OMEGA
OIL AND GAS LIMITED

info@omegaoilandgas.com.au
omegaoilandgas.com.au

QUARTERLY ACTIVITIES REPORT

FOR QUARTER ENDING 30 JUNE 2023

31 July 2023

Highlights

- The Canyon drilling campaign, concluded on 4 June 2023 and was successfully executed without incident and ahead of schedule.
- Both Canyon wells confirmed hydrocarbon discoveries, having proven the presence of both gas and liquids in the primary target Kianga Formation and secondary target, upper Back Creek Group.
- The presence of overpressure was observed in both Canyon-1 and 2 in both the Kianga Formation and upper Back Creek Group. Overpressure is a key element of Tight Gas Sand plays and is a key indicator of hydrocarbon saturation.
- The results exceed pre-drill expectations, in terms of target interval thickness, quality and pressure. Omega is now reviewing options to accelerate pathway to commerciality.
- Omega has completed preliminary petrophysical analysis, gas composition analysis and frac design modelling.
- Resource review initiated to potentially upgrade Prospective Gas Resource classification to Contingent Resources.
- Tenure upgrade submission initiated to potentially upgrade ATP exploration licence to PCA.
- PL 17 review on-going.

Summary

During the last quarter, Omega Oil and Gas Limited ("Omega") (ASX: OMA) has successfully completed its Canyon drilling campaign. This campaign was successful in achieving its objectives, which were to prove the presence of the Permian Tight Gas Sands play in its two exploration permits, ATP 2037 and 2038 by firstly mapping the stratigraphy and secondly proving the presence of overpressure. Both Canyon-1 and Canyon-2 achieved this and exceeded initial expectations. Both wells confirmed the presence of key hydrocarbon bearing zones in the Kianga Formation and upper Back Creek Group, with an aggregate of over 85m of net sands interpreted in Canyon-1 and over 108m in Canyon-2. Omega will now focus its efforts on completing analysis to determine the forward strategy specifically with respect to hydraulic stimulation of the wells and options to achieve potentially commercial flow rates.

Finance

Finance

Cash and cash equivalents as at 30 June 2023 was $2.2 million compared with $9.9 million at 31 March 2023. Cash movements during the quarter included exploration and evaluation of ATP 2037 and ATP 2038 of $6.5 million, well development costs for PL 17 of $0.1 million, working capital and administration costs of $0.7 million and staff costs of $0.7 million.

Directors, being related parties of the Company, were remunerated to the amount of $30k in the June quarter. An additional $10.5k was paid to a related entity of a Director as settlement of rent expenses for the quarter.

Refer to the Appendix 5B for an overview of the Company's financial activities during the Quarter.

Use of Funds

The Company provides the following disclosures required by ASX Listing Rule 5.3.4 regarding a comparison of its actual expenditure to date since listing on 21 October 2022 against the 'Use of Funds' statement in its Supplementary Prospectus dated 20 October 2022. Estimated expenditure for each quarter is calculated by pro-rating the Use of Funds statement across the 2-year period post-IPO.

Table 1. Use of funds summary

Funds available	Note	Use of funds statement ($000s)	Actual ($000s)	Variance ($000s)
Existing cash reserves	1	2,300	686	1,614
Funds raised from the public offer		15,070	15,070	-
Ordinary shares issued to Tri-Star E&P Pty Ltd		-	4,906	
Total		**17,370**	**20,662**	**1,614**

Allocation of funds	Note	Estimated expenditure to 30 June 2023 ($000s)	Actual expenditure to 30 June 2023 ($000s)	Variance ($000s)
Exploration expenditure	2	4,500	13,393	(8,893)
Development expenditure	3	9	793	(784)
Working capital, administration costs and other	4	1,401	4,224	(2,823)
Contingency for overrun and unexpected costs		604	97	507
Total		**6,514**	**18,507**	**(11,993)**

1. *The actual opening cash balance at 20 October 2022 was lower than the balance used in the prospectus due to exploration costs brought forward to pre-IPO.*

2. *Exploration expenditure costs exceeded the estimated amount due to the programs, which included successful drilling of both Canyon-1 and Canyon-2. Cash outflows for the purposes of compliance with ASX Listing Rule 5.3.4. are projected to be evenly distributed over the 2 years post-IPO, however, actual exploration was performed in more compressed timeframe. As such, the timing of the exploration activities, coupled with adjustments to the drilling program, led to the variance at the end of the quarter.*

3. *The overspend incurred was with the aim of bringing wells into a state ready for production once resources are available.*

4. *Working capital and administration costs include professional fees, consulting fees and transaction costs relating to issuance of securities incurred pre-IPO. Refer to Appendix 5B for itemised costs.*

Operations

Omega Oil and Gas (Omega) 100% operates three tenements in South-East Queensland; ATP 2037, ATP 2038 and PL 17.

Canyon Tight Gas Sands

On June 4, 2023, Omega successfully completed its maiden drilling campaign safely and without incident. The drilling campaign was important in establishing and demonstrating Omega's operational capability. Both Canyon-1 and Canyon-2 performed very well, being amongst the fastest wells drilled in the Surat-Bowen Basin.

Since completing operational activities, Omega has completed preliminary petrophysical analysis. This analysis has confirmed the following average reservoir units were observed from both Canyon-1 and 2, using cutoffs of 4% porosity and 70% water saturation:

- Canyon-1
    - Kianga Formation – 68.6m net sand
    - Tinowon Formation – 16.5m net sand
- Canyon-2
    - Kianga Formation – 86.1m net sand
    - Tinowon Formation – 22.1m net sand

Additionally, cuttings from Canyon-2 showed oil fluorescence between 3510 and 3530m. Similar fluorescence was seen in Canyon-1 between 3610m and 3630m. Fluorescence is the effect of ultra-violet light reacting with oil-coated mud cuttings to indicate the presence of liquid hydrocarbons. Further analysis is required, however this preliminary indication of liquid hydrocarbons is an important factor in proving commerciality of this play.

Overpressure was observed in both Canyon wells. Overpressure is an important feature of tight gas plays as it is a key indicator of hydrocarbon saturation. Identifying areas of overpressure will be used to ultimately inform the Company's understanding of key areas for future appraisal and development.

Omega has achieved a wealth of data and information from its Canyon drilling campaign. This information has been used to develop a cross section, which is shown in Figure 1 below. The cross-section shows several intervals of interest which will be the foundation of future work programs. As evidenced by the shading, there are multiple zones of interest affording Omega several options for the future works program.

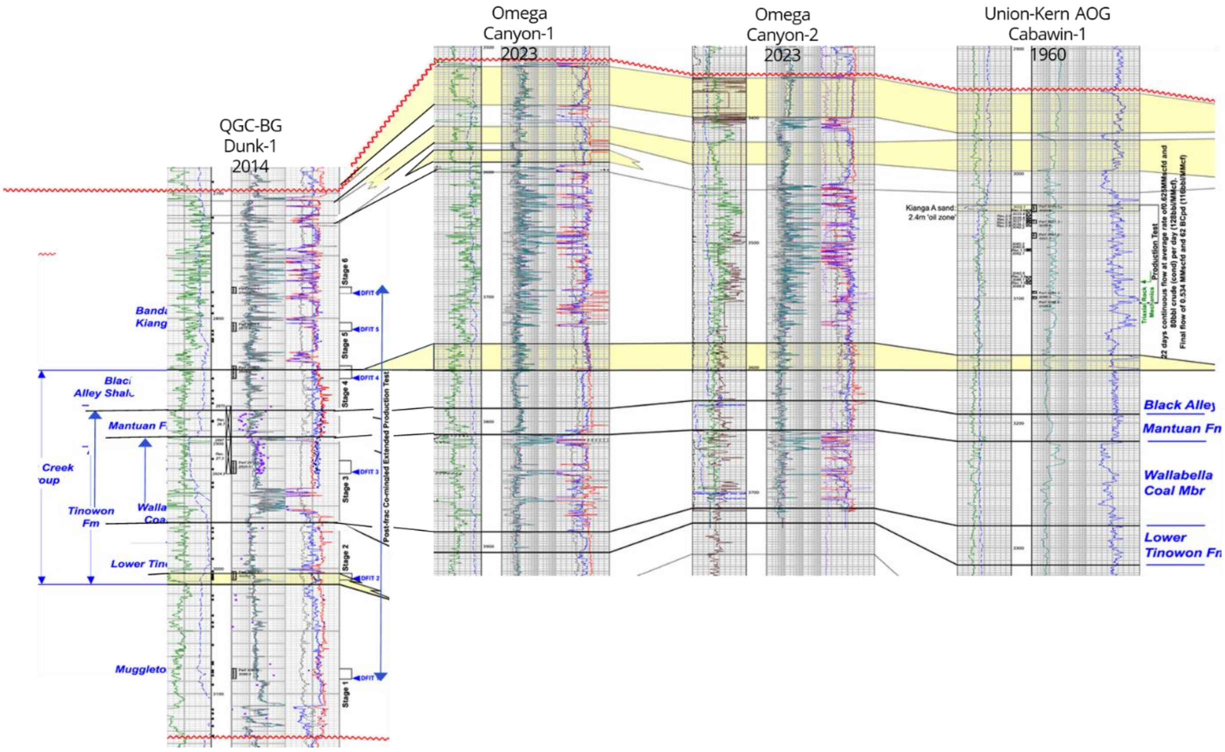

Fig 1. Regional cross section

Accelerating commercial pathways

The decision was made during Canyon-1 drilling operations to not case and cement the lowermost section of the well, leaving the option open to use this well for drilling a horizontal section that could subsequently be fracture stimulated.

As demonstrated in analogous Australian and international basins, unconventional Tight Gas Sand plays, such as in the Taroom Trough, require horizontal drilling and multi-stage stimulation to achieve commercial flow rates

<u>Estimates of Reserves and Contingent Resources</u>

Omega has engaged a well-respected, independent certifier to review its resource certification with a view to seeking an upgrade from Prospective Resources to Contingent Resources. Omega currently carries Prospective Resources as outlined in Table 2 below.

Table 2. Resource certification, Fluid Energy Consultants August 2022

Project Name	Classification	Peta-Joules		
		1U	2U	3U
ATP 2037 and 2038	Prospective Gas Resource	1,700	3,000	4,600
		Million Barrels		
ATP 2037 and 2038	Associated Prospective Oil Resource (80bbls oil/mmcf gas)	136	240	368

Listing Rule 5.43 Disclosure

The estimates of Reserves and Contingent Resources reported in this ASX Announcement have been independently reviewed and verified by Fluid Energy Consultants and were first reported in the Independent Expert Report prepared by Mr Doug Barrenger in Omega's Prospectus dated 5 September 2022 (Prospectus). The Prospectus can be found online via https://wcsecure.weblink.com.au/pdf/OMA/02586091.pdf . The estimates in the Independent Expert Report were prepared in accordance with the definitions and guidelines outlined in the 2018 SPE Petroleum and Resource Management System (PRMS), using deterministic methodology.

Doug Barrenger received a BSc degree (geology) from the Australian National University. He has more than 40 years of experience in the petroleum industry. He has worked on all Australian petroleum basins, including Coal Seam Gas and Shale Gas and has written numerous Independent Expert Reports, Resource Reports and Acreage and Resource Valuations. He is a founding partner of Fluid Energy Consultants (2013). He is a member of the Society of Petroleum Engineers (SPE).

Omega confirms that it is not aware of any new information or data that materially affects the estimates of Reserves and Contingent Resources included in the Prospectus and set out on Table 2 of this ASX Announcement and that all the material assumptions and technical parameters underpinning the estimates in the Prospectus (and set out in Table 2 of this ASX Announcement) continue to apply and have not materially changed.

Tenure Upgrade

Omega is progressing its submissions to apply for a tenure upgrade across a large portion of its exploration permits – ATP 2037 and 2038. Omega is seeking a Potential Commercial Area (PCA), licence to be granted over key areas of prospectivity. PCAs are typically granted for a longer term than a traditional ATP licence and defer the need to relinquish acreage. This is important in ensuring Omega has maximised its understanding of the region prior to releasing acreage. Omega has a large and favourable position in the Taroom Trough, and the Company believes its position is highly prospective compared to other players in the area, particularly in considering reservoir characteristics, access to infrastructure and gas saturation.

Environmental and safety compliance

The Canyon exploration drilling program was executed efficiently and without safety incident and was also successfully conducted in accordance with the environmental authorities issued under Chapter 5 of the *Environmental Protection Act 1994*. There were no notifiable events during the program.

Regulatory environment

On 10 July 2023, the Australian government released the final Mandatory Code of Conduct (Code) as part of its intervention into energy markets. The market intervention was announced in late 2022 in the context of high global prices for gas and coal, increasing domestic inflation, and heightened concerns about the cost of living.

The final Code provides clarity to producers about which gas sales are regulated by the Code, including the price cap, which is currently set at $12/GJ. Importantly, for small producers (under 100 PJs per annum), there is an automatic exemption process if the producer only sells to the domestic market. Alternatively, gas sales to LNG proponents for the purpose of exports are also exempt from the price cap.

This provides certainty for Omega to develop a gas sales strategy in the future.

Gas market outlook

On 28 April 2023, the Australian Energy Market Operator (AEMO) released the latest Gas Statement of Opportunities (GSOO) for central and eastern Australia. In the GSOO AEMO stated, "As Australia transforms to meet a net zero emissions future, gas will continue to complement zero emissions and renewable forms of energy, and to provide a reliable and dispatchable form of electricity generation, and may provide potential pathways to incorporate hydrogen and other 'green' gases within Australia's energy landscape".

The GSOO also found that noting certain risks, annual physical gas supply from existing, committed, and anticipated production is forecast to be adequate before 2027, however, investments are needed in the near term to ensure operational solutions from 2027.

Additionally, there are persistent annual supply deficits forecast in southern regions under most scenarios modelled from 2030.

These forecasts underscore the need to discover and develop new gas supply.

Bennett Oilfield

During the last quarter, Omega progressed its review of Bennett Oilfield operations. The review was conducted to assess the following:

- Company's options to enhance surface infrastructure for long-term production;
- Enhancing safety features of existing infrastructure; and
- Improvements in subsurface knowledge to potentially remap the Bennett Oilfield.

The Bennett Oilfield has remained shut-in during this period.

Comment from Omega Oil and Gas Limited Managing Director and CEO, Lauren Bennett

"The last quarter marks the start of high impact activity for Omega. Since listing on the ASX less than 12 months ago, Omega has achieved significant milestones, chief of which is the successful drilling of two gas discovery wells in its exploration permits. The team will build on the knowledge gained from

these two wells to develop a future program aimed at accelerating a pathway to commercialisation for this play.

Omega is a lean operator prepared to take calculated risks to materially advance its knowledge of the Tight Gas Sands play and potentially achieve commercial flowrates sooner than others in the region. Omega is well supported to undertake its future works through access to high-quality technical experts with demonstrated capability, taking learnings from the Tri-Star team and having the long-term funding support from the top shareholders in its registry.

As we move into this next phase of high-impact activities, which will include a fracture stimulation program, Omega hopes to strengthen its position in the play and maximise shareholder value."

Information in relation to ASX Listing Rule 5.4.3

At 30 June 2023, the Company held a:

- 100% interest in PL-17 in the Surat Basin, Queensland;
- 100% interest in ATP 2037 in the Surat Basin, Queensland;
- 100% interest in ATP 2038 in the Surat Basin, Queensland.

The Group did not acquire or dispose of any other tenements during the quarter.

The release has been authorised on behalf of the Omega Board by Ms Lauren Bennett, Managing Director.

For further information contact:

Lauren Bennett

Managing Director

Phone +61 2 9199 9625

Lauren.bennett@omegaoilandgas.com.au

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity
Omega Oil & Gas Limited

ABN	Quarter ended ("current quarter")
45 644 588 787	30 June 2023

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	78
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(589)	(1,138)
	(e) administration and corporate costs	(657)	(2,691)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	7
1.5	Interest and other costs of finance paid	(4)	(20)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)*	52	(191)
1.9	**Net cash from / (used in) operating activities**	**(1,193)**	**(3,955)**

** Comprises security deposits held for financial surety on tenements held and a security deposit on a rental premises. The current quarter is a cash receipt due to a timing difference on a deposit submission in the prior quarter.*

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(18)	(62)
	(d) exploration, evaluation and mine development	(6,583)	(15,667)
	(e) investments	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(6,601)**	**(15,729)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	19,976
3.2	Proceeds from issue of convertible debt securities	-	414
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(870)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**19,520**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,948	2,318
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,193)	(3,955)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,601)	(15,729)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	19,520
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,154**	**2,154**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	2,154	9,948
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,154**	**9,948**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	28
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Item 6.1 comprises $24,000 (excluding GST) of Director fees paid during the quarter and $3,500 (excluding GST) paid for rental costs incurred during the quarter, which were invoiced through a related entity of a Director.

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-
7.5	**Unused financing facilities available at quarter end**		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,193)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(6,583)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(7,776)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,154
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	2,154
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.28

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The entity expects that the current level of net operating cash flows is not representative of the entity's long term cash outflows. The current period outflows were primarily driven by increased exploration and evaluation expenditure from the current drilling campaign, which is complete as of 30 June 2023 (*refer ASX announcement dated 15 June 2023*).

8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer:	The Board is currently strategising the upcoming phase, aiming to initiate a fracture stimulation program. The Company is actively considering different funding alternatives and expresses a high level of confidence in the potential outcomes associated with these options.
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer:	Refer to 8.8.1 above. The Board attributes the current increase in operating cash outflows to the recently concluded drilling campaign. The entity anticipates the ability to continue its operations and meet its business objectives through the reduced spend after conclusion of the drilling campaign and via the funding options available.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

31 July 2023

Date: ....

By Order of the Board

Authorised by: ....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.