# Key Activities & Highlights

30 July 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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**Australis holds a controlling interest in one of the few remaining undeveloped, high quality shale oil plays in the US with independent recoverable estimates of 170 million bbls[1] (net).**

## Overview

- Existing production continues to generate positive operating cash flow
- Following the Q1 equity raise Company has commenced protecting the existing asset base with a targeted leasing and acquisition program
- Australis continues to seek a partner for further field development activities in an improving business environment

## *Operations Summary – 2nd quarter 2021*

- During the quarter Australis generated:
  - Sales volume of 109,600 barrels (WI) (+10% on Q1)
  - Revenue of US$5.8 million (including hedge losses of US$1.4 million)
  - Field Netback of US$2.0 million
  - EBITDA of US$0.5 million
- NPV(10) of existing production (PDP) at 1 July 2021, using the YE20 independent reserve assumptions[1] based on the 30 June 2021 WTI futures oil price is US$67.5 million[4].

## *Financial and Corporate*

- Continued positive Group operating cashflow after all G&A expenses and interest costs.
- Completion of Tranche 2 of recent equity raise (placement to Directors) of A$0.675 million, taking the total equity raise in the 1H 2021 to A$10.175 million.
- Cash balance at quarter end was US$10.2 million and net debt (Macquarie Facility) was US$7.8 million, following a further repayment of US$1 million in the quarter.
- Hedge book transitions to cap and collar contracts through 2H 2021, increasing Australis's exposure to higher oil prices.
- US unconventional market sentiment is improving with sustained higher oil prices during the quarter and increased confidence in demand/supply balance.

## KEY FINANCIAL INFORMATION

The following table summarises key financial metrics for Q2 2021.

| Key Metrics | Unit | Q2 2021 | Q1 2021 | Qtr on Qtr Change |
|---|---|---|---|---|
| Core Land Position (Net) | acres | 103,000 | 107,000 | (4)% |
| Net Oil resource (2P + 2C)[1] | MMbbls | 170 | 170 | - |
| Sales Volumes (WI) | bbls | 109,600 | 99,800 | 10% |
| Average Realised Price[A] | US$/bbl | $65.95 | $59.78 | 10% |
| Sales Revenue (WI)[B] | US$MM | $5.8 | $5.1 | 14% |
| Sales Revenue (Net)[B] | US$MM | $4.4 | $4.0 | 10% |
| Field Netback | US$MM | $2.0 | $1.9 | 5% |
| Field Netback / bbl (WI)[B] | US$/bbl | $19 | $19 | - |
| Field Netback / bbl (Net)[B] | US$/bbl | $23 | $24 | (4)% |
| EBITDA | US$MM | $0.5 | $0.6 | (13)% |
| Cash Balance (Qtr end) | US$MM | $10.2 | $10.9 | (6)% |
| Debt Balance[C] (Qtr end) | US$MM | $18.0 | $19.0 | (5)% |

[A] excludes profit or loss from hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$1.4 million (Q1 2021: loss of US$0.86 million)
[C] Macquarie Facility debt

## TMS PRODUCTION AND OPERATING PERFORMANCE

There were no reportable safety or environmental incidents recorded during this quarter, with 597 days now since the last reportable event.

Sales volumes were up by 10% compared to Q1 2021, with a daily average rate of 1,205 barrels (WI), despite production during Q2 2021 again being influenced by weather events and with localised power losses being more frequent than historical averages.

Workover frequency, which has been a corporate focus, continued to stay low with only 6 wells being worked over during the period. This included a more substantive workover program on the Lyons 35 – 2 well, which was successful.

Field operating costs during the quarter were materially in-line with the prior period ($19.16/bbl vs $18.80/bbl in Q1 2021).

Long-term well production performance continues to exceed the independent estimate for the 2P type curve applied in the YE2020 Reserve Report by Ryder Scott. Figure 1 below shows the 5-year production history of the 15 Encana wells drilled in 2014 and the three type curves generated by Ryder Scott for the YE2020 reserves. As can be seen, actual well performance lies between the probable and possible type curves.

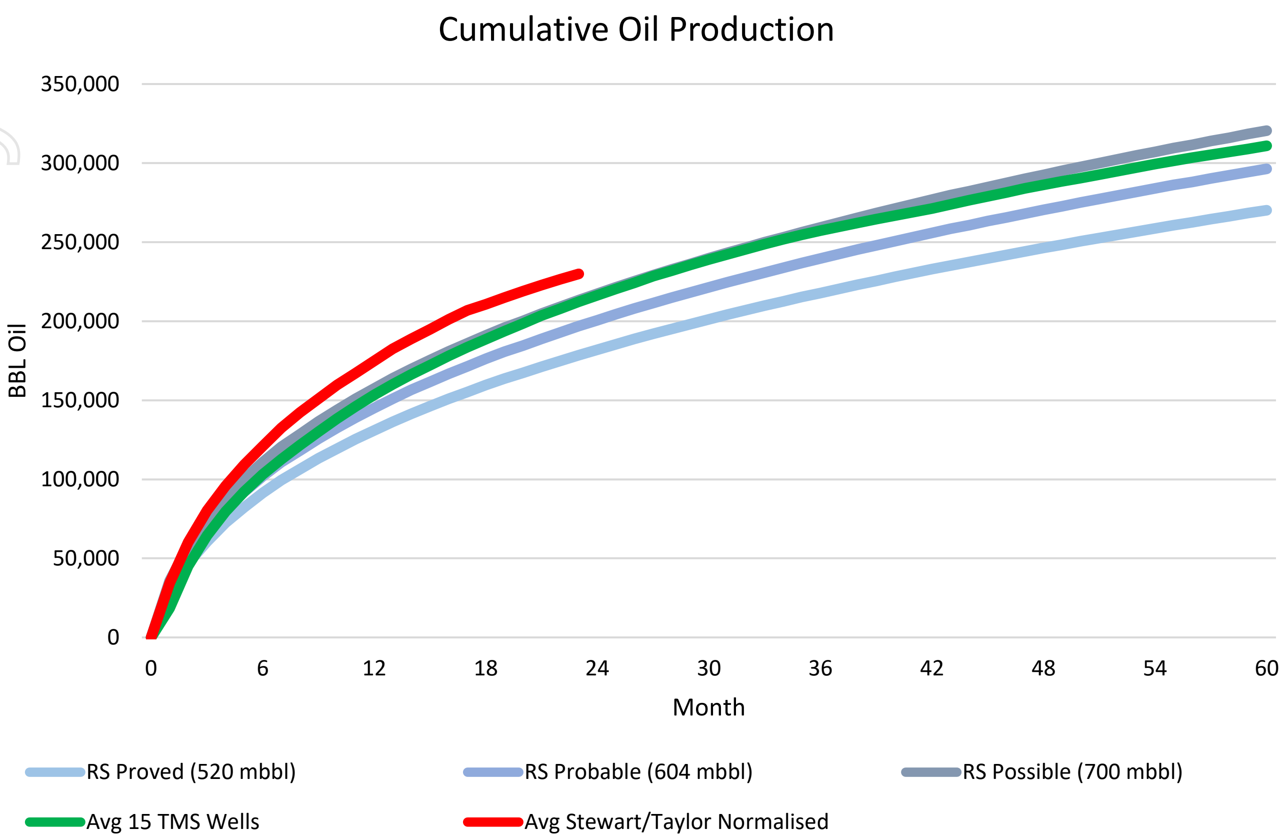



Figure 1: 60 month cumulative oil production – comparing the 15 wells drilled by Encana in 2014 and independent YE 2020 Ryder Scott proved, probable and possible production estimates for 7,200 ft completed horizontal wells[1,5].

## BUSINESS DEVELOPMENT AND CORPORATE STRATEGY

The Company remains consistent in its strategy, with the next objective being the introduction of one or more partners who recognise the opportunity and value of the large reserve and resource base Australis holds within the production delineated TMS Core. Australis acknowledges the challenges faced in achieving this due to the relatively poor historical performance of those areas of the TMS outside its delineated TMS Core and the lack of a major US industry player operating in the play. These factors continue to reinforce the preconceptions of the TMS within the industry, notwithstanding the irrefutable production data now available that is associated with the Company's area of focus in the Core.

To overcome these challenges and introduce a partner to participate in the play, the Company believes the following are key elements:

- Australis continues to provide data to potential partners to assist with their understanding of the underlying technical aspects of the reservoir within the TMS Core and operations to date;
- increased confidence of potential partners in medium-term market conditions to invest in a development program to generate returns following their initial entry investment; and
- the impact of the dwindling supply of economic opportunities in the more established plays, which will force potential partners to consider alternatives for quality well inventory.

There is presently a growing consensus amongst analysts and industry participants that the combination of :

- a lack of capital investment over the past 6 years,
- a more cautious business model driven by shareholder demand for capital returns over recycling returns into new wells resulting in development constraint, and
- recovering demand post Covid 19

will all sustain a strong oil price and potentially could lead to high spikes in price. This view, together with improving balance sheets in the industry, has significantly improved market confidence in the space and is generating a cautious optimism.

The presentation delivered at our recent AGM included analysis of the three main unconventional oil plays in the US which account for 85% of the shale oil produced in the US. The presentation provided evidence of the increasing maturity of two of these plays, the Eagle Ford and the Bakken Shales, with limited quality undeveloped acreage now available. The presentation also showed how recent transactions within the Permian basin had consolidated quality acreage into the hands of only a few companies with balance sheets to support those acquisitions. As a result, Australis believes that the industry is starting to consider other areas for future oil well inventory.

Australis remains confident that the appropriate strategic partner will be secured and continues to progress discussions with new and existing interested parties. We continue to be patient whilst each element outlined above continues to progress in the right direction. In the meantime, this quarter has again demonstrated how Australis' existing production funds ongoing corporate overheads and obligations.

Australis continues to believe the TMS Core 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 continue to become more conducive to that process.

## FINANCE AND CORPORATE

### *Cash and Capital*

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

- EBITDA of US$0.5 million
- Interest expense of US$0.3 million
- Debt (under Macquarie facility) reduced by US$1 million to US$18 million (at 30 June)
- Cash of US$10.2 million (at 30 June)
- Net debt of US$7.8 million (at 30 June)
- Sales Revenue increased from Q1 2021 based on higher production and an increase in the oil price, despite increased hedge losses
- Capital expenditure of US$1.6 million with commencement of the planned lease maintenance program

During the quarter, the Company was successful in securing a second forgivable loan of US$0.7 million from the US Federal Government under its Payroll Protection Program stimulus. Subsequent to the end of the quarter, the first forgivable loan met the requirements and has been forgiven by the US government.

### *Capital Raise*

In Q1 2021 the Company completed the placement of new shares at A$0.05 cents each to raise A$9.5 million (before costs). This raising was a combination of an institutional and sophisticated investors placement and a share purchase plan (SPP). Following the approval of shareholders in May 2021, the placement to Australis board members was completed raising a further A$0.675 million of shares at the placement price.

### *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 June 2021 of US$18 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 repayments of US$1 million.

### *Hedging*

During the reporting quarter Australis:

- had hedged the minimum volumes of production over the next 3 years pursuant to the Macquarie Credit Facility covenants.
- incurred a hedge loss of US$1.4 million, as the average WTI oil price in each of the months in the quarter, ranging between US$61/bbl and US$71/bbl, exceeded the average monthly hedged WTI price of approx. US$45/bbl. The hedges consisted of a majority of swaps executed at various times in 2019 and 2020.
- hedged an additional 84,000 bbls for the period March 2022 to September 2023 using no-cost collar contracts to protect an average WTI price of US$40/bbl but retaining the benefit of the actual WTI price over the protected price, up to US$73/bbl for 2022 and up to US$65/bbl for 2023.

With the rising oil price futures that occurred in the 1H of 2021, the Company's hedging strategy is now focused on no-cost WTI collar contracts and moved away from WTI swaps. Collar contracts allow the Company to retain the upside of the actual WTI price from the protected floor price up to the contracted ceiling price. The table below summarises the protected WTI floor prices and the ceiling prices for all hedged volumes through to 31 December 2023.

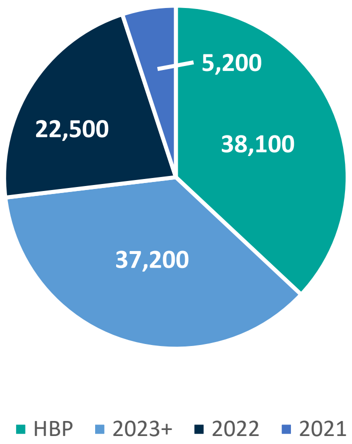
| As at July 21 | Swaps | | Collars | | |
|---|---|---|---|---|---|
| Qtr/Year | Volume | Protected Price | Volume | Protected (Floor) Price | Ceiling Price |
| | 000bbls | US$/bbl | 000bbls | US$/bbl | US$/bbl |
| Q3/2021 | 56 | $46.65 | 11 | $41.34 | $58.82 |
| Q4/2021 | 45 | $47.27 | 14 | $42.78 | $63.61 |
| Q1/2022 | 25 | $48.41 | 15 | $46.00 | $68.40 |
| Q2/2022 | 7 | $50.00 | 27 | $43.33 | $71.33 |
| Q3/2022 | 7 | $50.00 | 12 | $40.00 | $70.90 |
| Q4/2022 | 6 | $50.45 | 12 | $40.00 | $70.90 |
| Q1- Q4/2023 | 4 | $50.40 | 36 | $40.00 | $66.35 |

## TMS LEASE POSITION

With the improved market sentiment, Australis recommenced a modest strategic leasing program, seeking to protect identified acreage within the TMS Core area. During Q2 2021 Australis leased, renewed or acquired ~3,700 net acres, including HBP acres. Whilst not fully offsetting expiries during the quarter, the targeted renewals and acquisitions seek to maintain the Company's strategic control and exposure to the key TMS Core area.

As at 30 June 2021 Australis holds ~103,000 net acres, of which 38,100 net acres (37%) are designated as HBP. Australis intends to continue this targeted leasing program during the remainder of 2021 within its modest capital expenditure program.

Figures 2 provides more detail on the expiry profile of the Core acreage position as at 30 June 2021.




**Expiration Year – TMS Core Net Acres**
**Figure 2: Expiration Year - undeveloped net acres**

Figure 3 on page 7 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 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 103,000 net acres within the production delineated core of the oil producing Tuscaloosa Marine Shale. The map below in Figure 3 is a representation of the acreage position that Australis holds within the TMS Core.

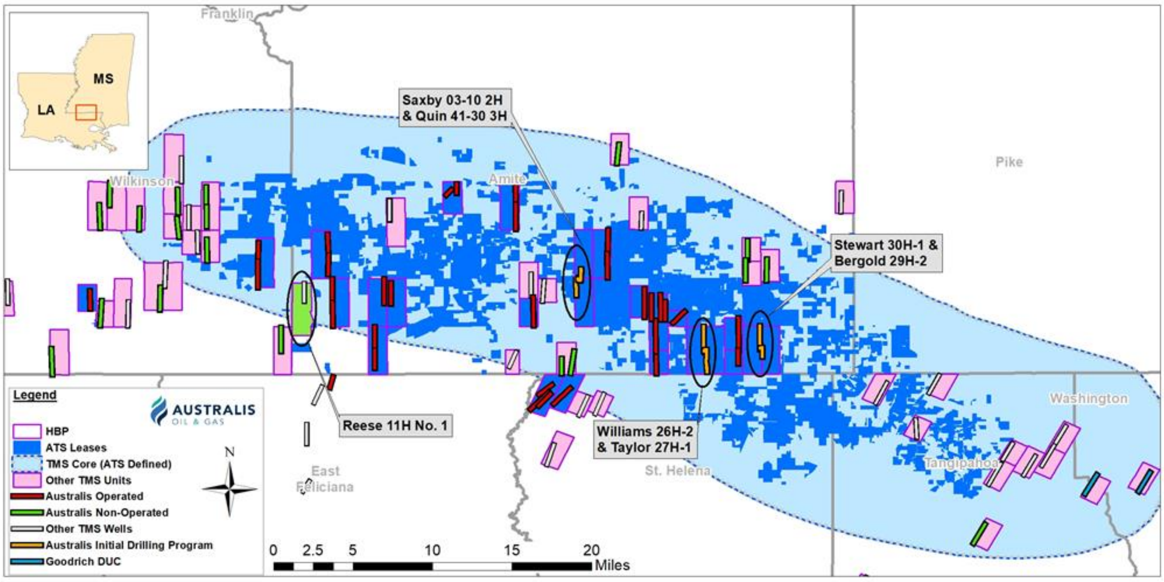


Figure 3: Map showing Australis TMS acreage within the TMS Core and third party permitted well (Reese11H)

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 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 other plays over a 24-month period is shown in Figure 4 below. Average TMS production from the 2014 drilled wells exceeds wells drilled in 2017 in other established basins, without industry improvements being applied.

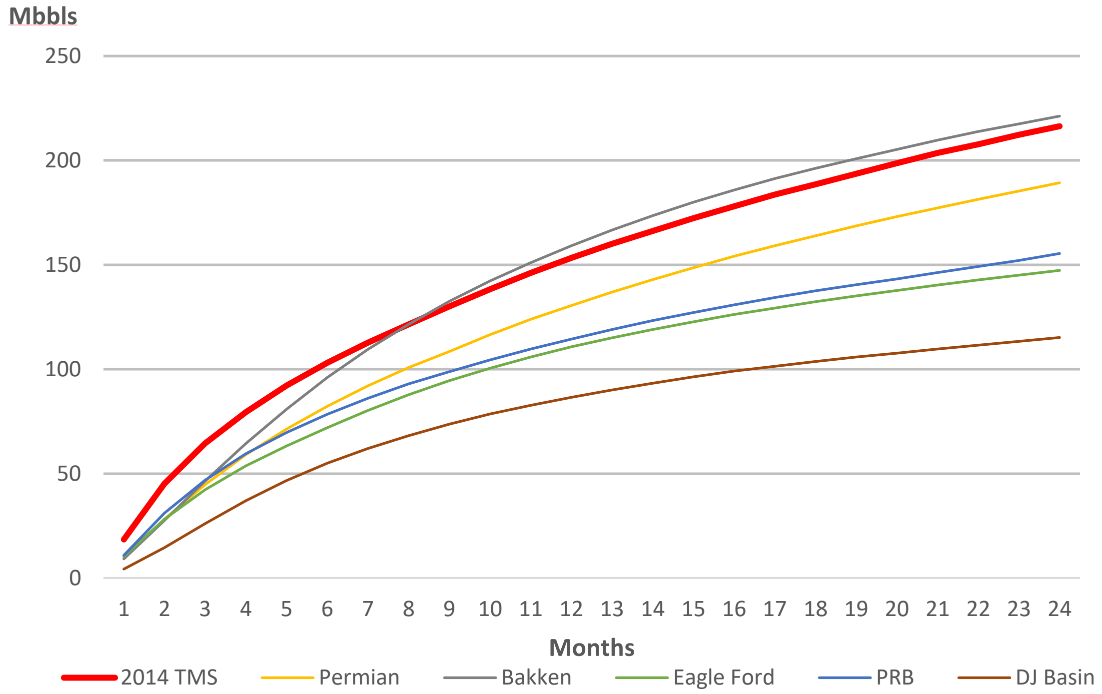


*Figure 4: Average oil production of ATS 2014 TMS wells v 2017 wells in other basins[3]*

The 2014 fall in commodity price generated the opportunity for the two low cost acquisitions by Australis in the 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.

## 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 Net Present Value is calculated before tax with a 10% discount rate and excludes the value of hedges.

5. 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.