Key Activities & Highlights 29 April 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 reserves[1] providing free cash flow.

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

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Australis holds a substantial contiguous operated position within the delineated core of the Tuscaloosa Marine Shale (TMS).

The TMS is a uniquely appraised but undeveloped large basin and Australis holds a controlling position.

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 58,700 net acres and ~200 net Tier 1 future drilling locations within the production delineated core of the TMS.
- Australis continues to manage its leasehold position with a view to maintaining our strategic footprint inside the TMS Core.
- Australis continues to engage with potential partners to provide development capital.

Operations and Financial Summary – 1st quarter 2024

- Sales volume of 67,258 barrels (WI) (+13% vs Q4 2023).
- Higher sales volumes led to a higher revenue of US$5.2 million (+11% vs Q4), including lower hedge losses of US$0.07 million.
- Increased Field Netback of US$1.9 million (+26% vs Q4) was due to the higher revenue and reduced workover costs during the quarter.
- Cash balance increased at quarter end to US$7.9 million (Q4: US$3.8 million) following drawdown under Credit Facility.
- Credit Facility principal total debt amount increased by US$4 million, to US$12 million, leading to a net debt of US$4.1 million (Q4: US$4.2 million).

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q1 2024 and provides a comparison to Q4 2023.

Key Metrics	Unit	Q1 2024	Q4 2023
TMS Core Land (Net)	acres	58,700	61,400
Net Oil resource (2P + 2C)[1]	MMbbls	89	89
Sales Volumes (WI)	bbls	67,300	59,400
Average Realised Price[A]	US$/bbl	$78.27	$80.99
Average Achieved Price[B]	US$/bbl	$77.23	$78.48
Sales Revenue (WI)[B]	US$MM	$5.2	$4.7
Sales Revenue (Net)[B]	US$MM	$4.2	$3.8
Field Netback	US$MM	$1.9	$1.5
Field Netback / bbl (WI)[B]	US$/bbl	$28.28	$24.88
Field Netback / bbl (Net)[B]	US$/bbl	$35.02	$30.89
EBITDA	US$MM	$0.4	-$0.4
Cash Balance (Qtr end)	US$MM	$7.9	$3.8
Total Debt (Qtr end)	US$MM	$12.0	$8.0

[A] excludes effect of hedge contracts settled

[B] includes the loss from the settlement of hedge contracts of US$0.07 million (Q4 2023: loss of US$0.15 million)

Table 1: Q1 2024 Key Metrics

TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were up 13% compared to the previous quarter at 67,300 bbls (739 bbls/d), as a result of the combination of slightly higher production in the period (following completion of workovers) and the drawdown of a large inventory position that had built up in late December 2023.

Production was adversely impacted by downtime on a number of wells during the quarter, including three producing wells that were awaiting workover. Workover operations on two of these wells (Pintard H-1 and Longleaf 29H-1) were completed during the quarter, however activity on the Taylor 27H – 1 did not start until after reporting period. Workover costs were lower in the quarter compared to Q4 2023, with only the two separate operations compared to three in Q4 2023.

Australis realised crude prices decreased slightly during the quarter, by 3% from Q4 2023. However, the lower hedge losses in the quarter led to only a 1% reduction in achieved crude price relative to the preceding quarter.

FINANCE AND CORPORATE

Cash and Capital

Results for the quarter include:

- Sales Revenue (after hedges) of US$5.2 million was higher than the previous period (Q4 2023: US$4.7 million) reflecting higher sales volumes and reduced hedging losses that were only partially offset by lower oil prices;
- EBITDA of US$0.4 million for the quarter (Q4 2023: -US$0.4 million) reflects the increased sales revenue and the reduced number of workover operations undertaken during the period; and
- Total debt under our Macquarie Credit Facility increased by US$4 million to US$12 million following the previously announced US$6 million draw down of the new Facility C Loan and paying down US$2 million of the existing Facility A Loan. The commensurate addition of cash contributed to a net debt position of US$4.1 million (Q4 2023: US$4.2million).

Credit Facility

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

As announced in Q4 2023, the Credit Facility was amended enabling the Company access to additional liquidity of approximately US$4 million under a new committed credit facility (Facility C) and flexibility through leveraging its Proved Developed Producing asset value. During the quarter a total of US$6 million was drawn down from the new Facility C, from which US$2 million was used to pay down the existing Facility A resulting in an additional US$4 million of liquidity. In addition, upon accessing this additional liquidity, Australis received favourable Credit Facility amendments, including reduced quarterly debt amortisation payments to better match expected field cashflows and a one-year extension to the maturity date to May 2026.

The repayment of the Facility C loan will occur over the next 24 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.

Oil Price Hedging

During the reporting quarter Australis realised lower oil price hedging losses (US$0.07 million) compared to previous quarter (US$0.15 million in Q4 2023) primarily due to improved hedge pricing for the current quarter. The Company's hedge book is now benefiting from the improved 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 30,500 bbls were settled for Q1 2024 as follows:

- Zero Cost Collars: 21,500 bbls, protecting an average downside price of US$57/bbl and maintaining the upside in oil price up to an average of US$84/bbl, and
- Swaps: 9,000 bbls, protecting an average downside price of US$70/bbl.

During the quarter additional Swaps were executed for a total volume of 100,000 bbls over the next 24 month period to meet the previously announced repayment requirements under the Facility C drawdown.

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, including the 100,000 bbls of Swap contracts executed to enable the Facility C drawdown.

Australis' current WTI oil price hedge position as at 1-Apr-24					
	WTI Swaps		WTI Collars		
Qtr/Year	Volume 000bbls	Protected Price US$/bbl	Volume 000bbls	Protected Price (A) US$/bbl	Ceiling Price (A) US$/bbl
Q2/2024	24	$73	15	$58	$86
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	4	$50	$79
Q4/2025	16	$64	4	$50	$79
Q1/2026	12	$62	0	$0	$0
Q2/2026	2	$61	0	$0	$0
Q3/2026	2	$61	0	$0	$0
Q4/2026	2	$61	0	$0	$0
	159		65		

(A) Based on weighted monthly average prices

Table 2 : ATS hedge position as at 1 April 2024

TMS Lease Position

Australis strategy in Q1 2024 remained focused on maintaining the Company's control and exposure to the TMS Core area for development purposes.

As at 31 March 2024 Australis holds ~58,700 net acres in the TMS Core, of which ~39,900 net acres (68%) are HBP.

The Company's lease position decreased by ~3,800 net acres since the prior quarter due to the expiry of legacy leases. No new leases or extensions were taken during the quarter.

Australis continues to balance capital discipline with a continued program of high grading and strategic renewal leasing of acreage. The Company intends to 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 31 March 2024. Figure 2 provides a map of the Australis acreage position.

Expiration Year – TMS Core Net Acres

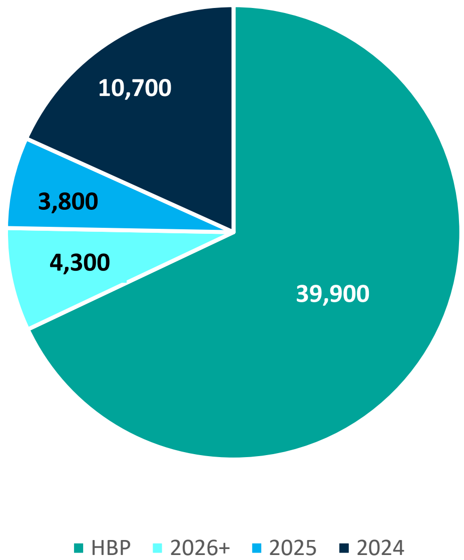

Figure 1 : Expiry profile of ATS TMS acreage

Business Development and Corporate Strategy

During the quarter the Company continued to engage with public and private industry participants who have conducted diligence activities and we continue with discussions on potential partnering models.

Australis has often stated our view that the need for constant development activity and limited undeveloped well inventory within the established plays will encourage industry participants to consider alternative quality but early-stage assets such as the TMS. For unconventional oil plays in particular, there are very few appraised but undeveloped quality opportunities remaining, which makes the TMS unique albeit it has proven to be a slower process than expected.

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 58,700 net acres (68% HBP) within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 200 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 flow[1]. The contingent oil resource is only contingent on a qualifying development program and Australis will carry out a reassessment of its undeveloped reserve position when a partner and funding is secured.

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

TMS Assets & Background

The map shown in Figure 2 is a representation of the acreage position that Australis holds within the TMS Core.

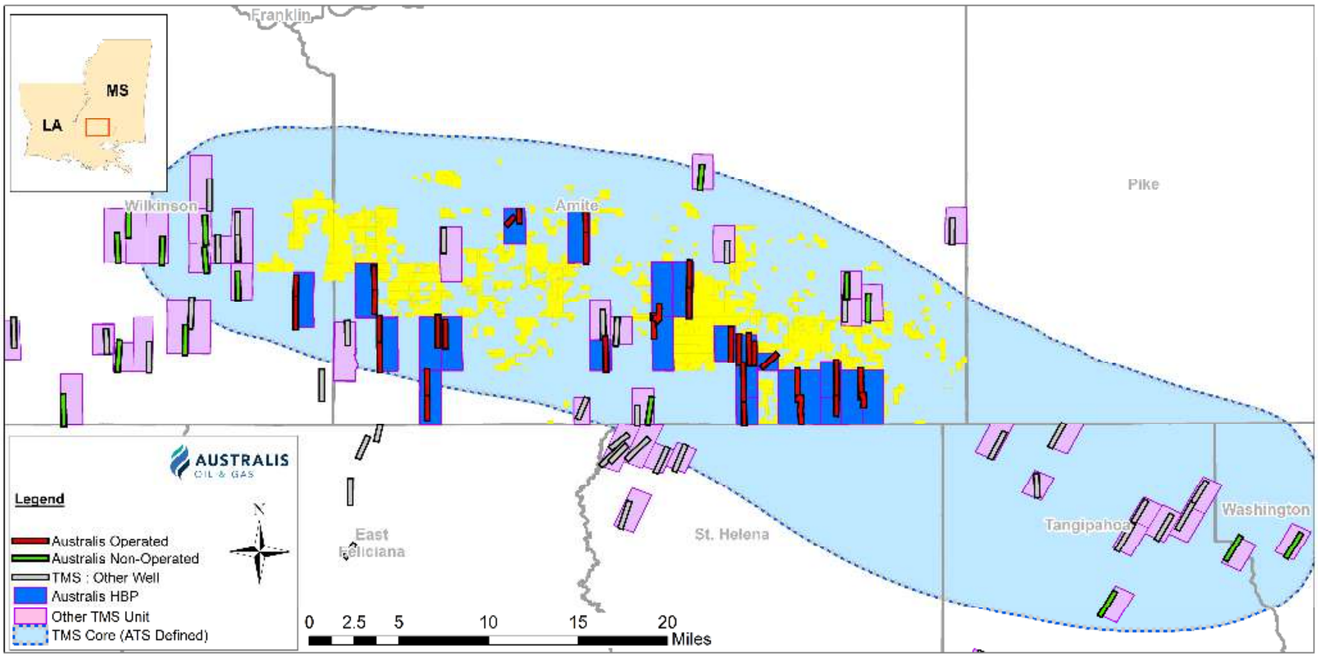

Figure 2 : Location of Australis acreage and TMS wells

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/bbl[4]. Note the YE 2023 Reserve Report[1] did not assess undeveloped reserves as any assessment is dependent on a drilling plan for the next 5 years. Australis made the decision to defer the assessment until a partner is introduced and a development plan is determined.

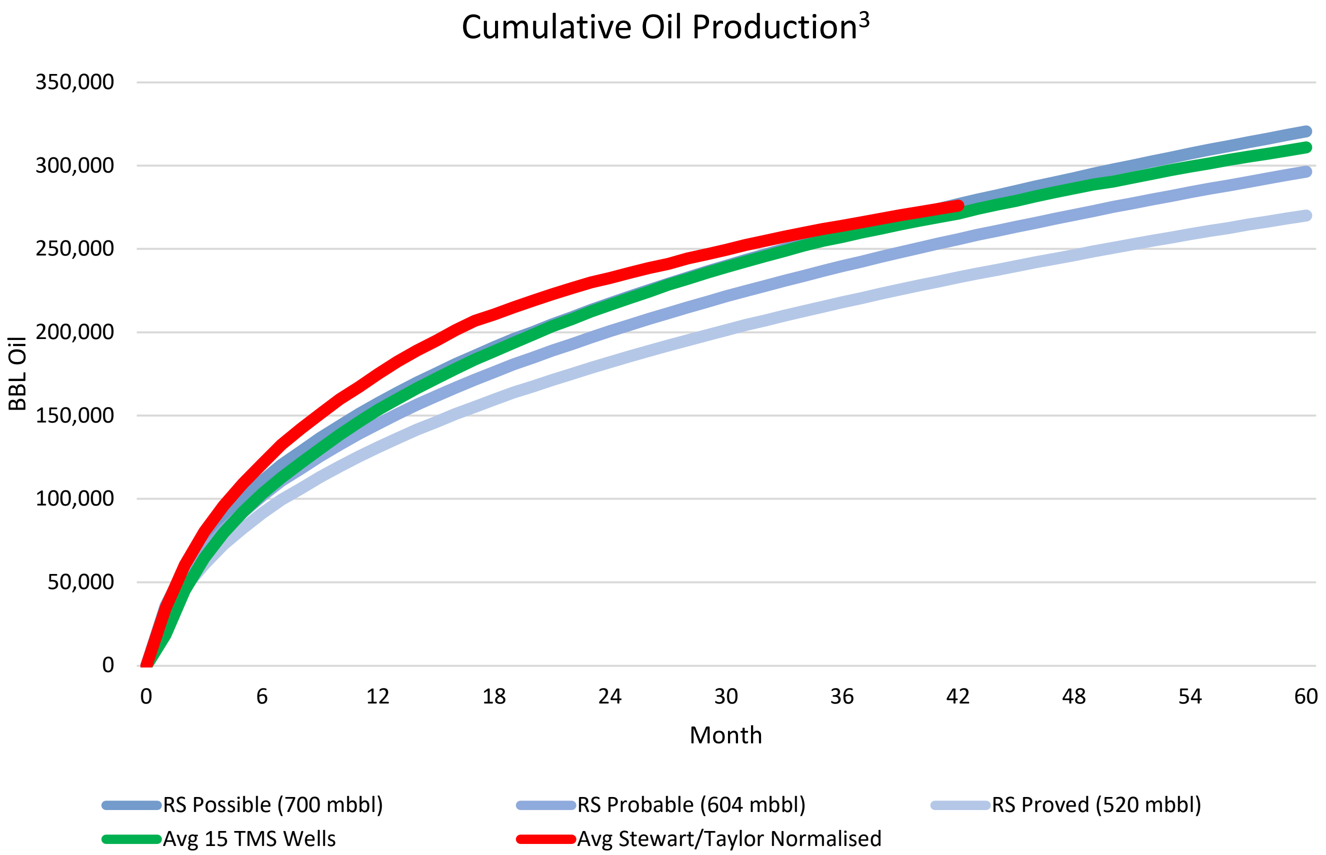

Figure 3 : Average oil production of ATS 2014 TMS wells vs Ryder Scott Proved, Probably and Possible Type Curves and performance of the full length laterals drilled by Australis in 2018

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 2018[3] are also shown above on Figure 3.

GLOSSARY

Unit	Measure	Unit	Measure
B	Prefix – Billions	**bbl**	Barrel of oil
MM	Prefix – Millions	**boe**	Barrel of Oil equivalent (1bbl = 6 mscf)
M 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. Estimates from the independent Ryder Scott report, effective 31 December 2022 and dated 7 February 2023 and announced on 09 February 2023 and titled 'Reserve and Resource Update Year End 2022'. 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.
3. Average production from Stewart 30H-1 and Taylor 27H-1 wells normalized to 7,200 ft completed horizontal length and adjusted for production curtailments during COVID low oil prices Q2 2020.
4. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2020 and generated for the Australis concessions to SPE standards. See ASX announcement released on 5 February 2021 titled "Reserves and Resources Update Year End 2020". Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed.

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.