Key Activities & Highlights 28 July 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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The TMS is one of the last appraised but undeveloped unconventional oil plays onshore in the USA. Australis maintains a large and controlling interest within the delineated core of this play.

Activity by third parties reinforces an increased industry interest in the TMS oil play.

Overview

- A strong commodity price and improved hedge position generates another robust fiscal result for Q2 2022.
- Paloma successfully completed the first of two drilled but uncompleted (DUC) TMS wells, the Painter 5H, using a modern slickwater frac design and the well exhibits reservoir deliverability on par with the best wells in the field. Paloma are planning to complete a second DUC during Q3 2022. Australis is a 10% WI participant in both wells.
- Juniper Capital's recently drilled Reese 11H #1 also shows significant productivity, with a reported IP24 of 1,801 bopd and a sustained average flow rate of ~500 bopd, without artificial lift, during May.
- Australis continues to strategically manage its leasehold position, with targeted leasing activity.
- Australis' TMS asset has an independent recoverable oil estimate of 153 million bbls[1] (net).

Operations Summary – 2nd quarter 2022

- During the quarter Australis generated:
  - Sales volume of 82,900 barrels (WI) (-10% on Q1/2022)
  - Revenue of US$7.3 million (+4% on Q1/2022) including hedge losses on Credit Facility required oil price hedges of US$1.8 million
  - Field Netback of US$2.9 million (-3% on Q1/2022)
  - EBITDA of US$1.0 million (-55% on Q1/2022), reflecting non-cash expenditures (share-based payments and unrealised exchange losses) in the quarter.

Financial and Corporate

- Cash balance at quarter end of US$8.7 million and net debt of US$5.3 million, following regular credit facility principal repayment of US$1 million in the quarter.
- Oil price hedge book weighting continues to transition from swaps to cap and collar contracts, increasing Australis' exposure to higher oil prices.

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q2 2022.

Key Metrics	Unit	Q2 2022	Q1 2022	Qtr on Qtr Change
Core Land Position (Net)	acres	83,500	94,300	(11)%
Net Oil resource (2P + 2C)[1]	MMbbls	153	153	-%
Sales Volumes (WI)	bbls	82,900	91,600	(10)%
Average Realised Price[A]	US$/bbl	$110	$96	15%
Average Achieved Price[B]	US$/bbl	$88	$77	14%
Sales Revenue (WI)[B]	US$MM	$7.3	$7.0	4%
Sales Revenue (Net)[B]	US$MM	$5.6	$5.3	6%
Field Netback	US$MM	$2.9	$3.0	(3)%
Field Netback / bbl (WI)[B]	US$/bbl	$34	$32	6%
Field Netback / bbl (Net)[B]	US$/bbl	$44	$40	10%
EBITDA	US$MM	$1.0	$2.2	(55)%
Cash Balance (Qtr end)	US$MM	$8.7	$8.8	(1)%
Total Debt (Qtr end)[C]	US$MM	$14.0	$15.0	(7)%

[A] excludes effect of hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$1.83 million (Q1 2022: loss of US$1.78 million)
[C] Macquarie Facility debt

TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were down 10% compared to Q1 2022 at 82,900 bbls, although net inventory grew by approximately 3,000 bbls during quarter (i.e. production down only 6%) with driver and truck availability impacting our crude oil purchaser and off taker.

Realised and achieved oil pricing improved by 15% and 14%, respectively, resulting in a 4% increase in revenue (WI) compared to Q1.

Production operations were impacted during the quarter by an increased frequency in short term power outages, necessitating equipment to be reset prior to production restarts, as well as the downtime associated with rig and equipment availability issues on the four workovers completed in the quarter.

Field Netback decreased 3% over Q1, primarily due to increased operating costs and workover activity in the quarter. Rising service and equipment prices continue to pressure production costs, although proactive management by the field operations and workover teams have kept this to a minimal increase of 1.5% to $19.02/bbl compared to the previous quarter. Workover costs were higher this quarter due to a relative increase in activity in the period.

FINANCE AND CORPORATE

Cash and Capital

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

Results for the quarter include:

- EBITDA of US$1.0 million and whilst less than the Q1 2022 due to non-cash charges, for the 1H 2022 period EBITDA was US$3.2 million compared to 1H 2021 of US$1.1 million reflecting the significant improvement in oil price
- Interest expense of US$0.25 million
- Total debt under our Macquarie Facility reduced by US$1 million to US$14 million
- Cash of US$8.7 million at 30 June 2022
- Net debt of US$5.3 million at 30 June 2022
- Sales Revenue (after the impact of hedges) was US$7.3 million, 4% higher than Q1/2022 despite reduced sales volume from Q1/2022 (10%) due to higher achieved oil price of US$88/bbl compared to US$77/bbl for Q1/2022

Increased capital expenditure for the quarter (US$1.1 million) included:

- acquiring a 10% WI in the non-operated DUC well (Painter) and associated unit leasehold from Paloma 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 in 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 June 2022 of US$14 million. Australis continued to exceed all covenant requirements and to service interest, other facility costs and the scheduled amortization payment out of operating cash flow during the reporting period. Australis continues to be able to repay or refinance the facility at any time without penalty.

Oil Price Hedging

During the reporting quarter Australis:

- continued to realise oil price hedging losses as a result of the WTI hedges required to be executed during the low oil price environment in 2020 and 2021 to maintain minimum volumes under the terms of the Macquarie Credit Facility
- incurred a hedge loss of US$1.83 million (Q1 2022: US$1.78 million), as the average WTI oil price in each of the months in the quarter, ranging between US$104/bbl and US$117/bbl, exceeded the average monthly maximum hedged WTI price of approx. US$66/bbl. Just over half (52%) of the quarter's sales volume (WI) was hedged with the majority (70%) being zero cost collar contracts executed at various times during 2021 and 2022; and
- took advantage of the continuing higher oil futures pricing and executed oil price hedges for
    - 16,500 bbls over the period October 2022 to December 2023 using zero-cost collar contracts protecting a WTI floor price of US$80/bbl but retaining the benefit of the actual WTI price over the floor (protected) price, up to US$135/bbl for Q4 2022 reducing to US$96/bbl for Q4/2023.
    - 10,500 bbls throughout 2024 using swap contracts protecting a WTI price of between US$86/bbl in January 2024 reducing to US$78/bbl by December 2024.

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-Jul-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
Q3/2022	19	$56	26	$49	$75
Q4/2022	9	$53	29	$55	$82
Q1 - Q4/2023	43	$69	64	$51	$76
Q1 - Q4/2024	24	$62	0	-	-
	95		118		

A. Based on weighted average monthly price

TMS LEASE POSITION

Australis continued its capitally disciplined strategic leasing and permitting program in Q2, seeking to protect identified acreage to maintain the Company's control and exposure to the TMS Core area.

Australis permitted one additional unit 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 five undeveloped units permitted as Operator and was awarded a further four 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 June 2022 Australis holds ~83,500 net acres in the TMS Core, of which 38,300 net acres (46%) are HBP.

The Company's lease position decreased by ~10,800 net acres over the quarter due to the anticipated expiry of a number of large legacy leases which were acquired from Encana in 2017. The decision to allow some of these leases to expire in the quarter was made as a result of balancing capital discipline with a continued program of high grading and strategic renewal leasing of acreage.

Approximately 150 net acres were leased during the quarter, however, since the end of the quarter, Australis has commitments on a further ~ 2,000 net acres of targeted leases.

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

Expiration Year – TMS Core Net Acres

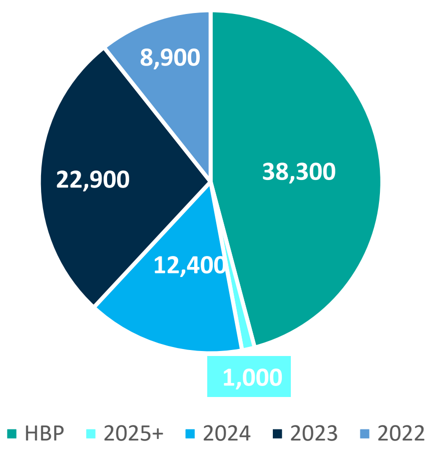

Figure 1: Expiry profile of Australis TMS acreage

THIRD PARTY TMS FIELD ACTIVITY

In Q4 2021, State Line Exploration LLC (State Line), a portfolio private operating company for Juniper Capital Advisors (Juniper), successfully drilled and cased the Reese 11H No. 1 TMS well in Amite County, Mississippi slightly exceeding its planned lateral length of ~6,000ft. This was the first new well drilled in the TMS since 2019 and encountered no major operational issues with the drilling and completion of this well. Juniper is a US based energy investment firm with over US$1.2 billion in assets under management and its investments include a controlling stake in Ranger Oil Corporation (NYSE: ROCC, formerly Penn Virginia Corporation).

During Q1 2022 State Line successfully fracced the Reese 11H No. 1 well using a modern slickwater stimulation design. This is the first time that this type of 'modern' frac has been deployed in the TMS and the successful execution represents another milestone for the play. State Line adopted a more aggressive reservoir pressure management approach than that employed by Australis or others in the TMS historically, quickly bleeding down reservoir pressure to yield some high initial flow rates (IP24 – 1,801 bopd). State Line continued to investigate alternative technologies for the TMS by installing an Electrical Submersible Pump (ESP), a form of artificial lift which has not been used on a TMS well to date and is normally associated with higher flow rate wells. State Line experienced issues with operating the ESP for protracted periods and most recently reported an average free flowing production rate in May of 500 bopd, that is, without any support from artificial lift. This flow rate under natural flow conditions is very encouraging and indicates the treated rock continues to demonstrate strong productivity. We understand that Stateline intend to replace the ESP with a high volume jet pump, a system widely used in the TMS, and Australis would anticipate a more consistent production rate following installation. The Reese 11H No. 1 well location is shown in the green production unit on the map below in Figure 2, it is in the SW of the TMS Core.

An affiliate of Paloma Resources (Paloma), a portfolio company of EnCap Energy Capital Fund XI L.P. (EnCap), completed the acquisition of Goodrich Petroleum Corporation ("Goodrich") at YE 2021. Paloma now hold a material HBP position within the TMS of ~34,000 net acres and 28 operated wells, although some of these interests are outside the Australis designated TMS Core area.

Paloma have carried out a substantial workover campaign on their existing operated TMS well inventory, improving productivity and maintaining the HBP status of the associated units. Australis is a non-operated working interest partner in a number of these workovers.

Paloma also fracced their first drilled but uncompleted (DUC) TMS well during Q2 2022, the Painter 5H. In Q1 2022 Australis agreed to acquire a 10% WI in the well and unit leasehold and subsequently participated in the completion as a WI holder and provided information and planning assistance to Paloma.

The Painter 5H was drilled in 2014 and has a relatively small 5" OD, 5,000ft horizontal production casing installed. The smaller casing size influenced the frac design that could be deployed, but it was based on the successful results from Juniper's Reese 11H well.

The fracture stimulation design was successfully deployed and analysis of the resultant productivity index, a measure of post frac rock deliverability normalised for the amount of pressure differential (drawdown) applied to each linear foot of the rock, indicates one of the best wells in the region.

In contrast to the State Line approach to reservoir pressure management, Paloma adopted an extremely conservative drawdown schedule, even more so than that taken by Australis historically. This approach ensures maximum recoverability over time, but limits early production volumes. Notwithstanding this conservative choke management, the well achieved an IP30 of ~640 bopd during initial flowback, which is above a normalised Type Curve, and the well continues to deliver similar volumes with very little drawdown being applied.

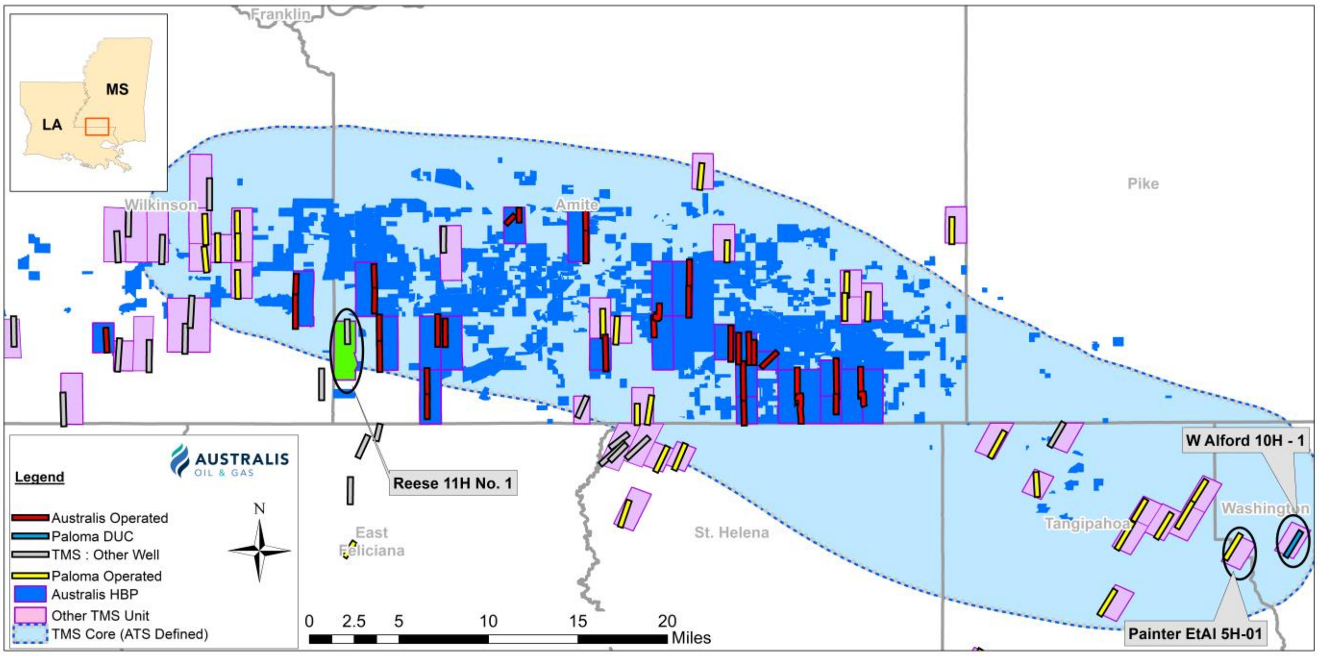

Figure 2: Location of Australis Acreage and Well Locations including the State Line Exploration well (Reese) and the Paloma DUC's (W Alford & Painter)

The early results from the Painter 5H confirms the extent of the TMS core reservoir to the southeast and provides Australis with another production data set utilising a modern slickwater frac design. The coming months will allow assessment of the effectiveness of the frac design and the reservoir pressure management philosophy being applied by Paloma.

The second Paloma DUC planned for completion, the West Alford 10H, has similar dimensions to the Painter 5H and is currently expected to be fracture stimulated during Q3 2022, subject to equipment and crew scheduling. The plan is to build on the knowledge gained from the Painter 5H when designing the stimulation for this second DUC.

The increased activity levels by multiple participants in the TMS is raising the industry profile of the play and the results are reinforcing the asset quality and the unique opportunity the TMS presents.

BUSINESS DEVELOPMENT AND CORPORATE STRATEGY

During the reporting period Australis has continued to engage with potential partners and spend time introducing the opportunity and setting the framework for potential partnering.

Australis remains very confident that the underlying market conditions will force potential partners to consider emerging plays for future inventory and that the fundamental asset quality will ensure that the TMS is considered. As such we are being measured in our approach to partnering discussions to ensure that any such engagement is on the right terms for the Company in the context of its overall strategy and is with the right partner or partners.

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.

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 83,500 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.

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 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 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.

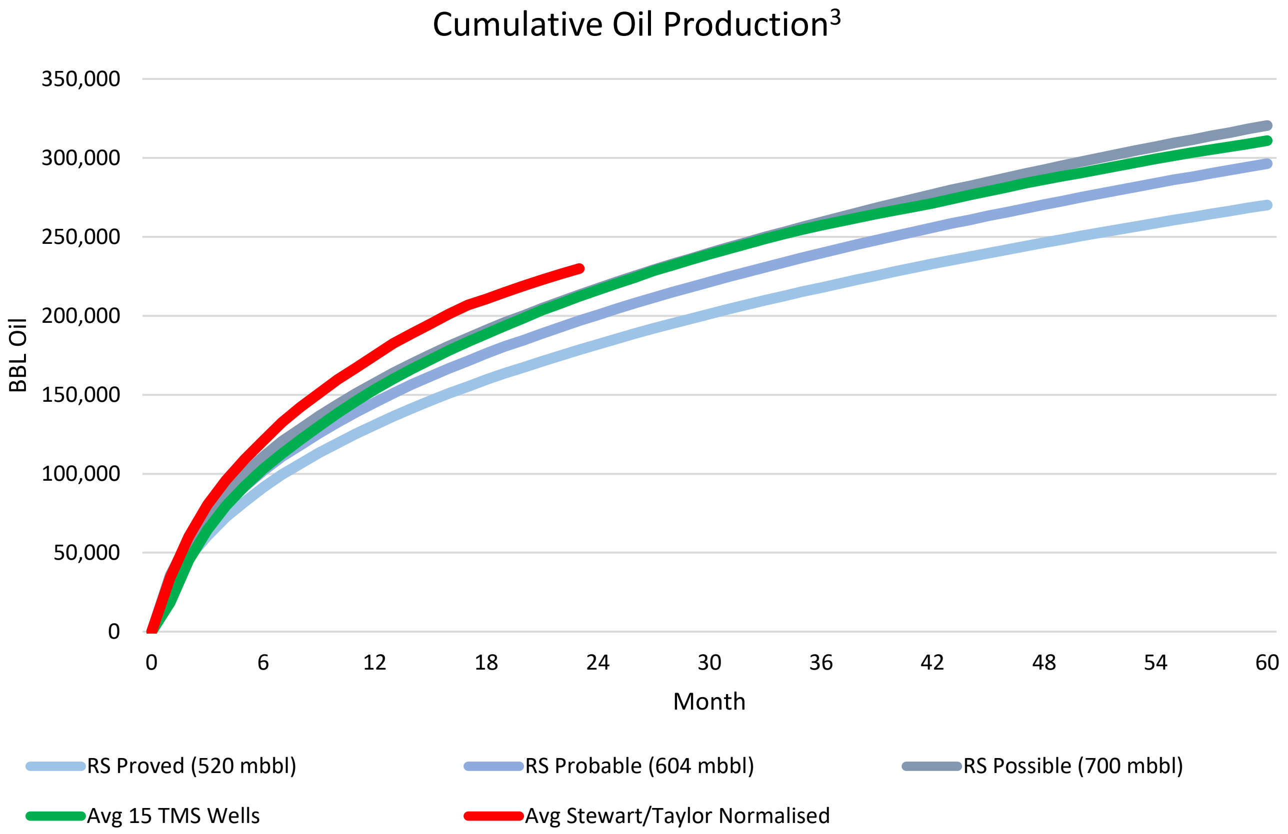

Figure 3: Average oil production of ATS 2014 TMS wells v Ryder Scott Proved, Probable and Possible Type Curves and the performance of full length laterals drilled by Australis in 2018

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, 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
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.
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.