Key Activities & Highlights

23 October 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.

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

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

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

Overview

- Australis holds approximately 49,000 net acres and ~165 net Tier 1 future drilling locations within the production delineated core of the TMS.
- Australis continues to manage its leasehold position within cash flow constraints to maximise exposure and control of the TMS Core.
- During the quarter Australis continued a number of active engagements with potential partners, including due diligence evaluations.

Operations and Financial Summary – 3rd quarter 2024

- Sales volume of 60,300 barrels (WI) (-6% vs Q2 2024).
- Lower sales volumes in this quarter, partially caused by an inventory build, combined with lower realised commodity pricing led to reduced sales revenue of $4.6 million (-12% vs Q2 2024).
- Lower operating costs partially offset the lower sales revenue which resulted in a Field Netback of US$1.7 million (-11% vs Q2 2024).
- Credit Facility principal debt decreased by US$1.5 million, to US$9.8 million (-13% vs Q2 2024).
- Cash balance at quarter end of US$7.2 million (-6% vs Q2 2024) and net debt position of US$2.7 million (-25% vs Q2 2024).

KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q3 2024 and provides a comparison to Q2 2024.

Key Metrics	Unit	Q3 2024	Q2 2024
TMS Core Land (Net)	acres	49,000	53,800
Net Oil resource (2P + 2C)[1]	MMbbls	89	89
Sales Volumes (WI)	bbls	60,300	64,400
Average Realised Price[A]	US$/bbl	$77.88	$83.25
Average Achieved Price[B]	US$/bbl	$75.74	$80.27
Sales Revenue (WI)[B]	US$MM	$4.6	$5.2
Sales Revenue (Net)[B]	US$MM	$3.7	$4.1
Field Netback	US$MM	$1.7	$1.9
Field Netback / bbl (WI)[B]	US$/bbl	$27.54	$30.18
Field Netback / bbl (Net)[B]	US$/bbl	$34.14	$37.41
Adjusted EBITDA	US$MM	$0.6	$0.7
Cash Balance (Qtr end)	US$MM	$7.2	$7.7
Total Debt (Qtr end)	US$MM	$9.8	$11.3

[A] excludes effect of hedge contracts settled

[B] includes the loss from the settlement of hedge contracts of US$0.13 million (Q2 2024: loss of US$0.19 million)

Table 1: Q3 2024 Key Metrics

TMS PRODUCTION AND OPERATING PERFORMANCE

Sales volumes were lower by 6% compared to Q2 2024 but produced volumes were only down 3%, resulting in a modest inventory build of 1,660 bbls during the quarter. Production volumes were modestly impacted by the effects of Hurricane Francine (described below). The operated production volumes for Q3 2024 were in line with internal expectations based on PDP reserves evaluation production profiles.

Australis completed two workovers during the reporting quarter, Anderson 18 – 1 and Lewis 7-18H1 which both required tubing change out. Both operations were carried out safely and within budget. So far this year, there have only been 5 workovers, which is below budget and is a testimony to the focused efforts of the production operation team to extend well run life.

On the 12 September Hurricane Francine crossed the Louisiana coastline as a category 2 hurricane with sustained winds of 140km/hr. The storm moved north and passed just to the east of the field having downgraded to a tropical storm. There were no injuries or major equipment damage from the storm, but power was lost to most of the field and it took some time to clear debris and to re-establish electricity supply to some of the pads.

FINANCE AND CORPORATE

Cash and Capital

Results for the quarter include:

- Sales Revenue (after hedges) of US$4.6 million was 12% lower than the previous period due to lower sales volumes and lower realised pricing.
- Adjusted EBITDA of US$0.6 million for the quarter (Q2 2024: US$0.7 million) resulted from lower sales revenue, offset with reduced G&A costs achieved during the quarter together with some further contribution from lower operating costs; and
- Total debt under our Macquarie Credit Facility decreased by US$1.5 million to US$9.8 million as Facility C loan repayments were made from hedged production during the quarter and a Facility A repayment was made at the end of the quarter. The net debt position at the end of Q3 2024 was US$2.7 million (Q2 2024: US$3.6million).

Credit Facility

Operational cash flow continued to service all interest costs and was supplemented by existing cash reserves to meet Facility A and C amortisation repayments in the quarter such that net debt reduced by $0.9 million.

The Facility A loan now stands at US$5.5 million and Facility C at US$4.3 million.

Full repayment of the Facility C loan is scheduled to occur over the next 18 months with monthly payments of principal and interest equal to the monthly oil price hedge settlement to occur as a result of the remaining 70,000 bbls WTI Swap hedge contracts entered into at the time of drawing the Facility C loan in March 2024.

Oil Price Hedging

During the reporting quarter Australis realised lower oil price hedging losses of US$0.13 million compared to US$0.19 million in the previous quarter primarily due to the WTI oil price being $5.48/bbl lower in the relevant period.

The Company's hedge book continues to benefit from improved WTI oil price hedge contracts executed in 2022 and 2023 with only a few remaining hedges secured in 2021 during the low oil price environment as required under the Macquarie Bank Credit Facility.

WTI-denominated hedge contracts representing a total volume of 37,500 bbls were settled during Q3 2024 as follows:

- Zero Cost Collars: 15,000 bbls, protecting an average downside price of US$54/bbl and maintaining the upside in oil price up to an average of US$83/bbl, and
- Swaps: 22,500 bbls, protecting an average downside price of US$69/bbl.

The hedges settled for Q3 2024 represented 77% of the Net Sales for the quarter (i.e. sales after royalty interests).

The table below summarises the protected WTI floor prices and the ceiling prices for all hedged volumes on future production at the end of the reporting quarter.

Australis' current WTI oil price hedge position as at 1-Oct-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
Q4/2024	24	$71	12	$54	$81
Q1/2025	21	$69	8	$48	$83
Q2/2025	16	$67	8	$48	$82
Q3/2025	16	$66	6	$53	$77
Q4/2025	16	$64	7	$54	$76
Q1/2026	12	$62	3	$60	$68
Q2/2026	2	$61	1	$60	$67
Q3/2026	2	$61	0	$0	$0
Q4/2026	2	$61	0	$0	$0
	112		44		

(A) Based on weighted monthly average prices
Table 2 : ATS hedge position as at 1 October 2024

TMS Lease Position

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

As at 30 September 2024 Australis holds ~49,000 net acres in the TMS Core, of which ~39,900 net acres (81%) are HBP.

The Company's lease position decreased by ~4,900 net acres since the prior quarter due to the expiry of legacy leases. No new leases or extensions were taken during the quarter. There are a further 1,000 net acres expiring during the remainder of 2024.

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

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

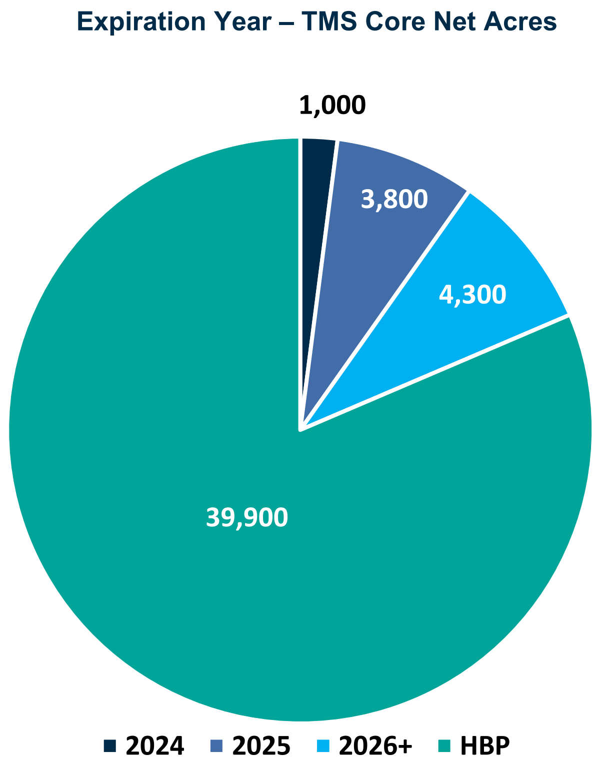


Figure 1 : Expiry profile of ATS TMS acreage

Business Development and Corporate Strategy

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

We have continued to see increased interest levels in our asset and an evolution in the nature of our discussions. Historically we have rarely had difficulties in convincing counterparties of the technical merit and opportunity the TMS provides but were consistently advised that it was not the right time for investment in an early stage play and corporate priorities ruled out progressing beyond technical review. More recently, in contrast, potential partners have approached Australis proactively to evaluate the TMS opportunity, at times having already done some level of diligence either independently or building on earlier interactions with Australis. This level of interest has taken longer to develop than we anticipated due to the change in focus by the US oil & gas industry from growth to cashflow and returns to shareholders. However, we believe the drivers are now present in the market making early-stage assets such as the TMS more desirable.

Our consistent view has been that high quality inventory in the established unconventional oil plays is increasingly scarce and this position is now widely endorsed by most industry commentators and participants. For instance, when commentating on recent deals in their **2024 Oil and Gas Outlook**, Mercer Capital made the point that "One notable item that we observed from these deals was the increasing premiums paid for future drilling inventory". In the Enverus Intelligence Research's 2024 outlook, they observed that "high-quality resource scarcity is a very real issue and it's evident from both the numbers involved with the [recent] deals we saw in the Permian and in the messaging which for almost every single deal has been related to improving the inventory outlook for the buyer".

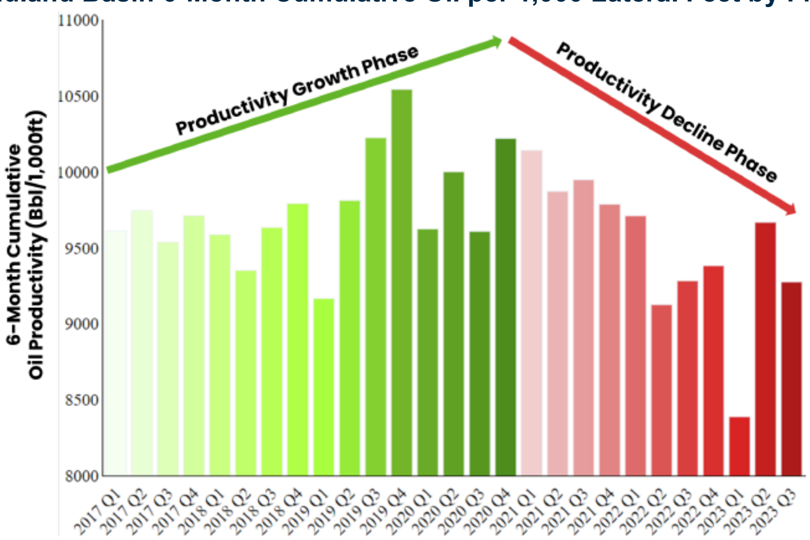
One impact of reduced top-quality inventory is that break even prices in the established plays have been rising, despite the significant technology and efficiency advances that have been made. Each year the Federal Bank of Dallas carries out a survey of a significant number of US oil and gas companies that is seen by participants as an accurate barometer of the industry. As part of the survey the bank asks a series of the same questions each year, which allows trends to be observed. One very important question is "what WTI oil price does your firm need to profitably drill a new well?". Looking at the most prolific basin, the Permian, the table below shows the evolution in breakeven costs from the Q1 surveys in 2022, 2023 and 2024 for three areas of the basin.

Breakeven WTI for new wells	Q1 2022	Q1 2023	Q1 2024
Permian - Midland	**$51/bbl**	**$58/bbl**	**$62/bbl**
Permian - Delaware	**$50/bbl**	**$61/bbl**	**$64/bbl**
Permian - Other	**$54/bbl**	**$66/bbl**	**$70/bbl**

Source: Federal Reserve Bank of Dallas Energy Survey

Whilst there are a variety of contributors to these changes, such as service costs they are more than offset by the continued advances in drilling and completion technology and techniques, The reality of companies drilling their best acreage first, means that the reduction in quality inventory is the key driver. This is shown in the following analysis by NoviLabs which highlights the productivity decline in of Midland Basin well performance since early 2021, companies are having to drill lesser quality rock.

Permian Midland Basin 6-Month Cumulative Oil per 1,000 Lateral Feet by Fiscal Quarter



Source: NoviLabs "Analysing Midland Basin Well Performance and Future Outlook" presentation at the URTeC (Unconventional Resource Technical Conference), June 2024.

Those industry participants who are short on high quality inventory now must consider opportunities outside of the established areas. We are now seeing transactions where new or emerging plays are being added to public company portfolios, such as EOG Resources Inc.'s re-entry into the Utica basin, this time in the emerging oil window, and SM Energy's new entry into the Uinta basin. The industry has also seen increased development activity in basins with mixed levels of historical success, such as the SCOOP/STACK in Oklahoma and the Powder River in addition to the Utica and Uinta, which are benefitting from modern subsurface analysis and drilling and completion techniques.

We are encouraged by the increased outside interest in our TMS opportunity and with the level of traction in our discussions with potential partners. These circumstances are more conducive to our objective of securing a deal that sees value being attributed to our asset base and funding being put to work in the play to move it forward.

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 are working hard but remaining patient in our approach and expectations.

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

Ends

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 49,000 net acres (81% HBP) within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 165 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.

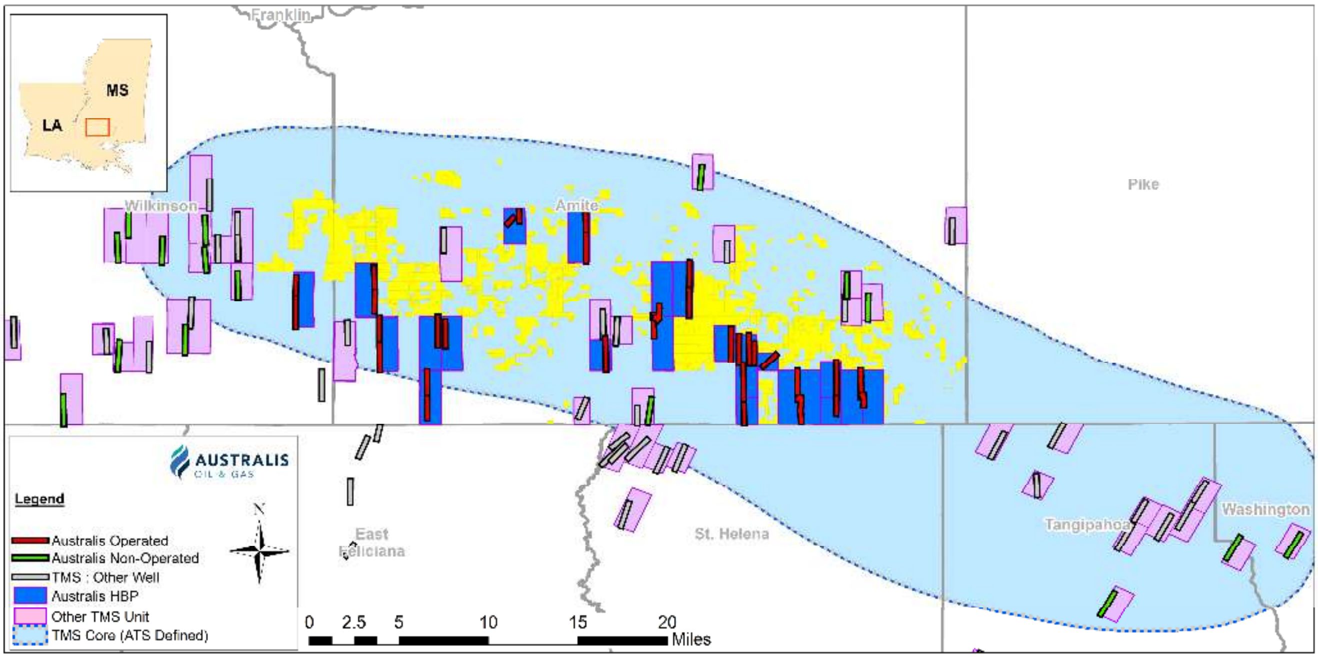


Figure 2 : Location of Australis acreage and TMS wells

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[3]. 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.

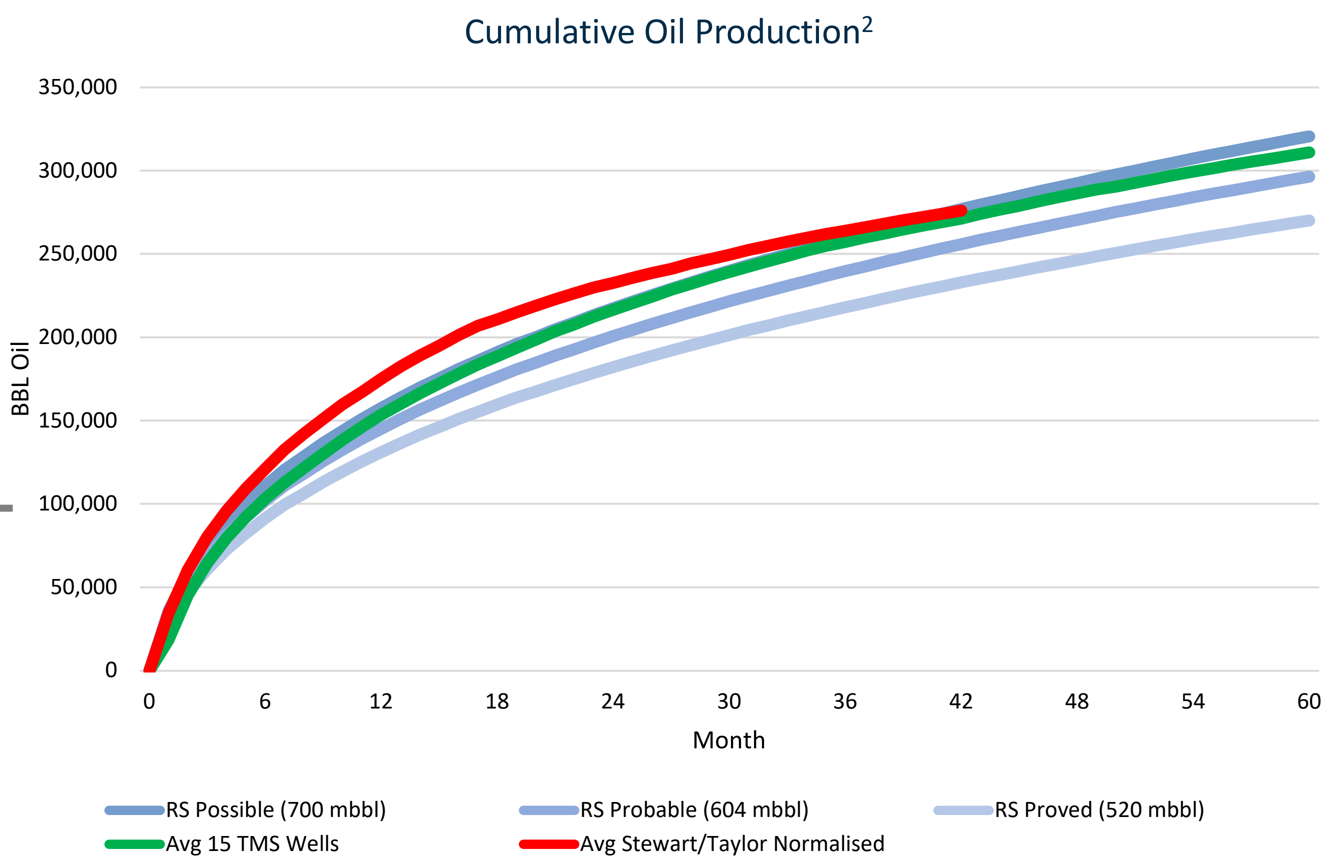


Figure 3 : Average oil production of ATS 2014 TMS wells vs Ryder Scott Proved, Probably and Possible Type Curves and performance of the full length laterals drilled by Australis in 2018

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[2] 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. Average production from Stewart 30H-1 and Taylor 27H-1 wells normalized to 7,200 ft completed horizontal length and adjusted for production curtailments during COVID low oil prices Q2 2020.
3. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2020 and generated for the Australis concessions to SPE standards. See ASX announcement released on 5 February 2021 titled "Reserves and Resources Update Year End 2020". Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed.

Non-IFRS Financial Measures

References are made within this report to certain financial measures that do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS). Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non–IFRS financial measures. Field Netback, Adjusted EBITDA and EBITDA, as defined within the Glossary, are Non-IFRS financial measures commonly used in the oil and gas industry or financial measures that are relevant to Australis. Non-IFRS financial measures used by the Company may not be comparable with the calculation of similar measures by other companies.

Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Australis' planned operation program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Australis believes its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.