Key Activities & Highlights — 26 October 2022

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 153 million bbls of 2P+2C net reserves and resources including 3.0 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, one of the last appraised but undeveloped unconventional oil plays onshore in the USA.

Activity by third parties and increased recognition by the industry of the TMS is supportive of the Australis business strategy.

Overview

- Another fiscally strong quarter enables continued financial self-sufficiency and funds a modest capital program to add strategic lease holdings and participate in field development activities.
- Paloma successfully completed their second DUC well, the West Alford 10H, using a similar frac design to the Painter 5H, which continues to perform to Type Curve expectations. Australis is a 10% WI participant in both wells.
- Australis continues to strategically manage its leasehold position, with targeted leasing and permitting activity.
- Discussions with potential partners continued during the quarter.

Operations Summary – 3rd quarter 2022

- During the quarter Australis generated:
  - Sales volume of 89,600 barrels (WI) (+8% on Q2/2022)
  - Revenue of US$7.4 million (+1% on Q2/2022) including hedge losses on Credit Facility required oil price hedges of US$1.1 million (down from US$1.8 million in Q2 2022)
  - Field Netback of US$3.5 million (+21% on Q2/2022)
  - EBITDA of US$1.8 million (+80% on Q2/2022), reflecting higher sales and lower expenditures in the quarter.

Financial and Corporate

- Cash balance at quarter end of US$8.3 million.
- The first three quarters of 2022 have delivered positive cash flow enabling the Company to reduce its net debt position from $6.7million at the beginning of the year to US$4.7million at 30 September 2022 whilst also funding a modest capital expenditure of US$3.3 million for the year to date.
- Maturity Date of Macquarie Facility extended to May 2025

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q3 2022.

Key Metrics	Unit	Q3 2022	Q2 2022	Qtr on Qtr Change
TMS Core Land (Net)	acres	81,900	83,500	(2%)
Net Oil resource (2P + 2C)[1]	MMbbls	153	153	0%
Sales Volumes (WI)	bbls	89,600	82,900	8%
Average Realised Price[A]	US$/bbl	$95	$110	(14%)
Average Achieved Price[B]	US$/bbl	$83	$88	(6%)
Sales Revenue (WI)[B]	US$MM	$7.4	$7.3	1%
Sales Revenue (Net)[B]	US$MM	$5.7	$5.6	2%
Field Netback	US$MM	$3.5	$2.9	21%
Field Netback / bbl (WI)[B]	US$/bbl	$39	$34	15%
Field Netback / bbl (Net)[B]	US$/bbl	$48	$43	12%
EBITDA	US$MM	$1.8	$1.0	80%
Cash Balance (Qtr end)	US$MM	$8.3	$8.7	(5%)
Total Debt (Qtr end)[C]	US$MM	$13.0	$14.0	(7%)

[A] excludes effect of hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$1.1 million (Q2 2022: loss of US$1.8 million)
[C] Macquarie Facility debt

TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were up 8% compared to the previous quarter to 89,600 bbls and, although net inventory reduced by approximately 2,000 bbls, the production volumes were up by 6%. This was partially due to improved run times as well as the contribution of production from the recently fracced Painter 5H well.

The decrease in achieved crude pricing this quarter was smaller than the decrease in realised crude pricing due to the improved hedge position allowing greater exposure to higher oil prices.

Workover frequency was lower in the quarter with only two wells requiring interventions, which in turn reduced operating costs and led to a 21% improvement to field netback, despite the lower achieved pricing. Despite the pressure on service and equipment costs in the field, continued focus achieved a 2.5% reduction in costs per bbl.

FINANCE AND CORPORATE

Cash and Capital

Australis generated cash earnings in the quarter of US$2.0 million (Q2: US$1.2 million), net of all operating, hedge, G&A and interest costs.

Results for the quarter include:

- EBITDA of US$1.8 million, an 80% increase from Q2 2022 reflecting the continued strength in oil achieved prices, steady oil production and lower workover costs
- Interest expense of US$0.28 million
- Total debt under our Macquarie Facility reduced by US$1 million to US$13 million
- Cash of US$8.3 million at 30 September 2022
- Net debt of US$4.7 million at 30 September 2022
- Sales Revenue (after the impact of hedges) was US$7.4 million, which was comparable to Q2/2022 despite reduced oil pricing (WTI averaged US$95 in Q3 2022 compared to US$110 in Q2 2022) which was offset by increased sales during the quarter

Increased capital expenditure for the quarter (US$1.9 million) included:

- acquiring a 10% WI in a second Paloma Natural Gas Partners operated DUC well (W. Alford) including associated unit leasehold costs and the Company's WI share of completion and tie in costs for the well operations
- costs of leasing and permitting under the Company's strategic leasing renewal program, and
- replacement of field equipment.

Credit Facility

The outstanding debt under our Macquarie Credit Facility was reduced by US$1 million in the quarter, resulting in a balance at 30 September 2022 of US$13 million. Australis continued to exceed all covenant requirements and serviced interest, other facility costs and the scheduled amortization payment out of operating cash flow during the reporting period. 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. Australis continues to be able to repay or refinance the facility at any time without penalty. Concurrently with the Facility's amendment to reflect maturity date extension, the interest reference rate was changed from LIBOR to SOFR. This reference rate change will have minimal impact on interest cost to Australis and was required as the LIBOR reference rate is being phased out.

Oil Price Hedging

During the reporting quarter Australis:

- realised oil price hedging losses from WTI hedges required to be executed during the low oil price environment in 2020 and 2021 under the terms of the Macquarie Credit Facility
- incurred a lower hedge loss of US$1.11 million than in Q2 2022 (US$1.83 million).

The average WTI oil price in each of the months in the 3rd quarter, ranged between US$86/bbl to US$102/bbl, exceeding the average monthly maximum hedged WTI price of approx. US$67/bbl. Approximately 50% of the quarter's sales volume (WI) was hedged with the majority of that hedged volume (57%) being zero cost collar contracts executed at various times during 2021 and 2022.

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

Australis' current WTI oil price hedge position as at 1-Oct-22					
	WTI Swaps		WTI Collars		
Qtr/Year	Volume	Protected Price	Volume	Protected Price [(A)]	Ceiling Price [(A)]
	000bbls	US$/bbl	000bbls	US$/bbl	US$/bbl
Q4/2022	9	$53	29	$55	$82
Q1/2023	13	$61	23	$50	$78
Q2/2023	9	$65	19	$49	$75
Q3/2023	11	$66	17	$48	$71
Q4/2023	11	$65	6	$71	$88
Q1 - Q4/2024	24	$62	0	-	-
	76		92		

A. Based on weighted average monthly price

TMS LEASE POSITION

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

Australis permitted four additional units in Mississippi during the quarter as part of the preliminary planning to maintain operatorship for drill readiness. By the end of the quarter, Australis has nine undeveloped units permitted as Operator and is in the process of permitting a further two units after the end of the quarter. The Company will continue a modest leasing and permitting program through the remainder of 2022.

As at 30 September 2022 Australis holds ~81,900 net acres in the TMS Core, of which 38,600 net acres (47%) are HBP.

The Company's lease position decreased by ~1,600 net acres over the quarter due to the anticipated expiry of legacy leases which were acquired from Encana in 2017. Australis continues to balance capital discipline with a continued program of high grading and strategic renewal leasing of acreage.

Approximately 2,350 net acres were leased during the quarter, and Australis has commitments on a further ~ 1,300 net acres of targeted leases.

Figure 1 below provides more detail on the expiry profile of the Core acreage position as at 30 September 2022. Figure 2 below provides a map of the Australis acreage position.

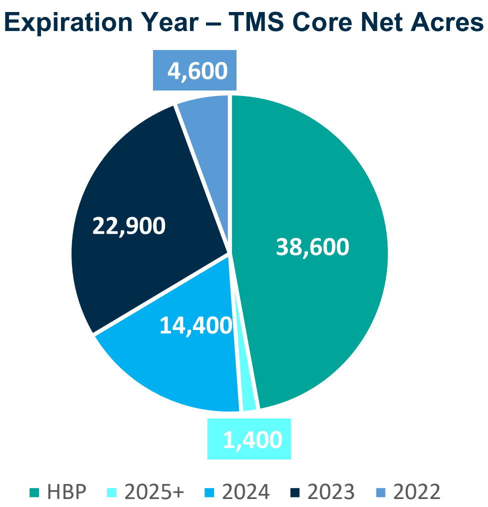

Figure 1: Expiry profile of Australis TMS acreage

THIRD PARTY TMS FIELD ACTIVITY

The Reese 11H No. 1 well, drilled by State Line Exploration (State Line) in Q4 2021 has been on intermittent artificial lift during the reporting quarter. The ~6,000 ft lateral was successfully fracced using a modern slickwater design in Q1 2022. Australis has no interest in this well but understands that State Line has encountered difficulties with its artificial lift equipment and has spent the past few months testing different forms of artificial lift. As such it is difficult to assess future production profiles and ultimate recoveries from this well. Whilst this is frustrating, the Reese 11H No.1 well is another example of a well that has been successfully drilled and completed in the TMS and has added to the knowledge base around completions in the play. We understand Juniper Capital, the investment parent company of State Line, remains positive on the play and are considering their next steps.

Paloma Natural Gas Partners (Paloma), the entity that purchased Goodrich Petroleum Corporation, fracced their first DUC, the Painter 5H, during Q2 and early flow rates are positive and remain consistent with a TMS Type Curve (normalised for the treated horizontal length as the Painter 5H was drilled in 2014 with a 5,000 ft lateral length). Monitoring the short and medium term pressure support and productivity will be key to understanding the impact of a modern slickwater fracture stimulation on the TMS. Although the fracture stimulation design had to be modified slightly from that used on the Reese 11H due to the smaller casing size set when the Painter 5H was drilled in 2014, it provides Australis with another data set to evaluate and further validates the TMS Core as a high quality shale oil basin. The fracture stimulation was more expensive than the historical design used by Australis during our 2018 campaign but has certainly generated improved initial productivity.

The second DUC, the West Alford 10H – 1, was fracced during the quarter. The stimulation design deployed was very similar to the Painter 5H. This well is located just within the extreme south-east edge of the Australis TMS Core area and when drilled in 2014 was steered relatively high in the TMS section. Therefore, the potential productivity outcomes were considered a higher risk than the Painter well. The completion operations were successfully executed and the well commenced flowback in August. The production response from the West Alford 10H – 1 was quite different to Painter 5H, with all indications that the fracture stimulation was not effective as very high quantities of frac water were returned to surface before reservoir contributions (of oil and water) appeared in the production stream. It is still too early to be definitive, but the most likely cause of lower performance of this well will be reservoir quality and these results further validate our interpretation of the south east extent of the TMS Core area and add to additional data points towards a fuller delineation of the play.

Paloma have continued to invest in a focused workover campaign on their TMS well inventory, many within which Australis holds a non-operated working interest, to improve well productivity.

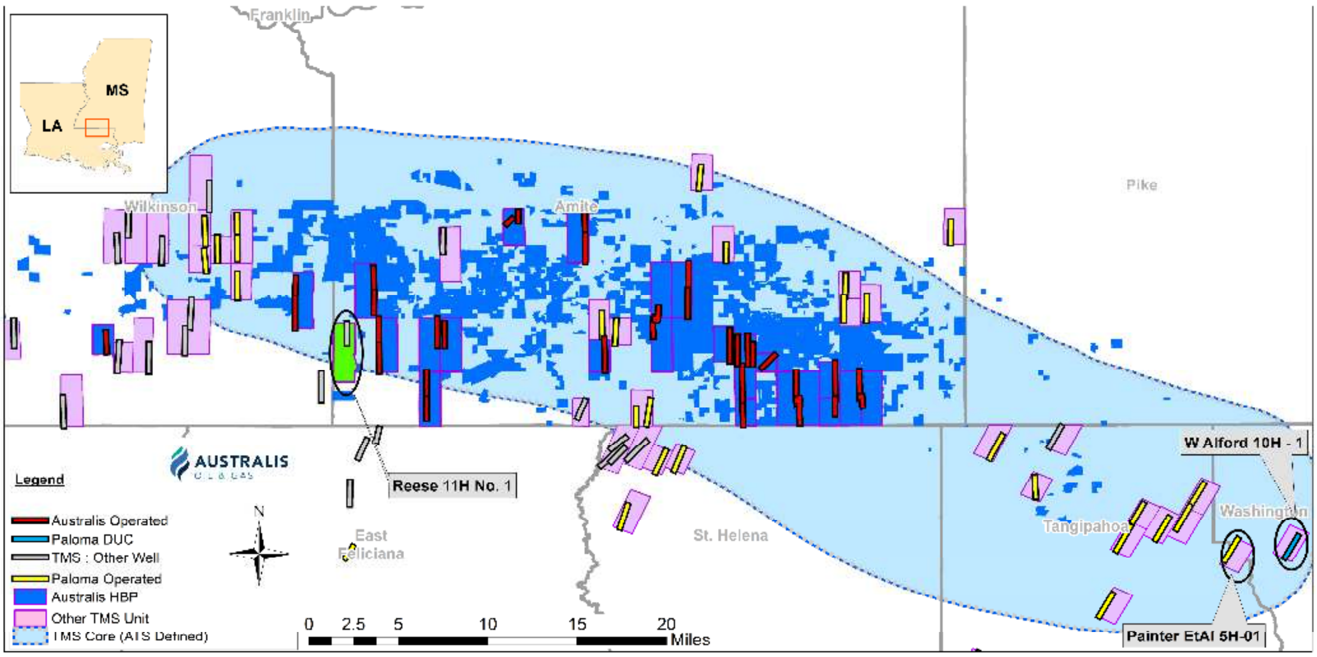

Figure 2: Location of Australis Acreage and Well Locations including the State Line Exploration well (Reese) and the recently completed Paloma operated wells (W Alford & Painter)

BUSINESS DEVELOPMENT AND CORPORATE STRATEGY

Australis has been consistent in its strategy and goals since IPO in 2016. Whilst the time frame for implementation has been extended due to extraordinary global circumstances, the underlying premise has remained the same and is equally valid today as it was when first presented in our prospectus.

Australis has largely managed to retain its controlling footprint within the TMS core area and has aggregated the knowledge and information generated by previous operators in the play as well as our own. The Company continues to believe that the limited inventory remaining in the established unconventional oil plays will force industry participants to consider new and emerging areas such as the TMS. By almost any measure, the results to date and the long term production history make for a compelling argument for further appraisal and development activity.

During the reporting period Australis has had detailed discussions with potential partners and progressed likely engagement models. We remain confident that we will achieve our stated objectives however will continue to be measured in our approach and expectations.

As previously stated, the recent entry into the play of two successful and well-funded private equity operators demonstrates that other industry participants have recognised the value of the TMS play and that nearer term appetite for its future inventory exists. The successful results of their early activity support our technical and strategic view of the TMS Core and will increase the momentum their presence initially created.

Figure 3: The Taylor/Williams pad site, created by Australis during its 2018 drilling campaign and sized for additional drill locations, which has been discussed as a likely early stage location for new wells with potential partners.

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 approximately 81,900 net acres within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 360 net future drilling locations, and an independently assessed 153 MMbbls of 2P + 2C recoverable volume including 3.0 MMbbl 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.

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 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 4 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 2021 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.

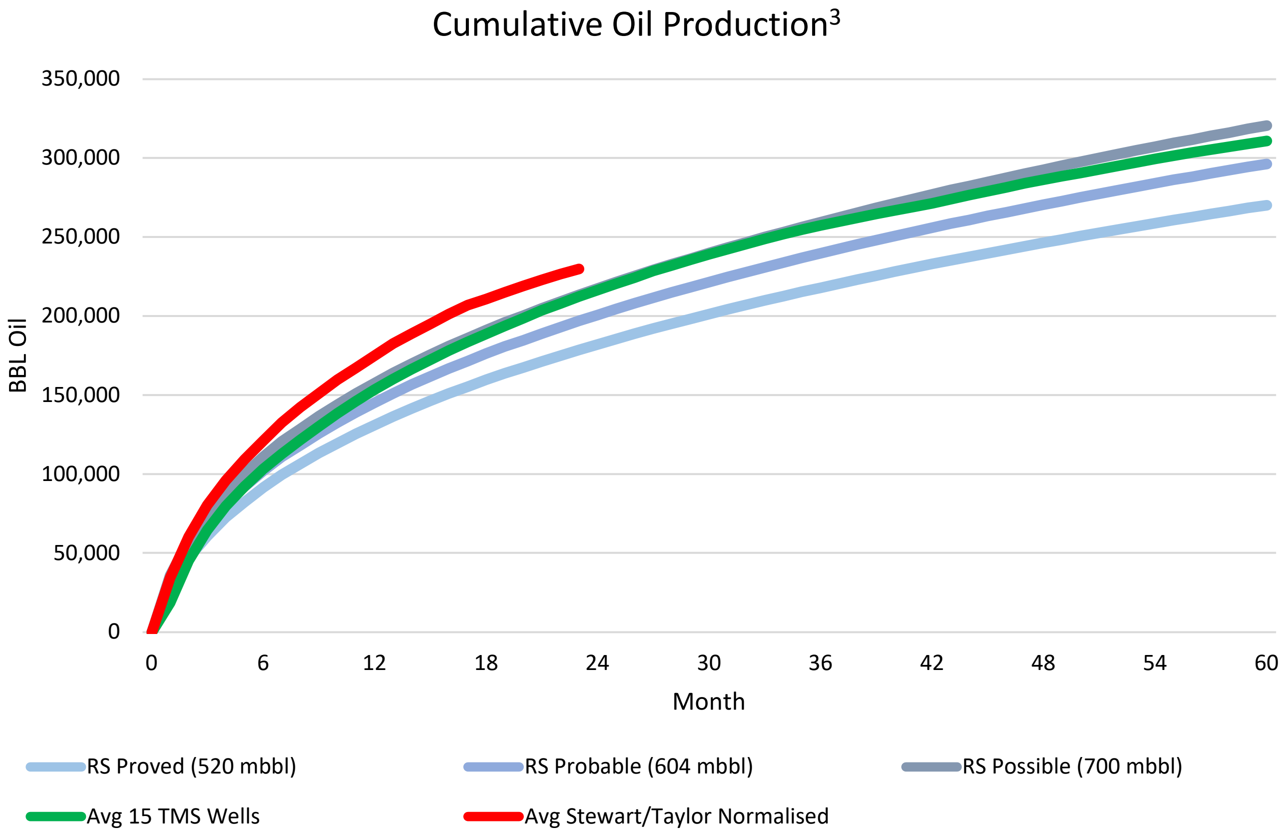

Figure 4: Average oil production of ATS 2014 TMS wells v Ryder Scott Proved, Probable and Possible Type Curves and the performance of full length laterals drilled by Australis in 2018

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, 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 4

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 2021 and generated for the Australis concessions to SPE standards. See ASX announcement released on 7 February 2022 titled "Reserves and Resources Update Year End 2021". 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.