7 February 2022

Reserve and Resource Update Year end 2021

Australis Oil & Gas
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 in the mid case contains 3.7 million bbls of producing reserves providing free cash flow and approximately 150 million bbls of 2C recoverable resource.

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 Oil and Gas Limited ("Australis" or "Company") is pleased to provide its YE2021 reserve and resource update as independently assessed by Ryder Scott Company L.P. ("Ryder Scott") with an effective date of 31 December 2021[1].

Australis continues to take a conservative approach to estimating its oil and gas reserves and resources. Future production from existing wells has been assessed in the YE2021 report in a manner consistent with previous years. However, given the current Company strategy to introduce a partner for the purposes of advancing the development of its TMS asset, the Board has determined that it would not be appropriate to propose a development plan as part of the YE2021 reserves evaluation.

Therefore, the YE2021 reserve and resource estimate consists of a proved, probable and possible developed reserve estimate only and no reserve estimates have been generated for undeveloped acreage. A contingent resource estimate is provided and, as in previous years, the mid case 2C contingent resource is subject to a qualifying development plan to transition volumes to an appropriate reserve category of proved, probable and possible.

Net Oil Developed Reserves

Ryder Scott made the following estimates[1] of developed (existing producing wells) recoverable oil volumes, net to Australis (variance vs YE2020[2]).

Proved – 2.98 MMbbls (-18%)

Probable & Proved – 3.67 MMbbls (-11%)

Possible, Probable & Proved – 4.54 MMbbls (-4%)

The NPV(10) of the PDP reserves is US$62 million using a flat oil price of $67.27/bbl.

Contingent Resource

Ryder Scott have made the following estimates[1] of low, mid and high case contingent resources (variance vs YE2020[2]).

1C – 23.40 MMbbls (+13%)

2C – 148.99 MMbbls (0%)

3C – 269.87 MMbbls (0%)

Australis Managing Director and CEO Ian Lusted, said

"Australis continues to take a conservative approach to its reserve and resource estimates. We remain absolutely confident that we will secure a partner to contribute to the development of the large TMS asset that we hold and will update our undeveloped reserve estimates once a forward program has been adopted which we believe will be highly economic at prevailing oil prices."

Australis 2021 year end reserve and resource estimates

At the effective date of the report, 31 December 2021, Australis held the rights to ~98,000 net acres within the TMS Core area, a reduction of about 10,000 acres during 2021. Australis also divested its interests in 5 marginal TMS wells located in Louisiana outside the TMS core area, which reduced the existing operated well count to 33, of which two were shut in awaiting workovers for the entire year and were therefore designated Proved Developed Not Producing ("PDNP"). The remaining 31 producing operated wells and interests in 15 producing non-operated wells were assessed by Ryder Scott on a Proved Developed Producing ("PDP") basis and additional volumes attributed to the mid (probable) and high (possible) cases.

In previous years Australis has proposed modest development plans for Ryder Scott to consider in order to assess proved, probable and possible undeveloped reserves. These development plans were based on an appropriate projected well schedule at that time and any recoverable volumes not assigned as an undeveloped reserve were allocated to a low, mid or high case contingent resource, subject only to a qualifying development plan.

Australis has consistently advised that the Company has been seeking to introduce a partner in the TMS to help progress field development. The Australis Board therefore deemed it appropriate to wait and intends to update the undeveloped reserve assessment when there is more clarity on future development plans.

This decision does not impact the economic potential of the play. As shown in the YE2020 reserve report, which included a modest development program, the proved undeveloped reserves were economic even at the YE2020 reserve report oil price of US$47.02/bbl. Without a development plan all recoverable oil volumes from future wells are allocated to contingent resources.

The ASX and SPE compliant methodology of taking the average 1st day of the preceding 12-month period yielded an oil price of $67.27/bbl for use within the YE2021 report.

Table 1 below provides an update to the producing reserve estimates for YE2021

Reserve Category	Australis Reserves[1]		Net Oil YE2021 vs YE2020[2]
	Gross Oil (Mbbls)	Net Oil (Mbbls)	
Proved Developed Producing (PDP)	4,285	2,954	-19%
Proved Developed Not Producing (PDNP)	37	29	n/a
Proved Developed (1P)	**4,322**	**2,983**	**-18%**
Probable Developed Producing	1,038	690	+42%
Probable Developed Not Producing	1	1	n/a
Probable Developed Total	1,039	691	+42%
Proved + Probable Developed (2P)	**5,361**	**3,674**	**-11%**
Possible Developed Producing	1,304	866	+51%
Possible Developed Not Producing	0	1	n/a
Possible Developed Total	1,304	867	+51%
Proved + Probable + Possible Developed (3P)	**6,665**	**4,541**	**-4%**

Table 1: Comparison of producing reserve estimates for YE2021 and YE2020 (note: may not tally due to rounding errors)

The YE2021 PDP net reserve estimate[1] of 2.95 MMbbls is reconciled to the YE2020 report below in Table 3. The NPV(10) of the net PDP reserves volume is US$61.76 million, which is an increase of 30% from the YE2020 value, predominantly due to the higher oil price assumption for the YE2020 report of US$67.27/bbl (vs. YE20 assumed price of US$47.02/bbl)[3].

Contingent Resource Category	Oil (Mbbls)[1]	Oil YE2021 vs YE2020[2]	Gas (MMscf)[1]	BOE (Mboe)
Low Estimate (1C)	23,402	+13%	10,554	25,161
Best Estimate (2C)	148,985	-%	83,515	162,904
High Estimate (3C)	269,866	-%	184,253	300,575

Table 2: Comparison of net contingent resource estimates for YE2021 and YE2020.

There are no changes to the subsurface assumptions that are used to generate the contingent resource estimates in each resource category, the only material change is the acreage position that Australis holds and this can be quickly increased with the application of capital.

Assumptions

Key assumptions used by Ryder Scott to generate the YE2021 estimates are as follows:

- Reserves and contingent resources estimates are based on the deterministic estimation method.
- The oil price used for all reserves analysis in this report is a flat realised $67.27/bbl, which is based on the average achieved price by Australis on the first day of the trailing 12 months of 2021.
- Operating costs for developed producing wells are based on the average of actuals incurred between December 2020 and November 2021.
- The existing PDP estimates are based on production from 31 operated and 15 non-operated wells (31.31 net wells).
- The existing PDNP estimates are based on projected production from 2 operated and 2 non-operated wells (2.08 net wells).
- Contingent resources are estimated for areas outside of a producing well location. The 1C contingent resources are limited to any development unit (usually 1920 gross acres) that contains an existing TMS well which would have been considered as reserves had the development plan included such locations within the five-year development window. The 2C and 3C considered all the remaining undeveloped net acreage within the core area but used different estimates of in-place volumes and recovery factors.
- No gas sales are assumed in the reserve estimates as all gas is presently consumed on the lease, however projected gas volumes are included in the contingent resource estimates.

PDP reconciliation

Table 3 below provides a reconciliation of net PDP reserves between 31 December 2020 and 31 December 2021.

Description	Net Oil (Mbbl)
PDP Reserve (31/12/20)[2]	**3,656**
2021 Net Production	(310)
Technical Adjustment	(633)
Allocation to PDNP	(9)
Higher oil price	102
Operating cost	(6)
Changes to ownership	150
Other	3
PDP Reserve (31/12/21)[1]	**2,954**

Table 3: Reconciliation of PDP/PDNP reserves between YE2020 and YE2021.

Contributors to the adjustments shown in the above table are discussed below.

- There were two transactions during the last 12 months. Australis divested interests in Louisiana and purchased additional working interests in existing wells from a partner, the net affect adding 150,000 bbls.
- Two operated wells and two non-operated wells were moved from PDP to PDNP due to workover economics not meeting internal hurdles, which results in the wells being left shut in. This decision is under constant review and recent oil price increases may influence this decision.
- An improved oil price extends well economic limits and allows for a modest increase in recovered volumes.
- Technical revision – the re-forecast of some wells has led to a reduction in anticipated recoverable volumes resulting from productivity changes and has been influenced by increased down time encountered this year.
- Higher average calculated operating cost for non-op wells (inclusive of workovers).

TMS Contingent Resource reconciliation

Table 4 below summarises the change in contingent resource estimated on 31 December 2020 and 31 December 2021.

Description	Net Contingent Resource 31 Dec 2020[2] (MMbbl)	Net Contingent Resource 31 Dec 2021[1] (MMbbl)
Low Contingent Resource (1C)	20.8	23.4
Most Likely Contingent Resource (2C)	149.4	149.0
High Contingent Resource (3C)	270.7	269.9

Table 4: Comparison of contingent resources for YE2020 and YE2021.

The following key factors contributed to the changes in contingent resource.

- All subsurface assumptions on in place volumes and recovery factors remained identical for both the YE2020 and the YE2021 resource estimates.
- All undeveloped acreage was evaluated for contingent resource based on the decision not to consider a development plan.
- During 2021 Australis carried out strategically targeted leasing, to maintain control and footprint in the play, without necessarily simply maintaining an acreage position. The net resultant reduction was from 107,500 to ~98,000 net acres and this directly influences the contingent resource calculation.

-ends-

This ASX announcement was authorised for release by the Australis Disclosure Committee.

Further Information:

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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

Unit	Measure
Gross	The total well count or 100% volume produced from a well or in a reserve category
WI	Company beneficial interest before royalties or burdens
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 (oil and gas) of a well
WTI	West Texas Intermediate oil benchmark price
LLS	Louisiana Light Sweet oil benchmark price
D, C & T	Drill, Complete, Tie – in and artificial lift
2D/3D	2 and 3 dimensional seismic surveys
Opex	Operating 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.
LOE	Lease Operating Expense
TMS Core	The Australis designated productive core area of the TMS delineated by production history
Type Curve	The estimated ultimate recovery (EUR) and associated production profile for a future development well location
PDP	Proved Developed Producing – a subset of Proved Reserves
PDNP	Proved Developed Non-Producing – a subset of Proved Reserves

Notes

1. Estimates from the independent Ryder Scott report, effective 31 December 2021 and dated 31 January 2022. 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.
2. Contingent Resources and Reserves estimated with an effective date 31 December 2020 are taken from the independent Ryder Scott report dated 29 January 2021 and announced on 05 February 2021 and titled 'Reserve and Resource Update Year End 2020'.
3. 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.

Competent Persons Statement

The reserves and contingent resource estimates provided in this announcement pertaining to the Tuscaloosa Marine Shale is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Raymond Yee, P.E., who is an employee of Ryder Scott Company, L.P. an independent professional petroleum engineering firm. Mr Yee is a Professional Engineer in the State of Texas (Registration No. 81182). The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this announcement has been issued with the prior written consent of Mr Yee in the form and context in which it appears.

Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Australis' planned development 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.