Key Activities & Highlights 25 January 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 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.

Australis continues to engage with potential partners and remains confident of achieving our stated objectives to unlock and monetise the value of the undeveloped TMS Core.

Overview

- Australis holds approximately 80,000 net acres and 300 net future drilling locations within the production delineated core of the TMS.
- Australis generated another quarter of positive operational cash flow, despite lower prevailing crude pricing and inflationary cost pressures.
- Australis continues to strategically manage its leasehold position, with a modest capital budget allowing targeted leasing and permitting activity.
- Discussions with potential partners and financial institutions continued during the quarter.

Operations Summary – 4th quarter 2022

During the quarter Australis generated:

- Sales volume of 83,300 barrels (WI) (-7% on Q3/2022)
- Revenue of US$6.6 million (-11% on Q3/2022) including hedge losses on Credit Facility required oil price hedges of US$0.5 million (down from US$1.1 million in Q3/2022)
- Field Netback of US$2.8 million (-15% on Q3/2022)
- EBITDA of US$1.1 million (-39% on Q3/2022), reflecting lower sales volumes and oil price in the quarter.

Financial and Corporate

- Cash balance at quarter end of US$7.8 million.
- Each quarter of 2022 delivered positive cash flows and earnings before depreciation enabling the Company to reduce its net debt position from US$6.7 million at the beginning of the year to US$4.2 million at year end, whilst also funding a modest capital expenditure of US$3.8 million for the full year.

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q4 2022 and provides a comparison to Q3 2022.

Key Metrics	Unit	Q4 2022	Q3 2022	Qtr on Qtr Change
TMS Core Land (Net)	acres	79,600	81,900	(3%)
Net Oil resource (2P + 2C)[1]	MMbbls	153	153	0%
Sales Volumes (WI)	bbls	83,300	89,600	(7%)
Average Realised Price[A]	US$/bbl	$85	$95	(11%)
Average Achieved Price[B]	US$/bbl	$80	$83	(4%)
Sales Revenue (WI)[B]	US$MM	$6.6	$7.4	(11%)
Sales Revenue (Net)[B]	US$MM	$5.3	$5.7	(7%)
Field Netback	US$MM	$2.8	$3.5	(20%)
Field Netback / bbl (WI)[B]	US$/bbl	$33	$39	(15%)
Field Netback / bbl (Net)[B]	US$/bbl	$42	$48	(13%)
EBITDA	US$MM	$1.1	$1.8	(39%)
Cash Balance (Qtr end)	US$MM	$7.8	$8.3	(6%)
Total Debt (Qtr end)[C]	US$MM	$12.0	$13.0	(8%)

[A] excludes effect of hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$0.5 million (Q3 2022: loss of US$1.1 million)
[C] Macquarie Facility debt

TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were down 7% compared to the previous quarter at 83,300 bbls (902 bbls/d) and inventory grew by 1,000 bbls over the quarter, meaning that production volumes were down by ~4%. This is partially natural depletion and a slight increase in downtime on the wells due to a cold snap at the very end of the reporting quarter. Well production in the field was largely in line with expectation although several wells were run at lower rates for operational reasons during the quarter.

Workover frequency remained low in the quarter, with only two wells requiring intervention, bringing the annual count to 10 workovers, a 33% reduction compared to 2021.

WTI crude prices dropped during the quarter and this is reflected in our Realised Price being 11% lower at $85/bbl. At these lower oil prices and as a result of the structure of recent hedges, the hedge losses were significantly reduced to $0.46 million (vs Q3 losses of $1.11 million and Q2 losses of $1.83 million), and hence the Achieved Price (post hedging loss) was only 4% lower at $80/bbl.

The lower production volumes and oil prices, together with higher operating costs resulting from inflationary pressure on equipment and services, negatively impacted Field Netback and EBITDA.

Inflationary cost pressure and supply chain issues continue to challenge the operations team. Overall, these inflationary forces manifest themselves in our operating costs, with an increase in the quarter of 13%, although the quarter was only 3% higher than the 2022 average and there were some one off costs that are not considered reoccurring including certain road repairs, wellsite regrading and electrical cabling repairs at one specific location. Steel prices in particular have risen due a combination of both issues, which affects our workover costs. Additional effort has been applied to the assessment of recovered tubing for reuse wherever viable.

FINANCE AND CORPORATE

Cash and Capital

Australis generated cash earnings in the quarter of US$1.0 million and in excess of US$6.1 million for the year, net of all operating, hedge, G&A and interest costs.

Results for the quarter and year (preliminary and unaudited) include:

- EBITDA of US$1.1 million for the quarter, and $6.1 million for the year. This annual result represents a 126% increase from 2021 reflecting the continued strength in achieved oil prices, steady oil production allowing for natural decline and lower workover costs offset in the later part of 2022 by increasing operating costs
- Interest expense of US$0.32 million for the quarter and US$1.1 million for the year, reflecting increasing interest rates during 2022 offset with the US$1 million per quarter debt reduction
- Total debt under our Macquarie Facility reduced by US$1 million in the quarter (US$4m during the year) to US$12 million at 31 December 2022
- Cash of US$7.8 million at 31 December 2022
- Net debt of US$4.2 million at 31 December 2022 (US$6.7 million at 31 December 2021)
- Sales Revenue (after the impact of hedges) was
    - US$6.6 million in the quarter, (Q3: US$7.4 million) reflecting the reduced achieved oil pricing (US$85/bbl average in Q4 compared to US$95 in Q3)
    - US$28 million for the year (2021: US$23 million) from the sale of 347,000 bbls (WI) (2021: 410,000 bbls) reflecting the higher achieved oil pricing in 2022

Capital expenditure for the quarter of US$0.5 million (Q3: US$1.9 million) included:

- Minor additional costs associated with the 3rd quarter acquisition of 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
- replacement of field equipment
- Costs of non-operated capital workovers

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 December 2022 of US$12 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 oil price hedging losses from the WTI hedges required to be executed during the low oil price environment in 2020 and 2021 under the terms of the Macquarie Credit Facility; and
- incurred a lower hedge loss of US$0.46 million than in Q3 2022 (US$1.11 million).

The average WTI oil price in each of the months in the 4th quarter, reduced from US$87/bbl to US$77/bbl, exceeding the average monthly maximum hedged WTI price of approx. US$55/bbl. Approximately 45% of the quarter's sales volume (WI) was hedged with the majority of that hedged volume (76%) being zero cost collar (ZCC) contracts executed at various times during 2021 and 2022. The Company benefited from the policy to re-weight its hedge profile to ZCC hedge contracts due to the Company maintaining the upside above the average floor price to the call price (ceiling price). For the quarter the average call price was US$82/bbl, i.e. the Company secured an average achieved price of up to US$82/bbl on its ZCC hedged volumes.

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-Jan-23					
	WTI Swaps		WTI Collars		
Qtr/Year	Volume 000bbls	Protected Price US$/bbl	Volume 000bbls	Protected Price (A) US$/bbl	Ceiling Price (A) US$/bbl
Q1/2023	13	$61	26	$52	$80
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
	79		134		

A. Based on weighted average monthly price

TMS LEASE POSITION

Australis continued its capitally disciplined strategic leasing and permitting program in Q4, 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 ten undeveloped units permitted as operator and is in the process of permitting a further two units. The Company will continue a modest leasing and permitting program into 2023.

As at 31 December 2022 Australis holds ~79,600 net acres in the TMS Core, of which 38,700 net acres (49%) are HBP.

The Company's lease position decreased by ~2,300 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 2,050 net acres were leased during the quarter, and Australis has commitments on a further ~ 430 net acres of targeted leases.

Figure 1 below provides more detail on the expiry profile of the Core acreage position as at 31 December 2022. Figure 2 provides a map of the Australis acreage position.

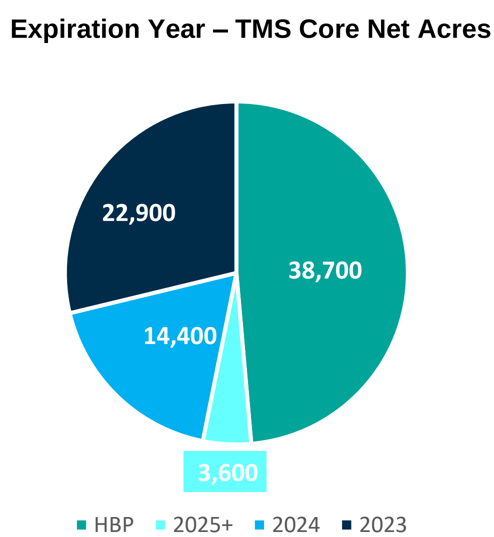

Figure 1: Expiry profile of Australis TMS acreage

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 now installed a more conventional long stroke rod pump on the well. Recent publicly released production data includes the start of the reporting quarter and captures a period of more stable production. Australis hopes to be able to extrapolate longer term projections for this well in the near future but is cautious about any damage that may have occurred due to the repeated shut ins and more aggressive drawdown profile during the early phases of well production.

Paloma Natural Gas Partners (Paloma) completed two drilled but uncompleted wells ("DUC wells") during 2022 and Australis is a 10% WI partner in these wells. As previously reported both wells had modified slick water frac designs deployed and the Painter 5H, which has been on production for 6 months, has produced similar oil volumes to the Australis proved type curve, we continue to monitor it closely for indications that the more complex fracture network created by the slickwater frac will generate improved medium term productivity. The second DUC, the West Alford 10H, has under-performed, but this appears to be a product of reservoir quality (as is situated on the fringe area of the TMS Core) and not the frac design. The West Alford 10H is located at the extreme SE corner of the TMS core area and is likely to help better define that boundary going forward.

The location of these operations is highlighted in Figure 2 below.

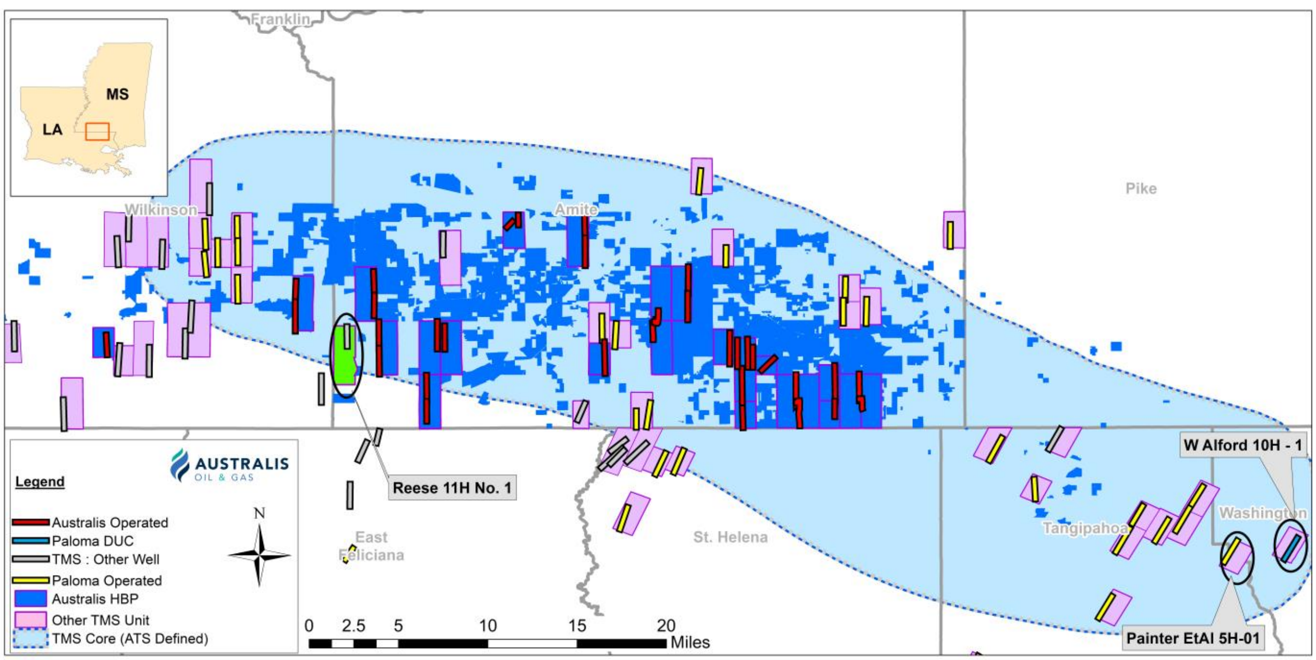

Figure 2: Location of Australis Acreage and Well Locations including the State Line Exploration well (Reese) and the recently completed Paloma operated wells (W Alford & Painter)

BUSINESS DEVELOPMENT AND CORPORATE STRATEGY

Australis laid out a clear and simple business strategy in the 2016 IPO prospectus. We have been able to execute on the first elements of that strategy but thus far have been unsuccessful in securing an appropriate partner willing to participate in the play on terms acceptable to Australis. The extended time frame for implementation of this next step in the corporate strategy has been partially due to extraordinary global circumstances and also unusual industry circumstances in the US. The team constantly evaluates the viability of this approach and 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 continued to engage with potential partners. We remain confident that we will achieve our stated objectives but will continue to be measured and 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 79,600 net acres within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 300 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 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.

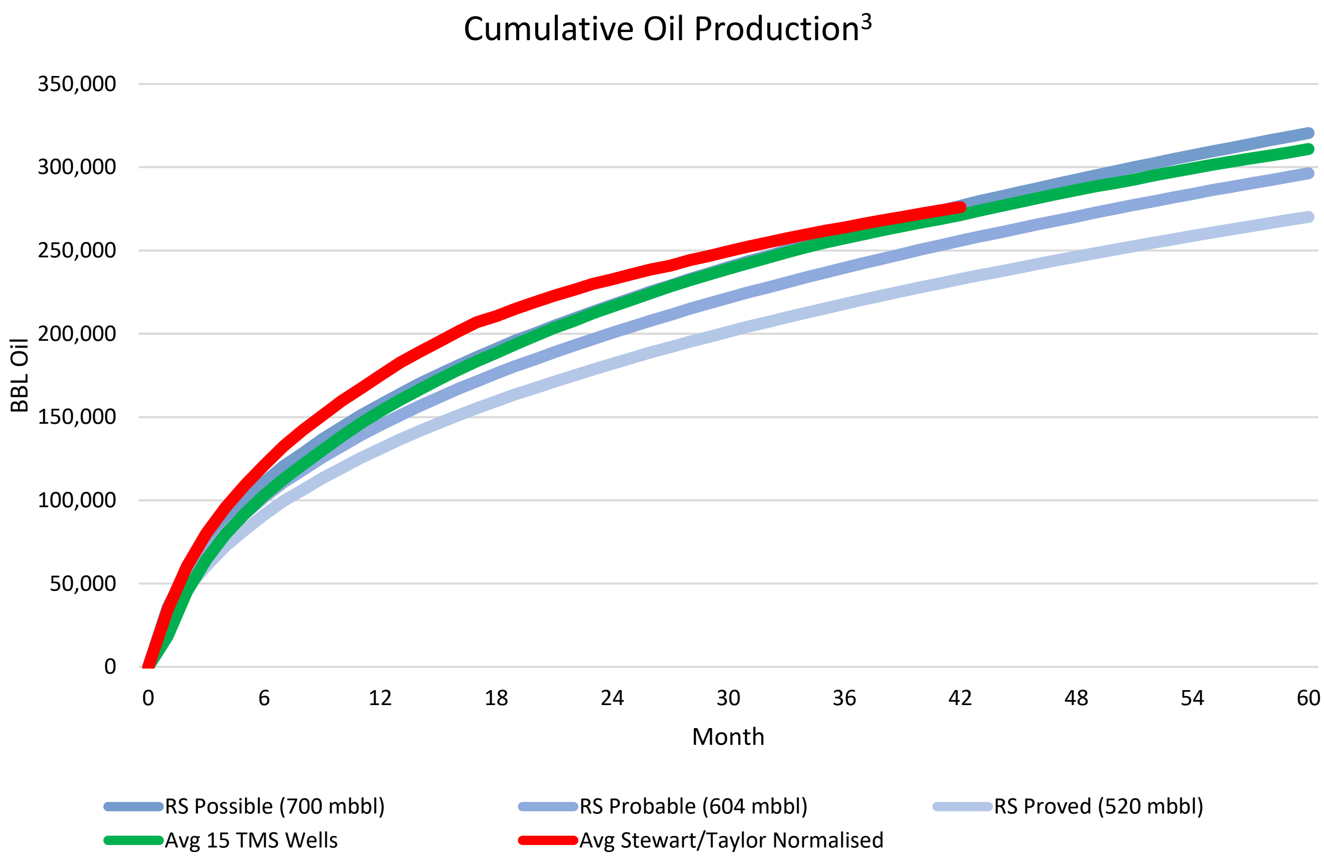

Figure 3: Average oil production of ATS 2014 TMS wells v Ryder Scott Proved, Probable and Possible Type Curves and the performance of full length laterals drilled by Australis in 2018

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 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 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.