Key Activities & Highlights 28 Oct 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.

Address
Ground Floor, 215 Hay Street
Subiaco, WA 6008
Australia

Suite 3680
3 Allen Center
333 Clay Street
Houston, Texas U.S.A
77002

Contact
Telephone:
+61 8 9220 8700

Facsimile:
+61 8 9220 8799

Email:
contact@australisoil.com

Web:
www.australisoil.com

Australis maintains a controlling interest within one of the last appraised but undeveloped quality unconventional oil plays onshore in the USA

Overview

- Australis TMS asset has a recoverable estimate of 170 million bbls[1] (net) oil that independent reserve evaluators considered commercial at US$47/bbl.
- Production continues to generate positive operating cashflow.
- Australis will be patient in its search for the right partner for further field development activities in an improving business environment.
- Third party drilling activity in TMS appears imminent – an indicator of growing interest.
- US unconventional market sentiment continues to improve with sustained higher oil prices during the quarter and increased confidence in favourable demand/supply balance beyond 2021.

Operations Summary – 3rd quarter 2021

- During the quarter Australis generated:
  - Sales volume of 104,100 barrels (WI) (-5% on Q2)
  - Revenue of US$6.1 million (+5% on Q2) including hedge losses of US$1.5 million
  - Field Netback of US$2.2 million (+10% on Q2)
  - EBITDA of US$1.1 million (+120% on Q2)

Financial and Corporate

- Continued positive Group operating cashflow after all G&A expenses and interest costs.
- Cash balance at quarter end was US$9.9 million and net debt (Macquarie Facility) was US$7.1 million, following a further principal repayment of US$1 million in the quarter.
- Hedge book weighting transitions from swaps to cap and collar contracts through 2H 2021, increasing Australis's exposure to higher oil prices.

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q3 2021.

Key Metrics	Unit	Q3 2021	Q2 2021	Qtr on Qtr Change
Core Land Position (Net)	acres	100,000	103,000	(3)%
Net Oil resource (2P + 2C)[1]	MMbbls	170	170	-
Sales Volumes (WI)	bbls	104,100	109,600	(5%)
Average Realised Price[A]	US$/bbl	$73.40	$65.95	11%
Average Achieved Price[B]	US$/bbl	$58.92	$52.81	12%
Sales Revenue (WI)[B]	US$MM	$6.1	$5.8	5%
Sales Revenue (Net)[B]	US$MM	$4.6	$4.4	5%
Field Netback	US$MM	$2.2	$2.0	10%
Field Netback / bbl (WI)[B]	US$/bbl	$21	$19	11%
Field Netback / bbl (Net)[B]	US$/bbl	$26	$23	13%
EBITDA	US$MM	$1.1	$0.5	120%
Cash Balance (Qtr end)	US$MM	$9.9	$10.2	(3)%
Debt Balance (Qtr end)[C]	US$MM	$17.0	$18.0	(6)%

[A] excludes effect of hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$1.51 million (Q2 2021: loss of US$1.44 million)
[C] Macquarie Facility debt

TMS PRODUCTION AND OPERATING PERFORMANCE

As was reported to the market, Hurricane Ida made landfall on the Louisiana coastline on 30 August 2021 as a category 4 major hurricane. Its trajectory took the system directly over the TMS Core area a day later, by which time it had been downgraded to a category 1 hurricane. No material physical damage was done to Company property and no Australis personnel were injured, but due to felled trees the overhead power system that supplies our artificial lift mechanisms on wells was damaged and production was temporarily halted at practically all Company well sites. Over the following week, power was incrementally restored across our field and by 7 September production had returned to normalised levels. As a consequence, production volumes were impacted for ~7 days during the reporting quarter due to Hurricane Ida.

During the quarter a more substantial than typical workover was performed on the Taylor 27H – 1 well (Taylor), which had recently been underperforming vs expectation. The likely cause was some debris in the production tubing that was restricting oil production and required a cleanout. Whilst this did not affect production performance during the first few years, more recently data interpretation indicated that it was creating a restriction downhole. At the end of the reporting quarter the restriction was removed, production rates post workover are encouraging and indicate a return to anticipated levels.

Sales volumes were down slightly (5%) compared to the previous quarter, but 4% higher than Q1 2021. The achieved price reflects both the improved oil market and the start of a transition in our hedging position weighting from straight swaps towards zero cost collars, which still provide a downside protection for Australis but also allow us to participate in more of the recent oil commodity price strength.

While overall workover frequency continues to reduce, consistent with expectation, workover costs in the quarter increased to $5.82/bbl from $4.16/bbl in Q2 due to the scope of the Taylor workover. Production expenses, however, reduced to $14.81/bbl vs Q2 of $15.00/bbl.

There were no safety incidents during the quarter but there was a reportable oil spill which was contained within the environmentally protected area which surrounds all of the Company's oil storage tanks. The oil was quickly and easily recovered from the contained area with no impact to the environment or operations.

BUSINESS DEVELOPMENT AND CORPORATE STRATEGY

Australis has remained consistent in its business strategy and patient with implementation. We are seeking an appropriate partner for our TMS asset base, to contribute capital to a development program and the further evolution of the play. The Company is confident in a successful outcome but acknowledges that it is difficult to be definitive on timelines. Another quarter of positive operational cashflow continues to demonstrate that our base business supports our existing overheads and allows us to be patient, to ensure an accretive and prudent outcome on any partnering deal structure.

In recent market communications Australis has detailed how the US unconventional oil industry is maturing and how future drilling inventory within the established plays is becoming limited. In the Bakken and Eagle Ford, it is becoming sparse as higher quality areas are drilled out and in the Permian Basin, which is the only play with oil production growing towards pre pandemic volumes, it has become concentrated in a limited number of companies portfolios through the unprecedented consolidation of operators during the last 12 months. With over 85% of the US unconventional oil production originating from these three plays, the Company believes this scarcity of quality oil well inventory will force industry participants to consider earlier stage plays and the TMS is in a strong position when compared to alternatives. Figure 1 below shows how overall US unconventional production has only marginally recovered following the impact of COVID 19 in Q2 2020 and, within those figures, demonstrates that, outside the Permian, production volumes have continued to drop in the intervening period.

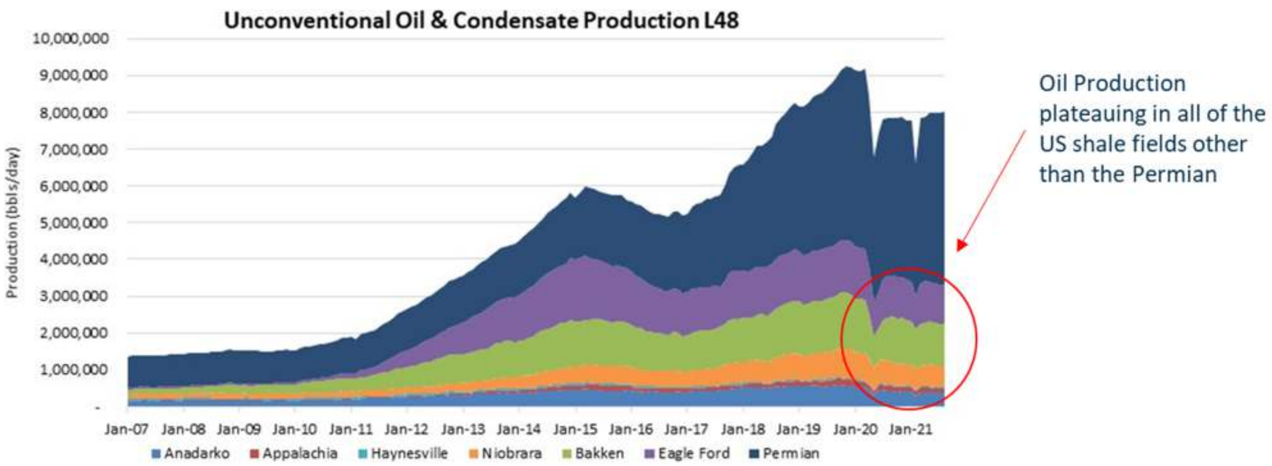


Figure 1: US unconventional oil production – source EIA (October 2021)

US public companies, generally forced by shareholder pressure, have adopted more measured business models that focus on maximising returns at the expense of production growth. Free cashflow is being used to repair and improve balance sheets and/or returned to shareholders. The quantum of operating free cash flow required to generate new production to offset the declines in shale oil production is a key factor in the sustainability of this business model. During the course of the last 12 months, participants in the three key oil plays have taken advantage of a large stockpile of drilled but uncompleted wells (DUC's) to achieve this balance. DUCs are not completed for various reasons, for instance in 2020 largely due to low oil price environment, operators honoured contractual drilling commitments but elected not to complete wells to save capital and avoid selling new production into the low oil price market. As oil prices recover these DUCs represent a low-cost source of new production, which has been key for the results so far in 2021. Figure 2 below shows the change in DUCs over recent years. You will note the significant growth in the Permian from 2017 onwards but also the dramatic reduction since mid-2020 across all plays.

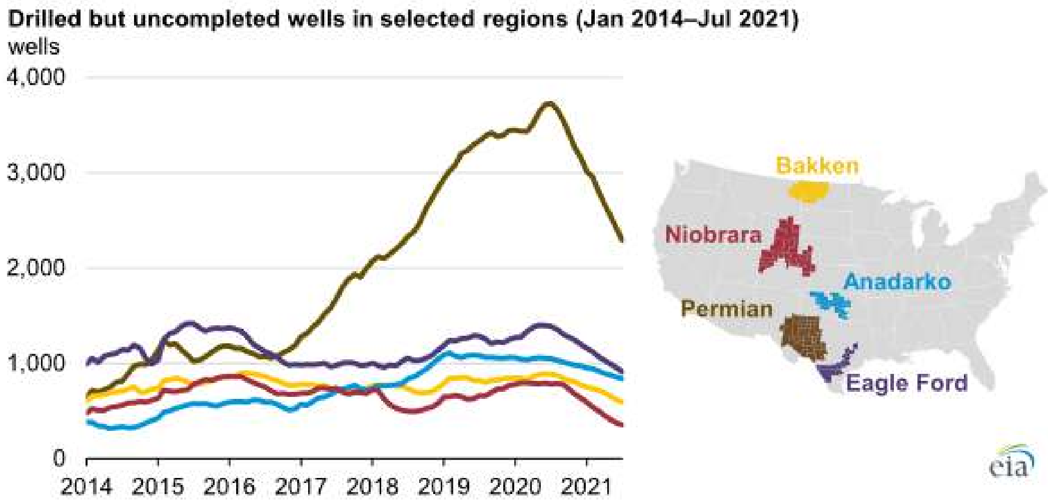


Figure 2: Drilled but uncompleted well inventory – source EIA drilling productivity report

To put this in context, 38% of all wells completed in the Permian in the 12 months before July 2021 were DUCs. In the Eagle Ford and Bakken, DUCs comprised 50% of all new completions over the same period. The inventory of completable DUCs is finite, with some locations which were part of appraisal drilling within the established plays are never likely to be completed and there being a minimum inventory of DUCs required across the plays to facilitate efficient completions development. Without this inventory to draw upon, the rig count and the commensurate capex required in the Eagle Ford and Bakken would have to increase by a third for the same number of completions and in the Permian the increase would need to be by a quarter (assuming an equal split between drilling and completion costs).

For these newly adopted business models to be sustainable, the reservoir quality becomes even more important to achieve maximum productivity with minimum dollars being spent, and this high grading applies equally to DUC inventory as it does to future undrilled locations.

The combination of reduction in quality DUCs, the necessity to drill more new locations going forward and the focus on those being high quality locations all lead to a faster consumption rate of quality locations and the earlier need for many US companies to seek new inventory outside the established plays.

Historically public oil and gas companies would have responded to a rising oil price and improving industry sentiment with activity level increases, however they have remained disciplined in adhering to their new returns-focused business models with few exceptions. The steady increase in US onshore rig count from 2020 has been driven largely by private companies, who are not subject to the same public market scrutiny and who currently operate 60% of all active oil & gas rigs in the onshore

US (compared to only 44% at the same time in 2020).

The Company believes that the conditions are forming for the industry, and overall market, to recognise the opportunity and value of the large reserve and resource base Australis holds within the production delineated TMS Core.

During the quarter Australis disposed of five sub-economic wells and the associated acreage in Louisiana that were located outside the designated TMS Core area. These non-core wells were acquired from Encana as part of the larger position in 2017, had no material reserves allocated to them and their associated abandonment liability (carried on our balance sheet at ~US350,000) has been assumed by the acquiror.

TMS FIELD ACTIVITY

In Q4 2020 we advised that State Line Exploration LLC (State Line), a portfolio private operating company for Juniper Capital Advisors (Juniper), received a TMS drilling permit and formed the Reese 11H No. 1 drilling unit in Amite County, Mississippi. Juniper is a US based energy investment firm with over US$1.2 billion in assets under management and its investments include a controlling stake in Ranger Oil Corporation (NYSE: ROCC, formerly Penn Virginia Corporation).

State Line has successfully re-permitted this location and has commenced surface preparations at the location. As shown in Figure 3 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.

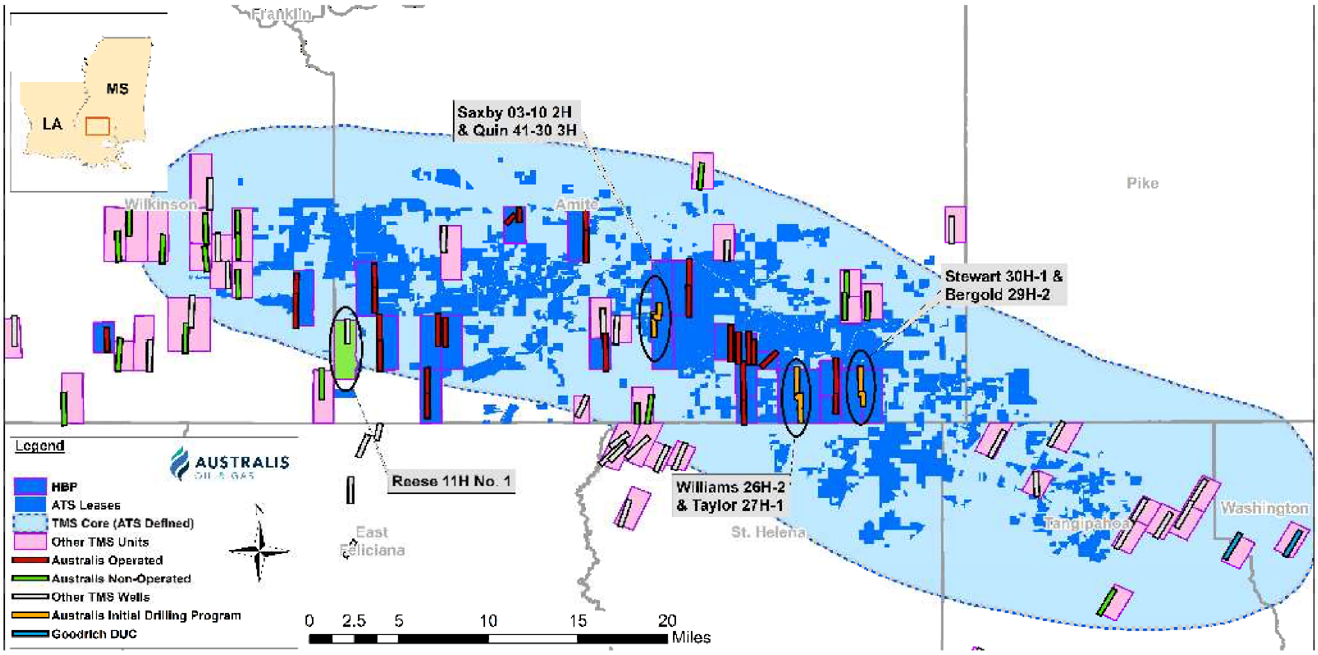


Figure 3: Australis Acreage and Well Locations with State Line Exploration permitted well updated map

Australis is not a working interest partner in the proposed Reese 11H No. 1 well and will advise the market of progress as information becomes available in the public domain.

FINANCE AND CORPORATE

Cash and Capital

Australis continued to generate positive Group operating cashflow including after interest costs and G&A expenses, but before principal debt repayment. Results for the quarter include:

- EBITDA of US$1.1 million
- Interest expense of US$0.3 million
- Debt under our Macquarie Facility reduced by US$1 million to US$17 million
- Cash of US$9.9 million (at 30 September)
- Net debt of US$7.1 million (at 30 September)
- Sales Revenue increased from Q2 2021 based on an increase in the achieved oil price, despite slightly lower production.

Credit Facility

The outstanding debt under our Macquarie Credit Facility was reduced by US$1 million in the quarter, resulting in a balance at 30 September 2021 of US$17 million. Australis continued to meet all covenant requirements and has serviced interest and other facility costs out of operating cash flow during the reporting period. The credit facility maturity remains at November 2023, with minimum quarterly principal repayments of US$1 million.

Hedging

During the reporting quarter Australis:

- continued to meet the Macquarie Credit Facility minimum hedging covenant requiring minimum volumes of estimated production to be hedged over the next 3 years to August 2024.
- incurred a hedge loss of US$1.5 million, as the average WTI oil price in each of the months in the quarter, ranging between US$68/bbl and US$72/bbl, exceeded the average monthly hedged WTI price of approx. US$46/bbl. The hedges consisted of a majority of swaps executed at various times from Q3 2019 to Q1 2021.
- hedged an additional 78,000 bbls for the period January 2022 to December 2023 using a combination of no-cost collar contracts to protect an average WTI price of US$45/bbl but retaining the benefit of the actual WTI price over the protected price, up to US$73/bbl for 2022 and between US$70/bbl and US$65/bbl for 2023. WTI swap contracts protect a price ranging from US$62/bbl in early 2022 to US$53/bbl in late 2023.

The table below summarises the protected WTI floor prices and the ceiling prices for all hedged volumes through to 31 December 2023. The increased weighting to no-cost collars can be clearly seen.

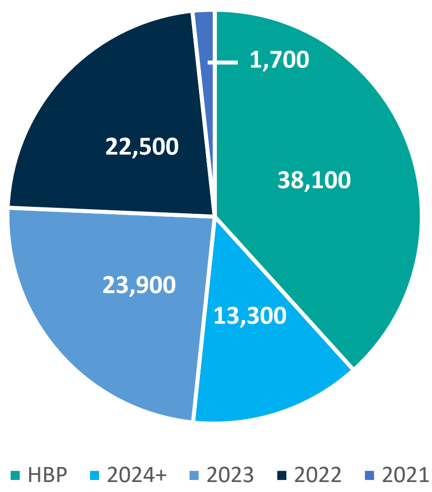
As at Oct 21	Swaps		Collars		
Qtr/Year	Volume	Protected Price	Volume	Protected Price	Ceiling Price
	000bbls	US$/bbl	000bbls	US$/bbl	US$/bbl
Q4/2021	45	$47.27	14	$42.78	$63.61
Q1/2022	31	$51.00	18	$45.83	$69.17
Q2/2022	13	$55.00	30	$43.50	$71.38
Q3/2022	19	$56.00	18	$41.67	$70.55
Q4/2022	9	$53.09	13	$40.56	$70.66
Q1- Q4/2023	22	$55.05	42	$39.11	$62.96

TMS LEASE POSITION

As previously reported, Australis recommenced a disciplined but modest strategic leasing program in Q2, seeking to protect identified acreage to maintain the Company's strategic control and exposure to the key TMS Core area whilst allowing further non-core or lower graded term lease acreage to expire.

As at 30 September 2021 Australis holds ~100,000 net acres in the TMS Core, of which 38,100 net acres (38%) are HBP. Australis intends to continue its targeted leasing program during the remainder of 2021 within its modest capital expenditure program.

Figures 4 provides more detail on the expiry profile of the Core acreage position as at 30 September 2021.



Expiration Year – TMS Core Net Acres
Figure 4: Expiration Year - undeveloped net acres

Figure 3 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.

Further Information:

Ian Lusted
Managing Director
Australis Oil & Gas
+61 8 9220 8700

Graham Dowland
Finance Director
Australis Oil & Gas
+61 8 9220 8700

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

Australis was formed by the founder and key executives of Aurora Oil & Gas Limited, a team with a demonstrated track record of creating and realising shareholder value.

TMS Assets & Background

Australis holds ~100,000 net acres within the production delineated core of the oil producing Tuscaloosa Marine Shale. The map on page 5 (Figure 3) 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 3 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 YE2020 reserve report is shown in Figure 5 below. To qualify as a reserve Ryder Scott must assess a future location as economic and this reserve report was evaluated assuming a flat oil price of US$47.02/bbl.

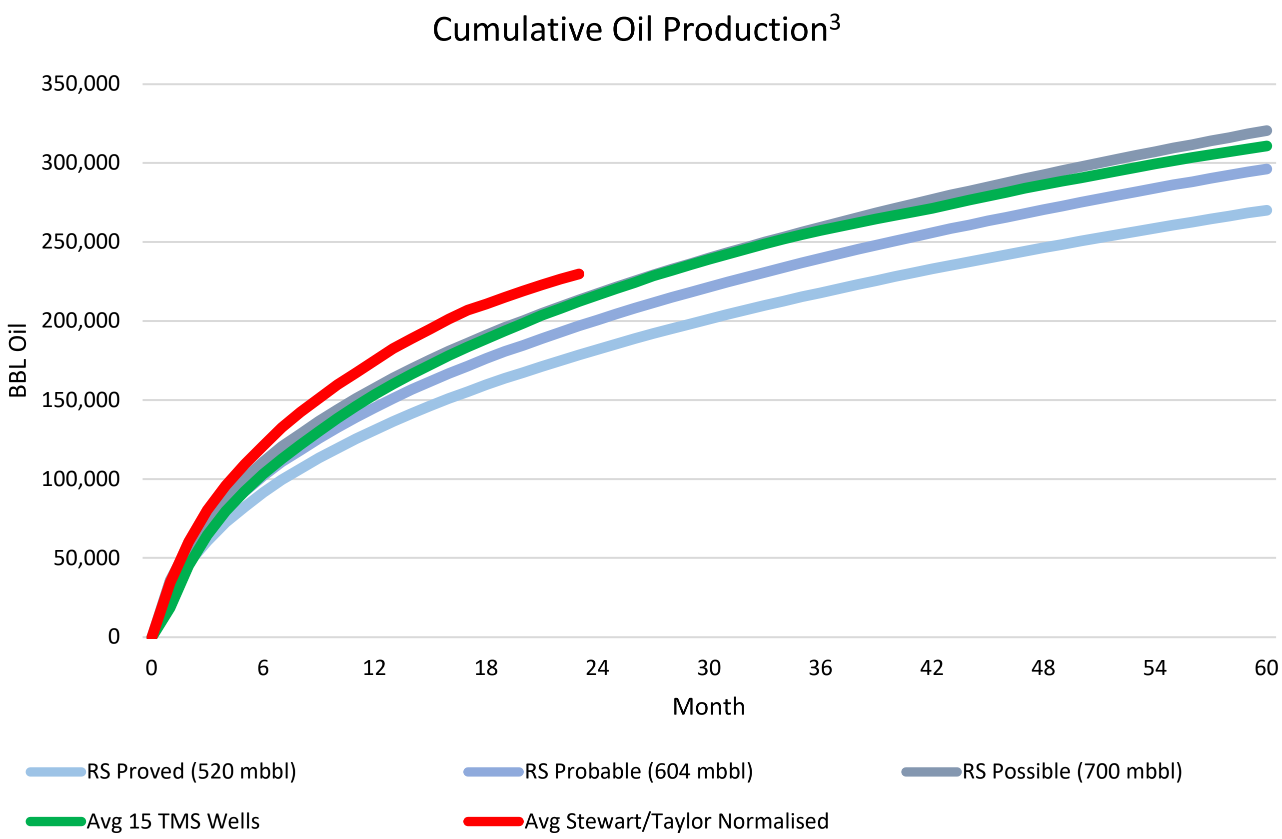


Figure 5: Average oil production of ATS 2014 TMS wells v Ryder Scott Proved, Probable and Possible Type Curves and the performance of full length laterals drilled by Australis in 2018

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. 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. The production results of the full length laterals drilled by Australis in 2018[3] are also shown above on Figure 5

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. 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.

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.