

Key Activities & Highlights

26 July 2024

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 89 million bbls of 2P+2C net reserves and resources including 2.1 million bbls producing reserves¹ 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 substantial operated position within the delineated core of the Tuscaloosa Marine Shale (TMS).

The TMS is a uniquely appraised but undeveloped quality unconventional oil basin and Australis is the largest acreage holder and producer in the play and is custodian of all historical data and knowledge.

Australis continues to seek a partner who is prepared to invest in the TMS to progress its development and unlock the value of this large undeveloped resource.

Overview

- Australis holds approximately 53,800 net acres and ~185 net Tier 1 future drilling locations within the production delineated core of the TMS.
- Australis continues to manage its leasehold position within cash flow constraints to maximise exposure and control of the TMS Core.
- Australis has ongoing engagements with potential partners to provide development capital.

Operations and Financial Summary – 2nd quarter 2024

- Sales volume of 64,431 barrels (WI) (-4% vs Q1 2024).
- Higher achieved oil pricing offset lower sales volumes and led to a revenue of US\$5.2 million (no change vs Q1 2024), including higher hedge losses of US\$0.19 million.
- Field Netback of US\$1.9 million (no change vs Q1 2024), aided by lower operating costs during the quarter.
- Cash balance at quarter end US\$7.7 million (-3% vs Q1 2024).
- Credit Facility principal total debt decreased by US\$0.7 million, to US\$11.3 million, leading to a lower net debt of US\$3.6 million (-12% vs Q1 2024).

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q2 2024 and provides a comparison to Q1 2024.

Key Metrics	Unit	Q2 2024	Q1 2024
TMS Core Land (Net)	acres	53,800	58,700
Net Oil resource (2P + 2C) ¹	MMbbls	89	89
Sales Volumes (WI)	bbls	64,400	67,300
Average Realised Price ^A	US\$/bbl	\$83.25	\$78.27
Average Achieved Price ^B	US\$/bbl	\$80.27	\$77.23
Sales Revenue (WI) ^B	US\$MM	\$5.2	\$5.2
Sales Revenue (Net) ^B	US\$MM	\$4.1	\$4.2
Field Netback	US\$MM	\$1.9	\$1.9
Field Netback / bbl (WI) ^B	US\$/bbl	\$30.18	\$28.28
Field Netback / bbl (Net) ^B	US\$/bbl	\$37.41	\$35.02
Adjusted EBITDA	US\$MM	\$0.7	\$0.4
Cash Balance (Qtr end)	US\$MM	\$7.7	\$7.9
Total Debt (Qtr end)	US\$MM	\$11.3	\$12.0

^A excludes effect of hedge contracts settled

^B includes the loss from the settlement of hedge contracts of US\$0.19 million (Q1 2024: loss of US\$0.07 million)

Table 1: Q2 2024 Key Metrics

TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were lower by 4% compared to Q1 2024 but operated WI produced volumes were up 5% compared to the previous quarter. This disparity was as a result of the large inventory build-up which occurred in late 2023 and subsequent higher drawdown in January 2024, which led to higher sales volumes in the first quarter. The operated production volumes for the first half of 2024 were in line with internal expectations based on PDP reserves evaluation production profiles.

Australis completed only one workover during the reporting quarter, Taylor 27H – 1, which was successful and the well has materially outperformed expectation since being placed back on production.

There were no downtime incidents, other than periodic minor shut in periods associated with local power outages, typically due to power line damage following high winds in the area.

FINANCE AND CORPORATE

Cash and Capital

Results for the quarter include:

- Sales Revenue (after hedges) of US\$5.2 million was unchanged from the previous period as higher realised pricing (+6%) offset lower sales volumes and slightly higher hedging losses;
- Adjusted EBITDA of US\$0.7 million for the quarter (Q1 2024: US\$0.4 million) primarily reflects the reduced G&A costs achieved during the quarter with some further contribution from lower operating costs; and
- Total debt under our Macquarie Credit Facility decreased by US\$0.7 million to US\$11.3 million as Facility C loan repayments were made from hedged production during the quarter. The net debt position at the end of Q2 2024 was US\$3.6 million (Q1 2024: US\$4.1million).

Credit Facility

Australis continued to exceed all covenant requirements whilst servicing interest and other facility costs out of cash flow during the reporting period.

Following last quarter's draw on the Facility C loan there are no scheduled amortisation repayments of Facility A, which stands at US\$6 million, until September 2024 when they will restart at a lowered quarterly amount of US\$0.5 million.

During this quarter Australis repaid US\$0.76 million of the outstanding Facility C loan (principal and interest).

Full repayment of the Facility C loan is scheduled to occur over the next 21 months with monthly payments of principal and interest equal to the monthly oil price hedge settlement to occur as a result of the new 100,000 bbls hedge contracts entered into at the time of drawing the Facility C loan in March 2024.

Oil Price Hedging

During the reporting quarter Australis realised higher oil price hedging losses (US\$0.19 million) compared to the previous quarter (US\$0.07 million in Q1 2024) primarily due to a US\$4/bbl increase in the average WTI oil price for the current quarter.

The Company's hedge book continues to benefit from improved WTI oil price hedge contracts executed in 2022 and 2023 and the close out of most of the contracts required under the Macquarie Bank Credit Facility executed in 2021 during the low oil price environment.

WTI-denominated hedge contracts representing a total volume of 39,000 bbls were settled for Q2 2024 as follows:

- Zero Cost Collars (ZCC): 15,000 bbls, protecting an average downside price of US\$58/bbl and maintaining the upside in oil price up to an average of US\$86/bbl, and
- Swaps: 24,000 bbls, protecting an average downside price of US\$73/bbl.

The hedges settled for Q2 2024 represented 75% of the Net Sales for the quarter (i.e. sales after royalty interests).

During the quarter additional WTI ZCC hedge contracts were executed for a volume of 1,000 bbls per month for the period August 2025 to April 2026 to meet minimum banking Facility hedging requirements. These hedges protect a downside oil price at US\$60/bbl and maintain oil price upside ranging from US\$73/bbl reducing to US\$67/bbl by the end of the hedge period.

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-Jul-24					
Qtr/Year	WTI Swaps		WTI Collars		
	Volume	Protected Price	Volume	Protected Price ^(A)	Ceiling Price ^(A)
	<u>000bbls</u>	<u>US\$/bbl</u>	<u>000bbls</u>	<u>US\$/bbl</u>	<u>US\$/bbl</u>
Q3/2024	23	\$69	15	\$54	\$83
Q4/2024	24	\$71	12	\$54	\$81
Q1/2025	21	\$69	8	\$48	\$83
Q2/2025	16	\$67	8	\$48	\$82
Q3/2025	16	\$66	6	\$53	\$77
Q4/2025	16	\$64	7	\$54	\$76
Q1/2026	12	\$62	3	\$60	\$68
Q2/2026	2	\$61	1	\$60	\$0
Q3/2026	2	\$61	0	\$0	\$0
Q4/2026	2	\$61	0	\$0	\$0
	135		59		

^(A) Based on weighted monthly average prices

Table 2 : ATS hedge position as at 1 July 2024

TMS Lease Position

Australis strategy for leasing has been to consider the renewal of expiring leases or extension options where available in the light of our overall exposure to the TMS Core and control of that area vs a disciplined approach to cash reserves and working capital obligations.

As at 30 June 2024 Australis holds ~53,800 net acres in the TMS Core, of which ~39,900 net acres (74%) are HBP.

The Company's lease position decreased by ~4,900 net acres since the prior quarter due to the expiry of legacy leases. No new leases or extensions were taken during the quarter. There are a further 6,800 net acres expiring during the remainder of 2024.

The Company remains confident in our ability to quickly renew targeted expired acreage when a funding partner is secured.

Figure 1 below provides more detail on the expiry profile of the TMS Core acreage position as at 30 June 2024. Figure 2 provides a map of the Australis acreage position.

Expiration Year – TMS Core Net Acres

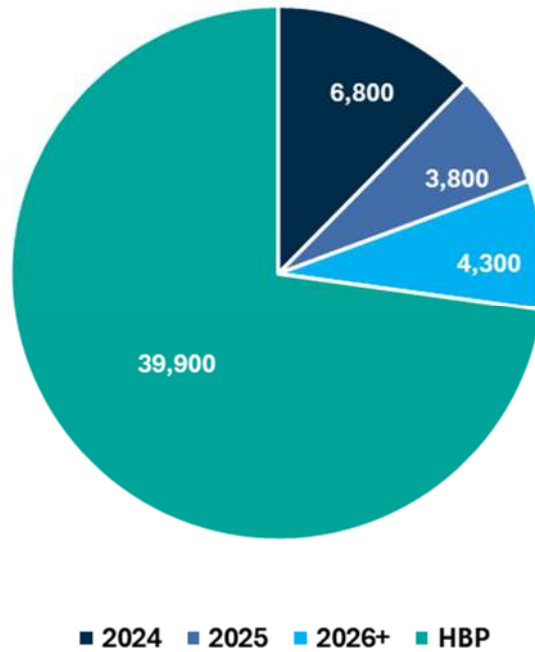


Figure 1 : Expiry profile of ATS TMS acreage

Business Development and Corporate Strategy

During the quarter the Company continued to engage with a number of public and private oil & gas companies, including those funded by private equity firms.

These engagements have included comprehensive technical and subsurface evaluations by the prospective counterparties which have largely generated consistent views to Australis on the anticipated well performance, development economics and upside potential.

Australis’s view that inventory in the established unconventional oil plays is increasingly scarce is now being echoed by most industry commentators and participants. We believe that this will necessitate those seeking additional inventory to look outside of the established plays and we are confident that having withstood substantial due diligence processes, the technical aspects of the TMS play will stand us in good stead when they do so. Australis is also encouraged by the increased frequency of inbound enquires in the first half of 2024 from either new entities with whom we have had no historical contact, or others who we have had exploratory discussions in the past and are now moving towards a more in-depth engagement and evaluation of our TMS project.

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 optimistic to do so in due course, and we remain patient in our approach and expectations.

This ASX announcement was authorised for release by the Australis Disclosure Committee.

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ABOUT AUSTRALIS

Australis (ASX: ATS) is an ASX listed oil and gas company seeking to provide shareholders value and growth through the strategic development of its quality onshore oil and gas assets in the United States of America.

With approximately 53,800 net acres (74% HBP) within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 185 net future drilling locations.

At year end 2023 Ryder Scott independently assessed the Australis acreage held at that time with 89 MMbbls of 2P + 2C recoverable volume including 2.1 MMbbls producing reserves providing net field cash flow¹. 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.

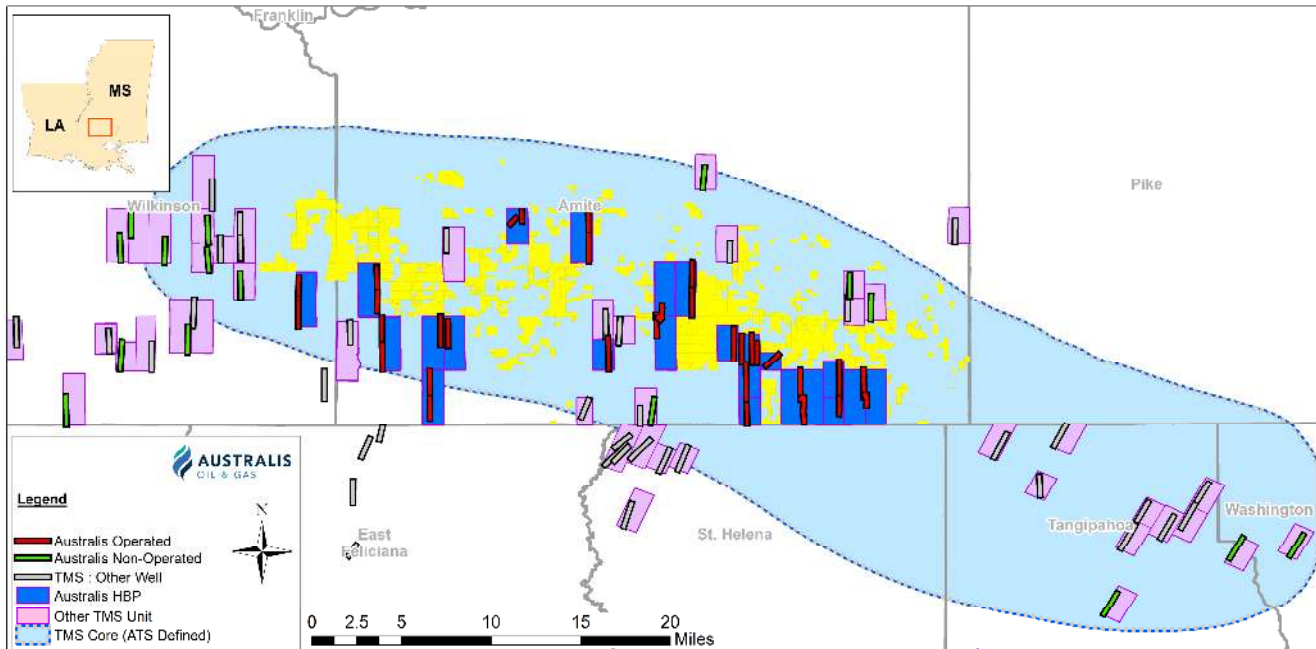


Figure 2 : Location of Australis acreage and TMS wells

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/bbl³. Note the YE 2023 Reserve Report¹ 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.

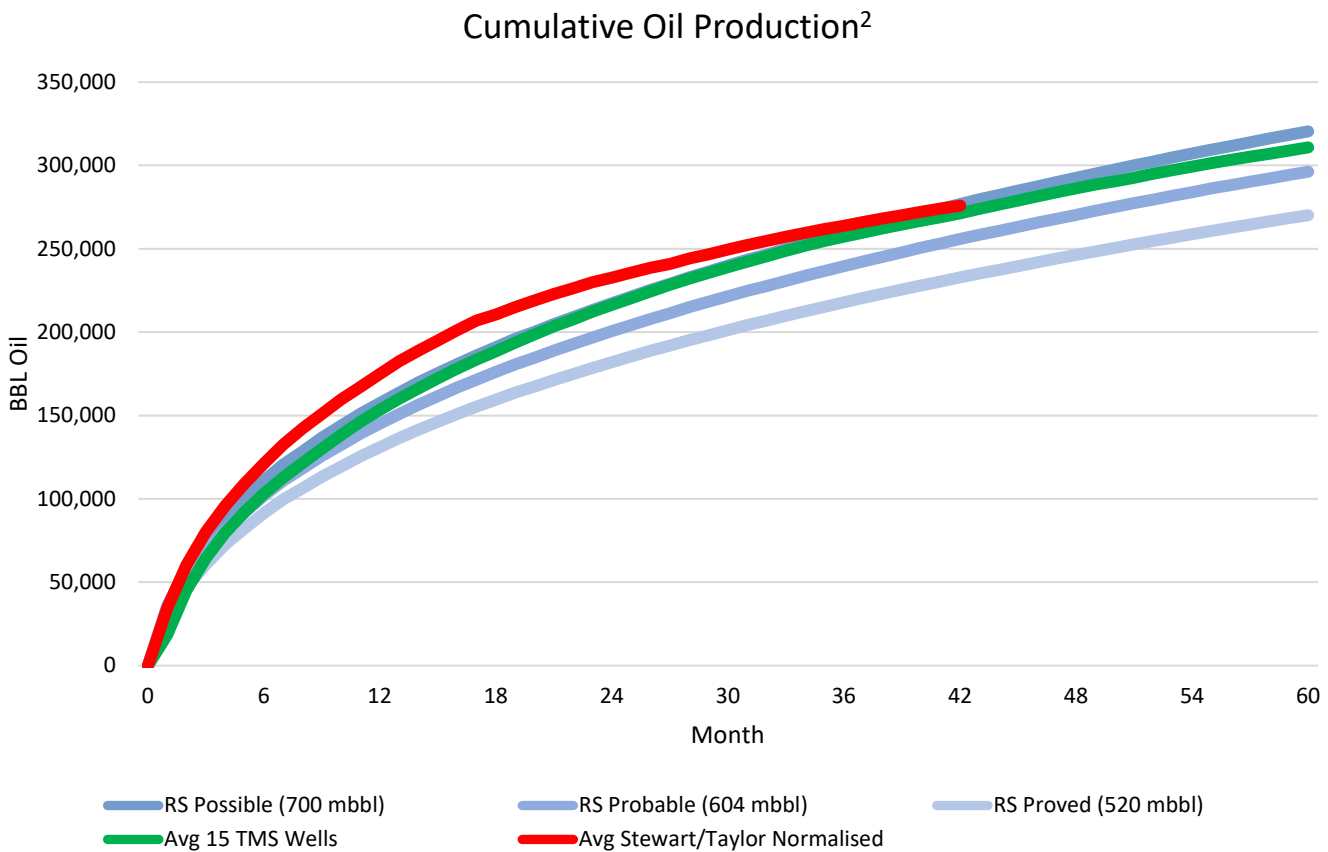


Figure 3 : Average oil production of ATS 2014 TMS wells vs Ryder Scott Proved, Probably and Possible Type Curves and performance of the full length laterals drilled by Australis in 2018

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 2018² are also shown above on Figure 3.

GLOSSARY

Unit	Measure	Unit	Measure
B	Prefix – Billions	bbbl	Barrel of oil
MM	Prefix – Millions	boe	Barrel of Oil equivalent (1bbbl = 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
Adjusted 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
YE	Year end
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. Estimates from the independent Ryder Scott report, effective 31 December 2023 and dated 31 January 2024. The report was prepared in accordance with the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS) as revised in June 2018. Ryder Scott generated their independent reserve and contingent resource estimates using deterministic methods. The achieved price and NPV(10) values quoted are for the project only, they do not include any impact from the existing oil price hedges that Australis has entered into.
2. 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.
3. 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.

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, Adjusted EBITDA 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.