AUSTRALIS OIL & GAS

Key Activities & Highlights

29 April 2021

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 21 million bbls of 2P reserves including 3.7 million bbls producing reserves providing free cash flow as well as 149 million bbls of 2C contingent resource[1].

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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Robust asset performance and balance sheet as the onshore US oil industry recovers and aligns with our strategy,

Business Development and Operational Outlook

- The TMS remains one of the very few delineated but undeveloped high quality unconventional oil plays in the US of material size.
- Following the recent A$10 million capital raise, our planned strategic land maintenance program has commenced.
- Improving market sentiment in the US unconventional industry through the quarter has led to increased partnering interest in the TMS asset.
- Safeguarding the TMS assets is our priority whilst continuing to explore strategic partner opportunities.

Operations Summary – 1st quarter 2021

- Sales volume of 99,800 barrels (WI) – with significant deferment of production due to winter storms in February.
- During the quarter Australis generated
  - Revenue of US$5.1 million at US$51.19/bbl
  - Field Netback of US$1.9 million
  - EBITDA of US$0.6 million, noting interest expense in the period was US$0.3 million
- Despite lower production caused by various weather-related power outages, Australis achieved positive group wide operating cashflow (including after G&A and interest costs).
- Australis released YE20 independent reserves with increased PDP and reaffirming a material mid case recoverable estimate.
- NPV(10)[4] of PDP (our net interest in producing oil wells) using the YE20 independent reserve assumptions[1] and the 21 April 2021 forward strip is US$59.6 million.

Financial and Corporate

- Successful capital raise of A$9.5 million before costs, with a further contribution of A$0.675 million from Directors expected in May, subject to shareholder approval.
- Cash balance at quarter end was US$10.9 million and net debt (Macquarie Facility) was US$8.1 million (following repayment of US$1 million in the quarter).

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q1 2021.

Key Metrics	Unit	Q1 2021	Q4 2020	Qtr on Qtr Change
Core Land Position (Net)	acres	107,000	107,500	(-)
Net Oil resource (2P + 2C)[1]	MMbbls	170	192	(11%)
Sales Volumes (WI)	bbls	99,800	125,200	(20%)
Average Realised Price[A]	US$/bbl	$59.78	$42.78	40%
Sales Revenue (WI)[B]	US$MM	$5.1	$5.9	(14%)
Sales Revenue (Net)[B]	US$MM	$4.0	$4.9	(18%)
Field Netback	US$MM	$1.9	$2.7	(30%)
Field Netback / bbl (WI)[B]	US$/bbl	$19	$22	(14)%
Field Netback / bbl (Net)[B]	US$/bbl	$24	$27	(11)%
EBITDA	US$MM	$0.6	$0.8	(25%)
Cash Balance (Qtr end)	US$MM	$10.9	$4.7	132%
Debt Balance[C] (Qtr end)	US$MM	$19.0	$20.0	(5%)

[A] excludes profit or loss from hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$0.86 million (Q4 2020: gain of US$0.6 million)
[C] Macquarie Facility debt

TMS PRODUCTION AND OPERATING PERFORMANCE

Field operations continued to be carried out without any reportable safety or environmental incidents during the quarter. The production operations team continue to take all appropriate precautions for health and wellbeing in light of the COVID 19 pandemic.

Production during Q1 2021 was significantly influenced by weather events. In mid-February, an extended period of extreme cold weather was experienced in the field and across the US gulf states which led to widespread power loss, travel bans due to icy road conditions (resulting in cessation of oil haulage) and surface equipment freezing up. Whilst occasional periods of freezing temperatures do occur in the field, in this case five days of maximum temperatures below zero degrees Celsius was exceptional, and the surface equipment is not designed to operate in these temperatures. Although no permanent damage resulted, production was shut in across the field and was only incrementally restarted when weather conditions improved and once system and pressure integrity had been verified on a site-by-site basis. Whilst the field volumes are deferred and not lost, this event negatively impacted produced volumes during the quarter compared to the previous quarters.

Workover frequency during the quarter was in line with expectation and run times between failures continues to extend as a result of improved completion design and operational practices. Field operating costs did increase during the quarter ($18.80/bbl vs $15.73/bbl in Q4 2020), primarily because the ‘fixed’ component of the production costs was allocated over a reduced production volume. Actual well performance was broadly in line with expectation as a result of constant optimisation of parameters.

BUSINESS DEVELOPMENT AND CORPORATE STRATEGY

Within the preceding Q4 2020 quarterly report, Australis outlined the reasoning behind an anticipated positive shift in industry sentiment with the rollout of the US vaccination program, as demand recovery expectation drives a rising oil price and the emergence of a more cash flow orientated business model for the unconventional industry due to shareholder pressure. This reporting period has largely seen that evolution in confidence occur and it has manifested itself in a more constructive engagement by potential partners.

The Company has been consistent with its strategy to identify and secure partners for the TMS assets to:

- provide an accretive re-rating in the valuation of the Company's TMS assets,
- validate the Company's confidence in the technical credentials of the TMS Core, and
- source the Company's share of operational costs for further development activity if deemed appropriate.

Australis believes a number of US unconventional E&P companies need to source Tier 1 (high quality) acreage to supplement their reducing future well inventory. Tier 1 locations have been drilled almost exclusively during the 2020 low oil price period, further depleting inventory. New high quality inventory locations have been sourced to date through transactions in one of the three key oil plays - the Permian, Eagle Ford and the Bakken - which account for 85% of US unconventional oil production. However, opportunities within these three plays have become limited as the Eagle Ford and Bakken are increasingly mature, with limited inventory of remaining high quality future locations, and the Permian has seen unprecedent consolidation in the last 9 months (~US$50 billion in transactions), ensuring that the bulk of the quality inventory there is now held in the hands of only a few operators. With limited options, companies will need to find replacement inventory in new and emerging plays.

Australis believes these circumstances have made the TMS Core an increasingly unique and attractive play with the following attributes:

- the TMS Core is a highly productive oil-weighted reservoir with its wells proven to be as prolific as mature developed Tier 1 plays in the US;
- for prospective partners, Australis' acreage is at an attractive stage where it has been substantially de-risked and delineated but remains largely undeveloped;
- over 90 TMS wells have been drilled, and most wells within the TMS Core continue to demonstrate consistent Tier 1 production, with many having been on production for over 6 years;
- the proximity of the TMS Core to oil sales infrastructure, with large capacity and multiple markets;
- the TMS Core produces quality light crude that attracts premium LLS pricing; and
- TMS development benefits from favourable land and development rules, regulatory context and receptive local and state governments, which may become increasingly relevant during the new Biden Administration that has signalled an intention to target excessive gas flaring, fraccing on federal land and water usage/disposal during their term in office. The Australis TMS assets offers insulation from these potential regulatory issues.

Australis has an acreage position within the TMS Core that is material and contiguous enabling control of development of the play.

Australis has long stated that the Company believes the TMS is one of the last appraised and delineated, but undeveloped, high quality unconventional oil plays left in the US. Australis will maintain its strategy of seeking a partner and believes that during 2021 market conditions will become more conducive to that process.

YEAR END 2020 RESERVES SUMMARY

On 5 February 2021 Australis released the YE2020 reserves and resource assessment[1] as independently estimated by Ryder Scott Company LP ("Ryder Scott") and a summary of the results are shown in the tables below.

Reserve Category	Australis Reserves[1]		Net Oil YE2020 vs YE2019[2]
	Gross Oil (Mbbls)	Net Oil (Mbbls)	
Proved Developed Producing (PDP)	5,383	3,656	+3%
Proved Undeveloped (PUD)	15,128	6,722	-85%
Proved (1P)	**20,511**	**10,377**	**-79%**
Probable Developed Producing	695	486	-26%
Probable Undeveloped	15,462	10,157	-21%
Probable Total	16,157	10,644	-22%
Proved + Probable (2P)	**36,668**	**21,021**	**-66%**
Possible Developed Producing	821	574	-18%
Possible Undeveloped	10,650	5,868	-80%
Possible Total	11,472	6,441	-80%
Proved + Probable + Possible (3P)	**48,139**	**27,462**	**-71%**

Contingent Resource Category	Oil (Mbbls)[1]	Oil YE2020 vs YE2019[2]
Low Estimate (1C)	20,789	+332%
Best Estimate (2C)	149,420	+15%
High Estimate (3C)	270,673	+15%

As a result of prevailing market conditions at the end of 2020, a more modest development scenario was adopted for the reserves evaluation than had been used in previous years and as a result only 10% of the overall acreage position was evaluated for reserve status, compared to 31% for YE2019. This was the primary driver for the reserve reductions shown in the reserves table above as there were no material changes from previous years to the other evaluation factors other than oil price. The volumes associated with acreage not considered for development in this report transitioned to contingent resource and are shown in the second table above.

The PDP reserve estimates increased, from the same well set as in the YE 2019 evaluation, despite production volumes during 2020 of over 410,000 bbls (net). The primary driver for this increase was the reduced operating and workover costs achieved during the year, which extended the economic life of the wells, adding additional reserves. The NPV(10)[4] of the PDP volumes, at a flat future oil price of $47.02/bbl is US$47.2 million. Using the same projections and costs within the YE20 PDP reserve estimates[1], adjusting only for the oil price to the forward WTI strip on 21 April 2021 and the effective date to 1 April 2021, the NPV(10)[4] before tax is US$59.6 million.

TMS FIELD ACTIVITY

As advised previously State Line Exploration LLC (State Line), a portfolio operating company for Juniper Capital Advisors (Juniper), was granted a TMS drilling permit and formed a drilling unit in Amite County, Mississippi. Juniper is a US based energy investment firm with over US$1.2 billion in assets under management.

As shown in Figure 1 below the unit is located within the Australis designated TMS Core and is in close proximity to a number of Australis operated and producing wells.

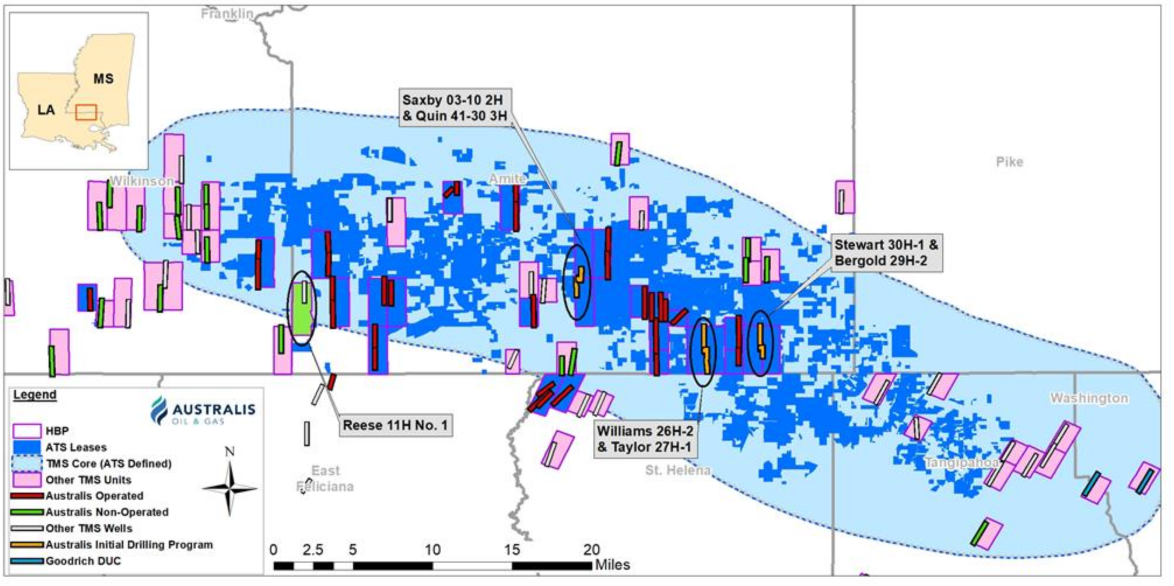

Figure 1: Australis Acreage and Well Locations with State Line Exploration permitted well

There have been no further activities in relation to this well and the permit is valid for a one-year period from when granted in December 2020.

FINANCE AND CORPORATE

Cash and Capital

Despite the low production caused by the various weather-related power outages, Australis produced positive consolidated Group operating cashflow including after interest costs and G&A expenses, but before debt repayment. Results for the quarter include:

- EBITDA of US$0.6 million
- Interest expense of US$0.3 million
- Debt reduced by US$1 million to US$19 million (at 31 March)
- Cash of US$10.9 million (at 31 March)
- Net debt (Macquarie facility) of US$8.1 million (at 31 March)
- Field netbacks per barrel reduced by 14% from Q4 2020 due to lower production and oil hedge losses
- Corporate G&A costs of US$1.1 million for the quarter are 28% lower than the average quarterly expense in 2020

Capital Raise

On 8 March 2021 the Company successfully raised A$7.5 million (before costs) with the placement of 150 million new shares at A$0.05 cents each to institutional and sophisticated investors. On 31 March 2021, Australis also closed an associated share purchase plan (SPP) for existing shareholders to subscribe for shares at the placement price, raising a further A$2 million (before costs), having scaled back the SPP applications by 30%. In addition, prior to the commencement of the placement, Australis board members committed to subscribe for a further A$0.675 million of shares at the placement price. This issue of new shares to Directors remains subject to shareholder approval at the scheduled AGM planned for 11 May 2021.

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 March 2021 of US$19 million. Australis continued to meet all covenant requirements and has serviced interest and other facility costs out of existing cash flow during the reporting period. The credit facility maturity remains at November 2023 with minimum quarterly repayments of US$1 million.

Hedging

During the reporting quarter Australis:

- incurred a hedge loss of US$857,000, as the average WTI oil price in each of the months in the quarter, ranging between US$52/bbl and US$62/bbl, exceeded the average monthly hedged WTI price of approx. US$48/bbl. The hedges consisted of a majority of swaps executed at various times between 2018 to 2020.

- hedged an additional 28,500 bbls for the 12 months from July 2021 to June 2022 using no-cost collar contracts to protect an average WTI price of US$45/bbl for 2H 2021 and US$50/bbl for 1H 2022. Utilising these instruments, Australis retains the benefit of the actual WTI price over the protected price up to US$74.10/bbl for 2H 2021 and up to US$64/bbl for 1H 2022.

These incremental hedges, combined with the existing hedge contracts, provide an average WTI protected price for the remainder of 2021 of $46/bbl with the potential for capturing WTI price upside to approximately US$58/bbl for the volumes associated with collar contracts. The table below summarises the protected WTI prices for all hedged volumes through to 31 December 2022.

	swaps		Collars		
Year	Volume (bbls)	Swap Price (US$/bbl)	Volume (bbls)	Floor Price (US$/bbl)	Ceiling Price US$/bbl)
2021	161,700	$46.34	41,700	$42.52	$58.34
2022	45,300	$49.19	18,000	$50.00	$64.00

TMS LEASE POSITION

During 2020 and the first quarter of 2021 Australis elected to minimise all discretionary expenditure and paused its leasing program. As a result, the Company's net acreage position in the TMS Core was 107,000 net acres at the end of Q1 2021, a minor reduction from YE 2020.

Using an allocation of funds raised from the recently completed share placement targeted leasing in the TMS Core has commenced. The objective is to protect the overall TMS lease position. Of the 12,800 net acres due to expire during the remainder of 2021 (Figure 2 below) Australis will seek to renew or replace the leases with greatest strategic importance within the TMS Core.

Of the 107,000 net acres under lease in the TMS Core, over 67% is either HBP or has an expiry date after January 2023. This is important in the current environment as it provides Australis with timing flexibility for future capital commitments.

Figures 2 provides more detail on the expiry profile of the Core acreage position.

Expiration Year – TMS Core Net Acres

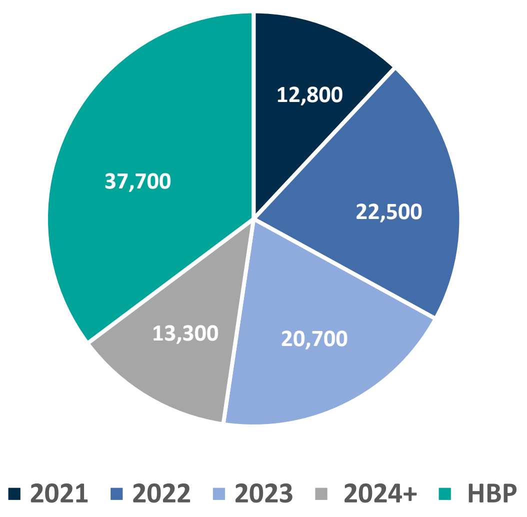

Figure 2: Expiration Year - undeveloped net acres

Figure 1 on page 5 of this report above provides a map of the Australis acreage position.

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 over 100,000 net acres within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with a Company approximately 400 net future drilling locations, and an independently assessed 21 MMbbl of 2P oil reserves including 3.7 MMbbl producing reserves providing net free cash flow, as well as 149 MMbbl of 2C contingent oil resource[1]. This contingent oil resource is only contingent on a 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

Australis holds 106,400 net acres within the production delineated core of the oil producing Tuscaloosa Marine Shale. The map (Figure 1 on page 5) 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 deep, high pressured and oil weighted. As experienced in most unconventional plays, early results 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 however, 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 1 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 other plays over a 24-month period is shown in Figure 3 below. Average TMS production in 2014 already exceeds wells drilled in 2017 in other established basins, without industry improvements being applied.

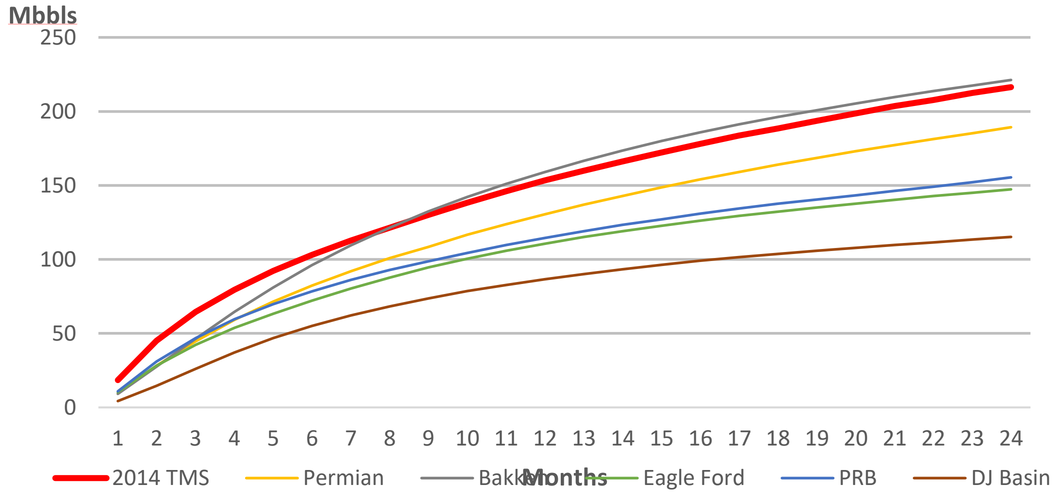

Figure 3: Average oil production of ATS 2014 TMS wells v 2017 wells in other basins[3]

The 2014 fall in commodity price generated the opportunity for the two low cost acquisitions by Australis in the play and for an ongoing cost-effective 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' current operations are the first drilling activity that has occurred since the beginning of 2015. Consequently, none of the numerous industry improvements that have continued to drive forward the economics of other unconventional plays during this extended period of lower oil price have yet been applied to the TMS.

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.
KMP	Key Management Personnel
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

Notes

1. 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.

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. Basin average oil production sourced from Shaleprofile.com "US Update Through January 2019"

4. The NPV(10) is before tax and excludes any gains or losses from existing hedge contracts.

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, as defined within the Glossary, is a Non-IFRS financial measure 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.