 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$9 million as at 30 September 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.

### *Oil Price Hedging*

During the reporting quarter Australis realised higher oil price hedging losses (US$0.4 million) compared to previous quarters (US$0.2 million in Q2 and US$0.3 million in Q1) due to the higher oil pricing in the current quarter. The average monthly WTI oil price in the quarter, increased from US$76/bbl in July 23 to US$89/bbl by quarter end.

A total volume representing 36k bbls of WTI denominated hedge contracts were settled for Q3 2023 as follows:

- ZCC: 25.5k bbls protecting an average downside price of US$51/bbl and maintaining the upside in oil price up to an average of US$77/bbl, and
- Swaps: 10.5k bbls protecting an average downside price of US$66/bbl

The table below summarises the protected WTI floor prices and the ceiling prices for all hedged volumes on future production at the end of the reporting quarter.

| Australis' current WTI oil price hedge position as at 1-Oct-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 |
| Q4/2023 | 11 | $65 | 17 | $63 | $87 |
| Q1/2024 | 9 | $70 | 15 | $54 | $87 |
| Q2/2024 | 9 | $68 | 14 | $57 | $87 |
| Q3/2024 | 5 | $53 | 15 | $54 | $83 |
| Q4/2024 | 2 | $78 | 12 | $54 | $81 |
| Q1/2025 | 3 | $67 | 8 | $48 | $83 |
| Q2/2025 | 3 | $66 | 8 | $48 | $82 |
| Q3/2025 | 3 | $65 | 4 | $50 | $79 |
| Q4/2025 | 3 | $64 | 4 | $50 | $79 |
| | 47 | | 95 | | |

*A. Based on weighted average monthly price*

### *TMS Lease Position*

Australis continued its capitally disciplined strategic leasing program in Q3 2023, seeking to maintain the Company's control and exposure to the TMS Core area for development purposes.

As at 30 September 2023 Australis holds ~65,800 net acres in the TMS Core, of which 38,800 net acres (59%) are HBP.

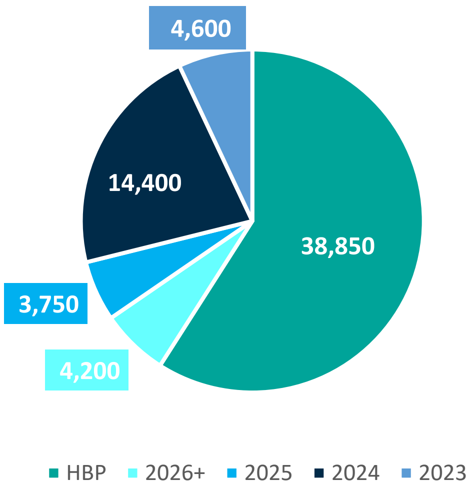
After giving effect to the ~220 net acres that were leased during the quarter, the Company's lease position decreased by ~7,500 net acres since the prior quarter due to the expiry of legacy leases. Australis continues to balance capital discipline with a continued program of high grading and strategic renewal leasing of acreage. The Company intends release targeted expired acreage when a funding partner is secured.

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

Figure 1 below provides more detail on the expiry profile of the TMS Core acreage position as at 30 September 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*

The Company has continued to work on various engagements to find a partner who wishes to invest in the TMS and participate in a development program that will add to the existing well count and advance the evolution of the play. These engagements have resulted from both inbound enquiries and through targeted outreaches by Australis. Various diligence processes have taken place, are underway or have just commenced and we work closely with these potential partners to ensure a thorough technical understanding of the opportunity.

The industry discussion on remaining US shale drilling inventory has continued with analysts increasingly focused on the remaining runway for individual companies. Whilst the size and quality this future well stock has been influenced by the higher prevailing oil prices during the quarter, the underlying issue remains the same. Continued consolidation by the larger, better financed independents and majors has only exacerbated this issue for those who are left behind. Australis has long argued that limited or prohibitively expensive opportunities in the established plays will drive potential partners to look at emerging 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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**Ends**

## 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 65,800 net acres (59% HBP) within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 230 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.

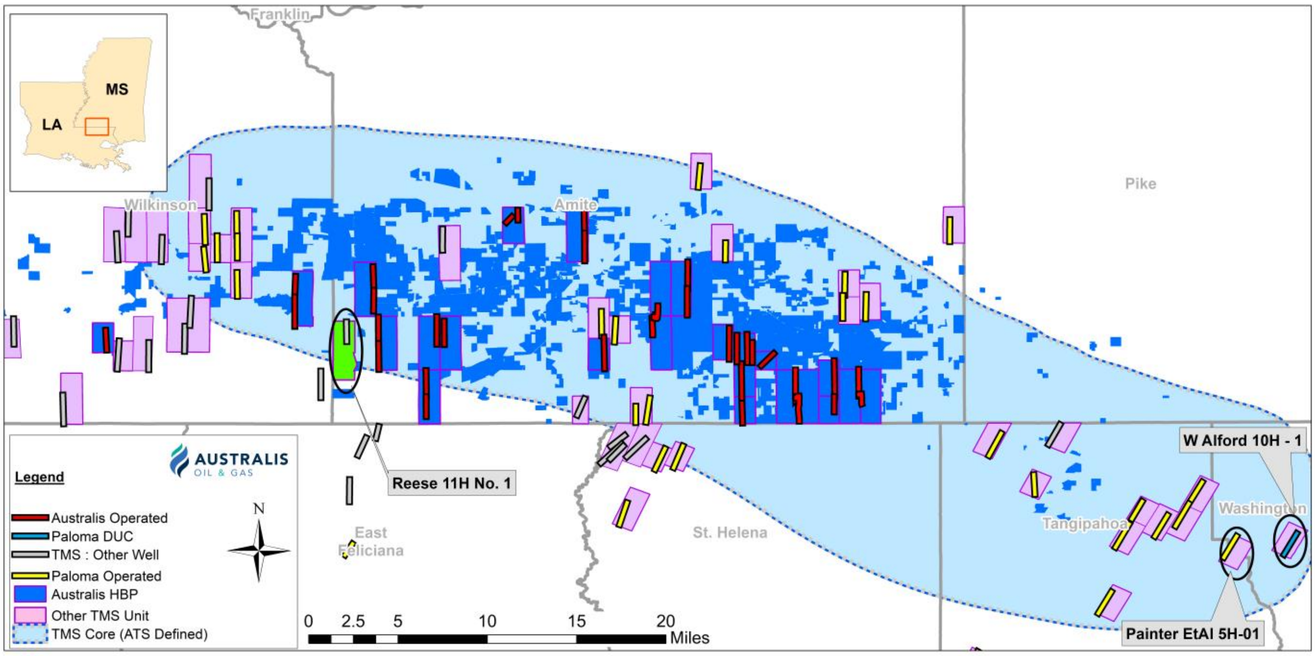


**Figure 2: Location of Australis Acreage and Well Locations including the State Line Exploration well (Reese) and the recently completed Paloma operated wells (W Alford & Painter)**

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.

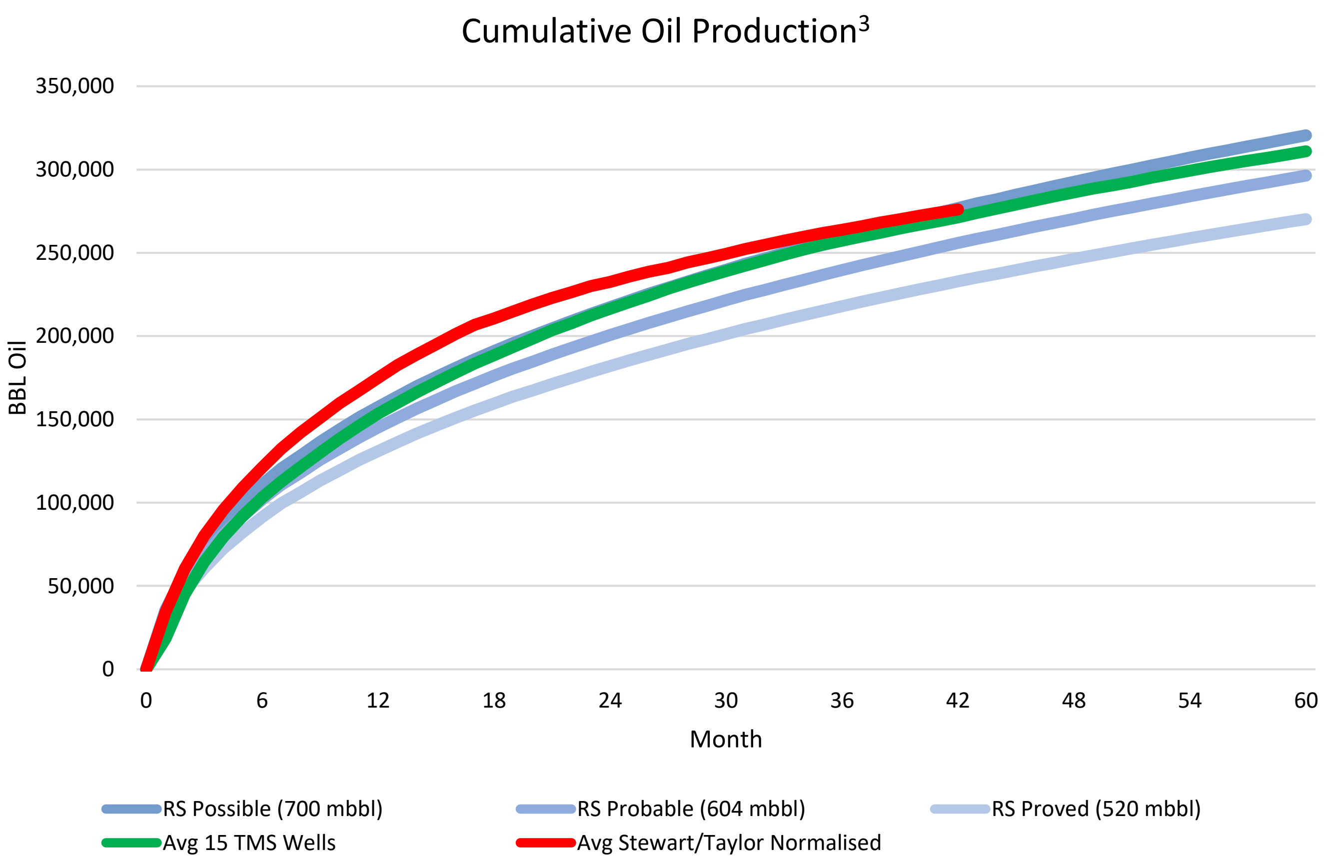


**Figure 3: Average oil production of ATS 2014 TMS wells v Ryder Scott Proved, Probable and Possible Type Curves and the performance of full length laterals drilled by Australis in 2018**

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, amortisation expenses and the write off of previously capitalised expired exploration leases |
| **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.