For Immediate Release
ASX Announcement

28 February 2020

2019 Annual Report and Audited Financial Statements

Australis Oil & Gas ("Australis" or "Company") is pleased to provide the 2019 Annual Report including the audited consolidated financial statements for the year ended 31 December 2019.

Financial Highlights for 2019 (US$)		**2019 Result**	**Increase (decrease) from 2018**
Gross Sales Revenue (before royalties)		$53 million	56%
Average realised sales price		$62.12/bbl	(6)%
Field Netback		$29 million	75%
EBITDAX		$14 million	638%
Net Profit after Tax		$7 million	8,145%
Year end cash position		$16 million	(58%)
Total Borrowings		$33 million	230%
Operating Highlights for 2019			
Production (before royalties)		846,000 bbls	67%
TMS Year End Independent Reserves (net)[1]	1P	48.6 MMbbls	52%
	2P	62.1 MMbbls	25%
	3P	93.8 MMbbls	5%
Year end Independent Mid Case Resources[1]	2C	129.5 MMbbls	20%
Net acres leased within the TMS Core		115,000 net acres	5%

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 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 and Portugal.

Australis' 115,000 net acres within the production delineated core of the oil producing Tuscaloosa Marine Shale provides significant upside potential with an estimated 425 net future drilling locations, and an independently assessed 49 MMbbl of 1P oil reserves (including 3.5 MMbbl producing reserves providing net free cash flow)[1] as well as 130 MMbbl of 2C contingent oil 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.

Footnotes

1. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2019 and generated for the Australis concessions to SPE standards. See ASX announcement released on 11 February 2020 titled "Reserves and Resources Update Year End 2019". The analysis was based on a land holding of 115,000 net acres. 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. 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 and EBITDAX are Non-IFRS financial measures commonly used in the oil and gas industry. Non-IFRS financial measures used by the Company, including Field Netback, may not be comparable with the calculation of similar measures by other companies.

GLOSSARY

Term	Definition
TMS	Tuscaloosa Marine Shale
bbl(s)	Barrel(s) of oil
MM	Millions
bopd	Barrels of oil per day
Field Netback	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains and losses, field-based production expenses but excludes depletion and depreciation
EBITDAX	Earnings before interest, tax, depreciation, depletion, amortisation and exploration cost expenses.
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
2C	Most Likely Contingent Resource

28 February 2020

APPENDIX 4E
FINANCIAL YEAR ENDED 31 DECEMBER 2019

AUSTRALIS OIL & GAS LIMITED (ASX: ATS)

ABN or equivalent company reference

34 609 262 937

This information should be read in conjunction with the Australis Oil & Gas Limited 2019 Annual Report (which contains the 2019 audited Financial Report and other information required for Appendix 4E)

Results for Announcement to the Market

Revenue from ordinary activities	Increased by 56%[1] from US$33.7 million in 2018 to US$52.6 million in 2019	
Profit from ordinary activities after tax attributable to members	Increased by 8146%[1] from a profit of US$85,000 for 2018 to a profit of US$7,009,000 for 2019	
Net profit for the period attributable to members	Increased by 8146%[1] from a profit of US$85,000 for 2018 to a profit of US$7,009,000 for 2019	
An explanation of the results is contained within the 2019 Annual Report which can be found on the ASX website or the Australis website at www.australisoil.com (1) Comparisons are made to the financial year ended 31 December 2018		
Dividends		
No dividends have been paid or proposed for the year ended 31 December 2019 (2018: nil)		
Net Tangible Asset per Security	**31 December 2019**	**31 December 2018**
	US$0.19	US$0.18
This report is based on audited accounts		

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Annual Report

For the year ended 31 December 2019

Australis Oil & Gas Limited
ABN 34 609 262 937

CONTENTS

Highlights

US$7 million
net profit

75%
field netback increase

US$53 million
revenue

82%
leaseholds are
Held By Production ("HBP")
or expire after Jan 2022

115,000
TMS Core acres

Proven Reserves (1P) of 49 million barrels (53% increase)

~200 million barrels
resource base

Highlights

INITIAL DRILLING PROGRAM (IDP)

- Largely met Australis' strategic objectives without any material safety or environmental incidents
- Stewart 30H-1 and Taylor 27H-1 are two of the most economic wells in the TMS showing consistent productivity, lower well costs and highly attractive economics
- In aggregate, the IDP wells achieved IP30 productivity of 9% above the TMS Type Curve on a per 1000ft lateral basis
- The Company did not consistently drill and complete all wells to planned lateral lengths, however independent analysis confirmed future TMS wells can be when all lessons learned are effectively implemented

FINANCIAL

- Net profit of US$7 million (compared with US$0.09 million in 2018)
- 56% increase in revenue to US$53 million due to new IDP wells production
- Field netback increased by 75% to US$29 million with high margin cash flows funding overheads, finance costs and leasing
- Significant financial flexibility
  - year end cash US$16 million
  - available debt facility of up to a further US$40 million
  - debt term extended to November 2023
- Hedging program continues to mitigate commodity price risk

RESERVES AND CONTINGENT RESOURCES

- IDP results generated a substantial increase in reserves and resources year on year
  - 1P reserves increased by 53% to 49 MMbbl
  - 2P reserves increased by 25% to 62 MMbbl
  - 2C resources increased by 20% to 130 MMbbl
- Portugal concession areas estimated 2C resource of 458 Bcf gas at year end

LAND

- Largest acreage holder in the TMS Core
- During 2019 increased:
  - TMS Core Acreage to 115,000 net acres
  - Held by Production (HBP) acreage by 27% to 37,700 net acres
  - Average lease life with 82% of leases now HBP or have expiry beyond January 2022

STRATEGY

- Patient and disciplined accumulation of oil in ground and an inventory of future locations
- Australis believes the TMS Core is becoming an increasingly unique and desirable play, given its characteristics and substantial remaining Tier 1 inventory
- Positioned for significant value rerating due to the commercial value of the sizeable undeveloped reserves and resource base of ~200 million barrels of oil

Chairman's Letter

Clearly 2019 has been a difficult one for the US shale industry and frustrating for our shareholders. Nevertheless, I believe we made substantial progress in creating inherent value in our assets in the Tuscaloosa Marine Shale (TMS), and our operational cashflow and balance sheet puts us in an excellent position to manage this significant asset through short-term volatility. Our unwavering objective is the creation and realisation of shareholder value and the strategy to deliver this requires a perspective beyond shorter term stock market headwinds.

The Initial Drilling Program ("IDP") was completed in 2019 with six wells drilled and brought on production. The primary objectives of the IDP were to repeat the historical well performance at an updated cost base, demonstrate the economics of the TMS, convert acreage to Held By Production (HBP) status and increase field cash flow. These objectives were largely achieved – Stewart 30H-1 and Taylor 27H-1 demonstrated higher than expected productivity and were drilled at lower well costs. Furthermore, Williams 26H-1 and Quin 41-30-3H outperformed the benchmark on a per lateral foot basis, confirming that the rock productivity in the TMS Core is Tier 1 quality. Importantly, the strong production results also led to an increase in the reserves assessment by Ryder Scott Company LP which is explained in more detail below.

Despite the successes achieved with the execution of Stewart 30H-1 and Taylor 27H-1, Australis was frustrated that it did not drill and complete all wells to their planned lateral length and clearly this generated concern in the market. Consequently, we conducted a detailed review of IDP operations internally and also engaged independent extended reach drilling experts, K & M Technology Group to undertake a concurrent review. The reviews validated many aspects of the drilling program execution, however, there were a number of instances where original planned procedures were not correctly followed. It was when these procedures were not closely adhered to that various issues arose. In response to these findings, Australis has implemented processes and personnel changes to ensure such issues are not repeated. It is fundamentally important that the findings of both reviews demonstrate that when procedures are correctly followed, TMS wells can be drilled to planned length and cost.

The six new IDP wells contributed to a material increase in revenue and earnings for the year. Increased production from the new wells led to a 67% increase in sales volumes to 846,000 barrels of oil and a 56% growth in revenue to US$53 million. The higher revenue from production contributed to a 75% increase in our Field Netback to US$29 million. This operating cash flow funded corporate overhead, financing costs, capital investment applied to land leasing and acquisition as well as contributing capital to the drilling program. The annual profit of US$7 million is pleasing and noteworthy. Importantly, this profit was achieved and all operations executed with an excellent environmental, health and safety record.

Despite lower oil prices in 2019, Australis again reported an increase in our reserves and resources oil position. Proved reserves increased by 53%, Proved and Probable reserves increased by 25%, and 2C Resources increased 20% year on year. This increase was in large part a result of the de-risking of the asset through the IDP, as well as strong production metrics from the new wells and the focused leasing program. Australis now has a very significant mid-case resource base of approximately 200 million barrels of oil.

We continued to add to our core acreage position in the TMS. In 2019 our substantial lease position was increased from 110,000 to 115,000 net acres of which over 80% is either held by production or has a primary term that expires in 2022 or later. Notably, our HBP acres grew by 27% during the year to 37,700 net acres.

Balance sheet stability and funding flexibility have always been a key focus of the Board and we intend to continue to adopt prudent management of our capital position in pursuit of the aim to maximise value for shareholders. Having cashflow and operating control of a large acreage position that includes significant reserves and upside potential, in our opinion offers numerous alternatives for funding further value creation.

I would like to acknowledge the commitment and contribution of your board members who have offered significant knowledge, experience and effort in their roles as your directors. Management and staff all worked tirelessly in 2019 and I would like to acknowledge their substantial contribution.

I would like to take this opportunity to welcome new shareholders and express my appreciation for your confidence and commitment. For our longer standing shareholders, thank you for your loyalty and continued support.

From a market perspective, we note that the US unconventional oil and gas industry is going through a period of transition due to diminishing Tier 1 oil locations, lower well performance in existing plays – particularly more mature developments - and reduced capital investment by operators. This is a development that validates our long-term strategy. I am confident that diminishing Tier 1 oil locations in other plays will reinforce the uniqueness of the TMS Core, given its productivity, attractive commercial characteristics and substantial remaining undeveloped inventory. Looking ahead, the ultimate timeframe for achieving value realisation may be longer than initially anticipated but with an improvement in market conditions, we remain very confident and excited about the value potential of our assets and look forward to bringing you news of our activities in 2020.

Yours sincerely,

Jon Stewart
Chairman

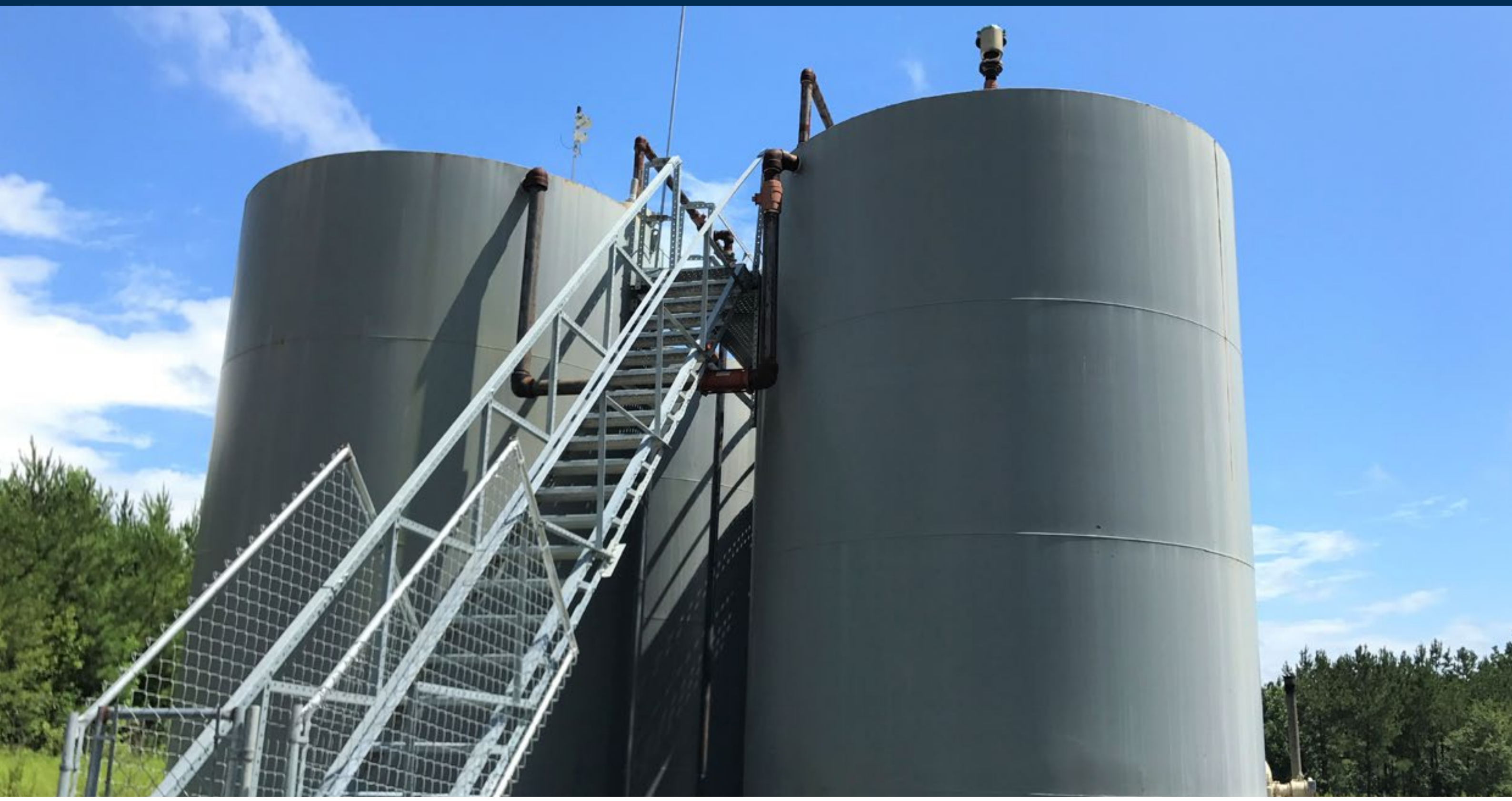
Review of Operations

TUSCALOOSA MARINE SHALE (TMS) ASSETS

TMS OPERATIONS OVERVIEW AND BRIEF HISTORY

Australis has maintained a clear corporate strategy to secure an unconventional oil asset of size and scale. After 18 months of searching, the Company secured its initial position in the TMS in early 2016 and elected to focus on this area for the following reasons:

- **production data from approximately 80 wells clearly delineated a high graded core area of approximately 400,000 acres (the "TMS Core"), which was less than 5% of the overall depositional area;**
- **wells had been on production for at least 2 years and demonstrated Tier 1 performance, despite the relatively early stage of field development. Production from TMS wells drilled in 2014 compared very favourably with other major more mature shale plays in 2016, even after those plays had benefited from improvements driven by technology during the intervening period;**
- **the wells produced 95% oil and the field location had a number of pricing and infrastructure advantages compared to other more mature and developed plays; and**
- **due to the oil price drop in 2014, all drilling activity in the area had ceased and the incumbent operators were not in a financial position to maintain acreage or recommence drilling operations. This lack of competition presented an opportunity to build a targeted and contiguous acreage position on favourable lease terms.**



During the period 2016 to 2019, through a series of transactions and an active leasing program, Australis built an acreage position of 115,000 net acres and has been designated operator over the majority of that position, effectively controlling development in the TMS Core. The lease position has long tenure, which provides flexibility on development options and associated capital requirements. Furthermore, the leases have low royalty rates compared to other USA shale plays, which, together with the Tier 1 oil productivity, supports the economics of the TMS wells.

In late 2018 and 2019 Australis drilled six new wells in the TMS Core as part of an Initial Drilling Program ("**Initial Drilling Program**" or "**IDP**"). The objectives and outcomes of the IDP are described in more detail below.

THE TUSCALOOSA MARINE SHALE AND ITS UPSIDE POTENTIAL

Identified by Australis as one of the few remaining economic undeveloped liquids rich plays in onshore USA

TMS Background & Previous Activity

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 TMS is a reservoir that is deep, high pressured and oil weighted. The characteristics of the rock led to early operational difficulties in the drilling and completion of horizontal wells, and inconsistent production performance and higher well costs than comparable but more developed shale plays. However, as activity progressed over the following years, a small but distinct core area of the TMS was identified (the "TMS Core"), within which wells were being completed with encouragingly consistent productivity.

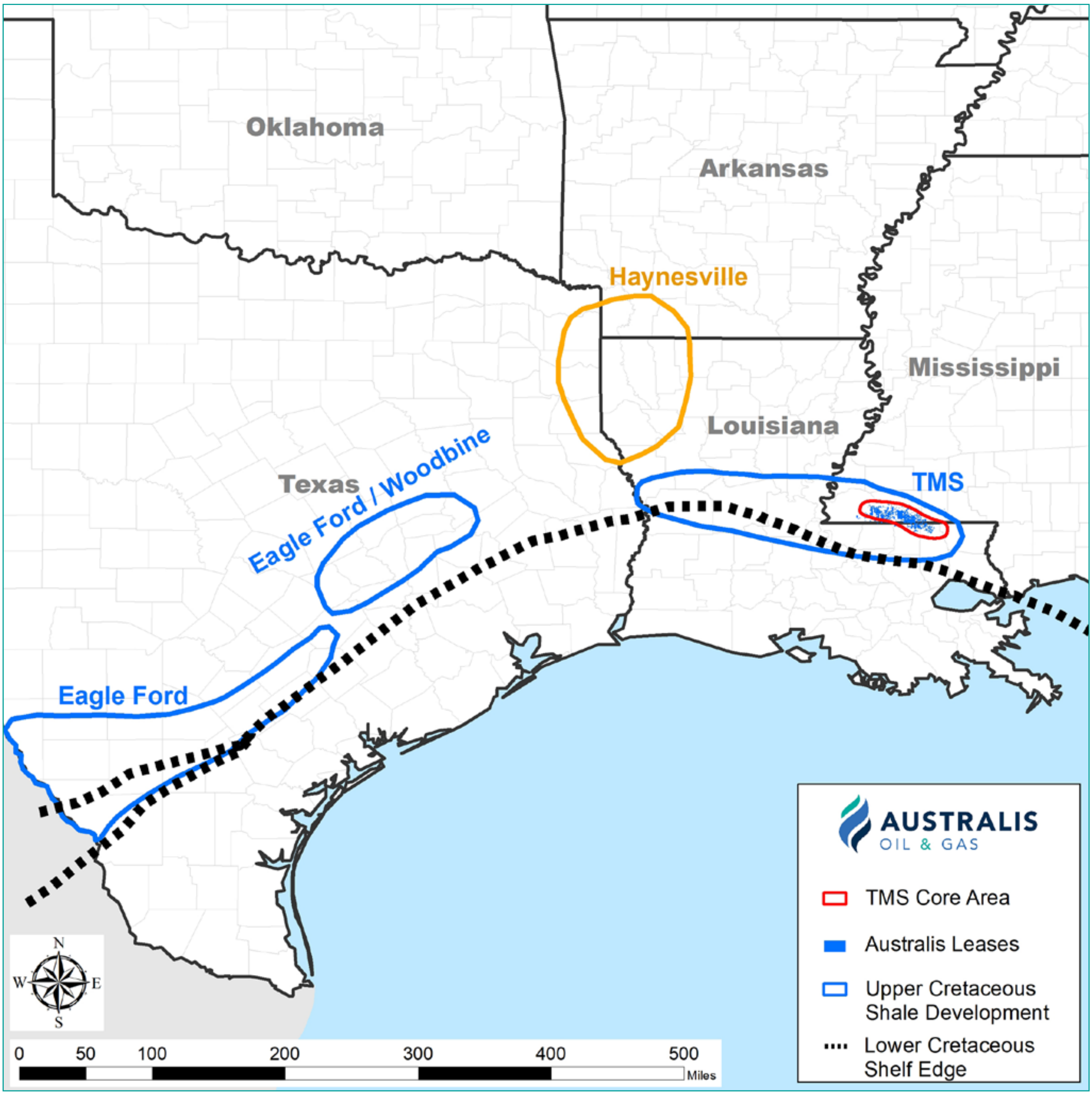


Figure 1: Depositional area of the TMS & Australis acreage position relative to the delineated core

Figure 2 below shows 24-month cumulative production for every well drilled in the TMS, those wells shown in blue are within the TMS Core area shown on the map and those in orange are outside but within the larger depositional area. It can be clearly seen how those wells inside the TMS Core have better production performance.

In 2014, Encana Corporation ("Encana") drilled a total of 15 wells, which were all within the TMS Core and are shown in Figure 2 in red outline. The wells utilised an engineered drilling design that successfully addressed many of the early operational issues that had previously driven higher well costs across the play. This 15 well program also investigated different landing zones and completion designs in a continued effort to optimise well performance. The results were successful with a average cumulative production of 216 mbbls, 48% above the core average and 350% above those wells outside the core. Australis uses the average performance of these wells to generate an expected new well benchmark, referred to as the TMS Type Curve.

The comparison of the TMS Type Curve with other plays over a 24-month period is shown in Figure 3 below. Average TMS production from the 2014 wells already exceeds wells drilled in 2017 in other established basins, without applying the industry improvements to the TMS wells achieved in the intervening period.

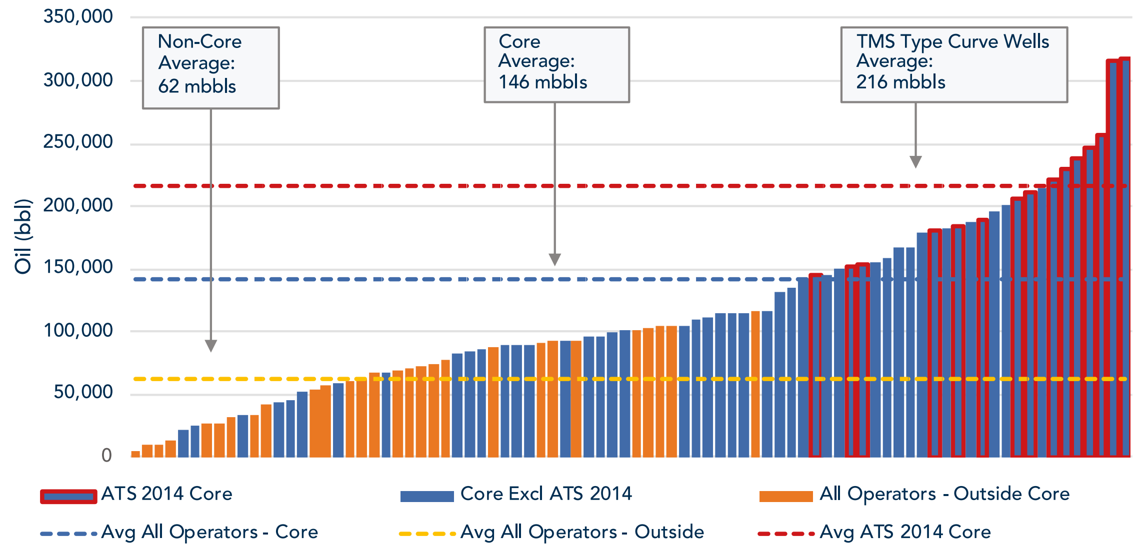


Figure 2: Individual 24 Month Cumulative Production of every TMS Well (Core and outside of Core Area)

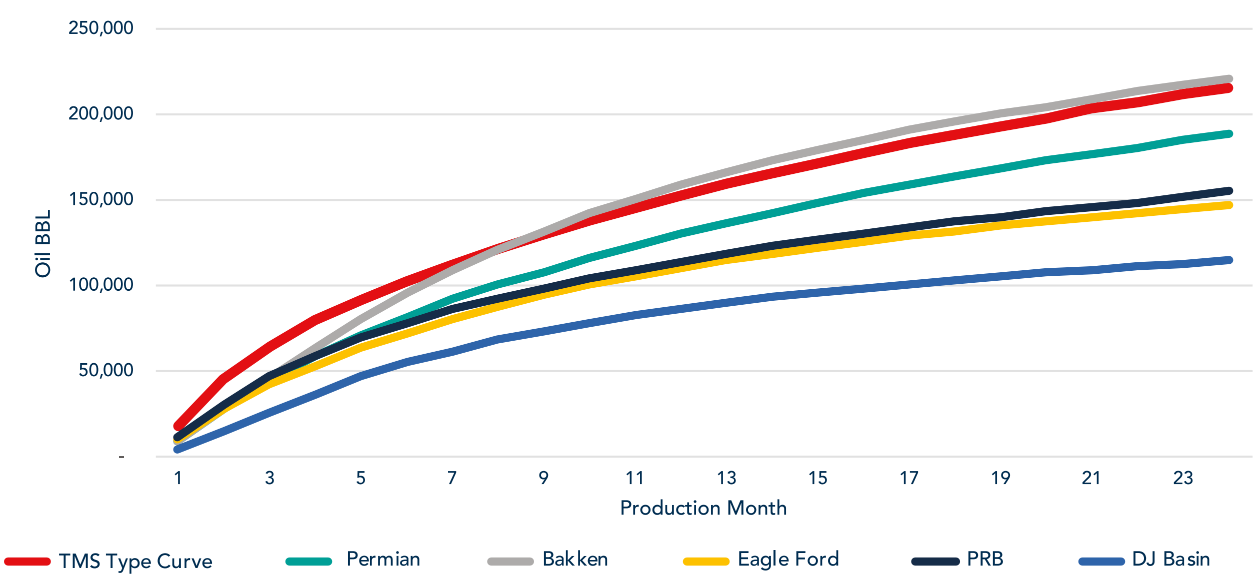


Figure 3: Average oil production of Australis 2014 TMS wells v 2017 wells in other basins

The 2014 fall in commodity price generated the opportunity for the two low cost acquisitions by Australis in the play and for an ongoing cost-effective leasing program where longer lease life was and continues to be targeted together with improved commercial terms. Australis has remained very disciplined and focused its acquisition program 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' IDP is the first drilling activity that has occurred since the beginning of 2015. As Australis undertook a methodical approach to the design of the IDP, varying only slightly from the Encana successful well design, only a handful of the numerous industry improvements that have occurred over the last 5 years that have driven the improved economics of more developed plays during this extended low commodity price period have been applied to the TMS.

In addition to the productivity as shown above, premium pricing and a high oil weighting continues to highlight the TMS as a Tier 1 development opportunity. TMS production is over 95% oil weighted, and the oil is a high quality light sweet crude that is sold at a premium to WTI at the Louisiana Light Sweet (LLS) Crude benchmark. This premium historical ranges between US$3 to US$7 per barrel. The higher realised pricing and oil weighting lead to very favourable netback performance when compared with operators in the Eagle Ford and Permian Basins.

INITIAL DRILLING PROGRAM

Strategic goals

The continued execution of the IDP was the primary focus of Australis during 2019.

1. Executive Summary of IDP Outcome

Australis achieved many of its objectives for the IDP, and did so without any material safety or environmental incidents. However, the Company also experienced some issues in its execution of drilling operations on certain wells with the IDP resulting in shorter than planned completed lateral sections.

The following table provides a summary of the outcomes of the IDP compared to the Company's stated objectives.

	Strategic Objectives	Comments
1	Repeat the productivity results and drilling times achieved by Encana in 2014 for the wells within the TMS Core but at a more current cost base	✔ The average initial oil productivity (IP30) of all 6 IDP wells exceeds the TMS Type Curve on a per 1000ft lateral basis by 9%
		✔ When drilling operations went to plan, well costs were below expectations and significantly below historical benchmarks
		✔ Demonstrated successful and economic TMS wells can be drilled
		✔ IDP well production data led Ryder Scott Company LP (Ryder Scott) to increase anticipated future well performance in the YE19 reserve report
		✘ Execution challenges in planned operations resulted in some IDP wells not achieving full length laterals. Following the IDP review, causes of the challenges have been identified, resolved and solutions implemented within the drilling design
		✘ Due to shorter completed laterals the absolute productivity is less than the TMS Type Curve on 4 IDP wells
2	Demonstrate the economics of the TMS Core acreage over a set of new wells and lift the overall value of the substantial oil reserves and resources Australis holds within the TMS Core	✔ ATS showed that when planned operations are successfully implemented, well economics outperform expectations
		✔ Stewart and Taylor both drilled for less than US$11 million, achieved strong IRRs and had allocated 2P EURs from Ryder Scott that averaged 21% above the TMS Type Curve
		✘ Due to shorter completed laterals on 4 wells, economics not achieved on these wells.
3	Convert further acreage to HBP status	✔ ATS increased HBP acreage position by 27% to 37,700 net acres
4	Significantly increase field cash flow	✔ All IDP wells are on production, generating revenue and cashflow with over 420,000 bbl oil produced from the IDP wells by the end of the year
		✔ Field Netback increased by 75% to US$29 million for the year

Table 1: Initial Drilling Program Objectives and Status

By demonstrating on two IPD wells the ability to drill, complete, tie-in and install artificial lift for under US$11 million per well, and with production results from those wells better than most oil shale plays, Australis fulfilled its primary objective of the IDP. These wells are economic at today's oil prices and were drilled with a small operations team and without the benefit of any scale of operations, which should lead to significant further cost savings.

2. Overview of the IDP

Consistent productivity achieved

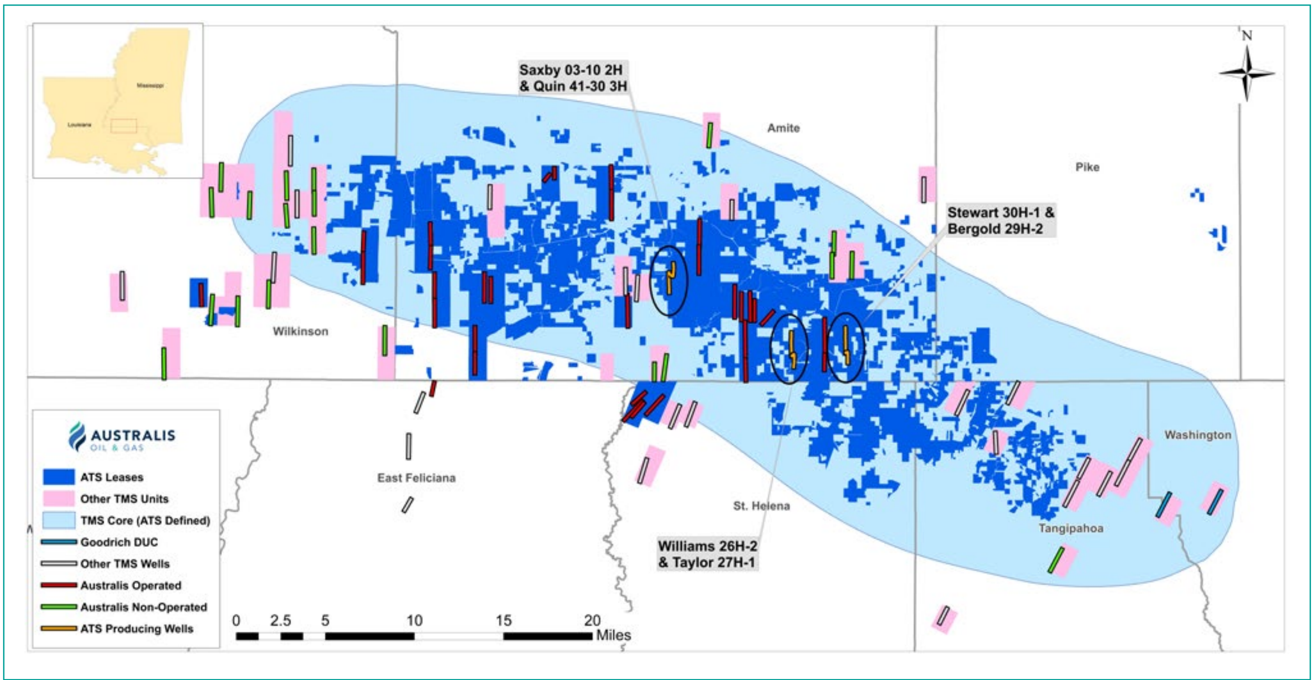


Figure 4: Locations of the first 6 wells in the Initial Drilling Program

Australis drilled six wells as part of the IDP, the locations of which are shown in Figure 4. The primary strategic purpose for commencing the IDP was to provide further corroboration of the rock productivity of historical TMS wells at a current cost base and, by doing so, lift the field economic value of the remaining undeveloped reserves and resources owned by Australis, estimated as at 31 December 2019 to comprise a mid-case recoverable volume of 192 MMbbls (2P+2C)[1].

Of the six IPD wells drilled, Stewart 30H-1 and Taylor 27H-1 have shown consistent productivity above the benchmark TMS Type Curve, low well costs and highly attractive economics. Today, they are two of the most economic wells in the TMS.

The other four wells were not completed to full lateral length for a variety of reasons and, therefore, in absolute terms are unlikely to generate the economics that Australis was seeking to achieve. However, when measuring the productivity of all six wells based on horizontal length drilled as shown in Figure 5 below, four of the six wells are outperforming the TMS Type Curve benchmark that we have set and the reasons for why the other two are underperforming are well understood and avoidable in the future.

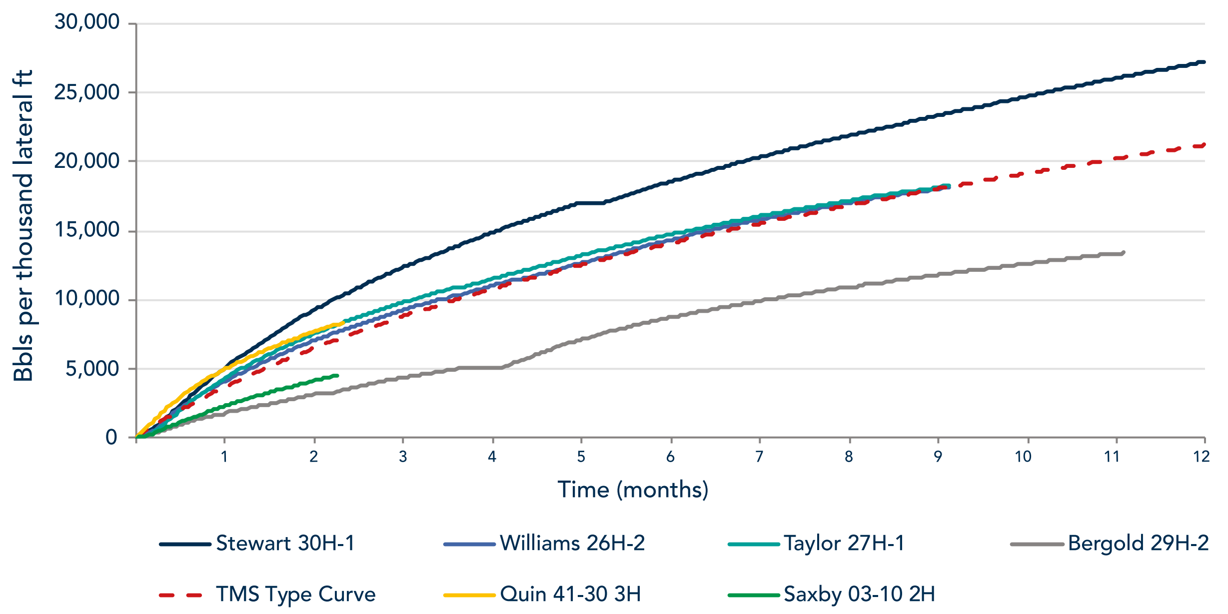


Figure 5: Cumulative oil production, per thousand lateral feet vs TMS Type Curve

To understand the cause of the drilling issues, Australis recently completed a detailed review of its IDP operations. The review was conducted internally and separately by independent experts, K & M Technology Group (a subsidiary of Schlumberger Limited). The review included an analysis and comparison of the six IDP wells drilled in the TMS by Australis and also included several adjacent Encana drilled wells. Both the internal and external review process identified several areas where similar deviations from planned procedures were the root cause of delays or operational difficulties. Both Australis and its independent experts found that where these procedures were properly executed by Australis (and Encana), the improved hole conditions were conducive to drilling longer laterals.

Australis is confident that when planned procedures are applied, TMS wells can and will be consistently drilled and completed to their planned lateral lengths. The Company believes the Stewart 30H-1 and Taylor 27H-1 wells are more representative of what can be achieved in terms of cost and productivity at this point in the play development. As a result of these findings, Australis has updated its operational procedures and controls and undertaken organisational and personnel changes to ensure consistent application in the future.

Detailed IDP Well Summary

An update on the six wells is set out below:

Well Name	Drilled Lateral length (ft)	Completed Lateral Length (ft)	Initial production (IP) Date	30-day IP rate (bbl/d)	30-day IP rate (per 1000 lateral ft)	Cum Production to 31 Dec 19 (bbls)
Stewart 30H-1	7,097	6,845	30-Dec-18	1,177	172	189,388
Bergold 29H-2	1,811	1,578	02-Feb-19	98	62	21,740
Taylor 27H-1	6,728	6,555	1-Apr-19	1,024	156	119,762
Williams 26H-2	6,653	2,566	1-Apr-19	361	141	46,511
Quin 41-30 3H	2,946	2,476	23-Oct-19	414	167	23,006
Saxby 03-10 2H	4,868	4,825	25-Oct-19	387	100	19,525
IDP average	***5,017***	***4,141***		***577***	***133***	
TMS Type Curve	***7,500***	***7,200***		***878***	***122***	

Table 2: Initial Drilling Program – Well Data as at 31 December 2019 (Gross)

Stewart 30H-1:

The Stewart 30H-1 was drilled and completed in 2018 to a lateral length of 6,845 ft with 20 fracture stimulation stages. The well commenced flowback on 29 December 2018 and oil production commenced on 30 December 2018. Initial 30-day average production results (IP30) were 1,177 bbl per day oil.

Since first production, the Stewart 30H-1 well has, to 31 December 2019, produced 189,388 barrels of oil, which is over 22% above the TMS Type Curve for the same period. The Stewart 30H-1 is one of the most productive wells ever drilled in the TMS and is an example of what is achievable with correct drilling practices in a full field development.

Bergold 29H-2:

The Bergold 29H-2 well was drilled and completed in 2018 with a lateral length of 1,578 and five fracture stimulation stages. The well encountered difficulties in the formation above the reservoir and some unexpected structural indicators which led to a decision to prematurely stop drilling. Due to the very short lateral, the well has produced only 21,740 barrels since first production.

Australis believes that a local but deeper subsurface structure has influenced the geo-mechanical properties of the TMS rock in this area which in turn led to some of the operational difficulties that were encountered, both during drilling and subsequently during the fracture stimulation of this well. The Company does not believe that this well is representative of future TMS wells due to the localised nature of the subsurface structure and drilling solutions are available to mitigate the effect from the deeper structure.

Taylor 27H-1

Taylor 27H-1 was drilled with a lateral length of 6,728 ft and completed over 6,555 ft with twenty fracture stimulation stages. The well commenced production on 1 April 2019 and IP30 results were 1,024 bbl/day which was 17% above the TMS Type Curve.

The well has cumulatively produced 119,762 barrels after only nine months and is another example of a successful TMS well showing consistent productivity and highly attractive economics.

Williams 26H-2

The well was successfully drilled to a depth of 19,212 ft, which corresponds to a horizontal length of 6,653 ft. When pulling the drilling assembly out of the hole to run casing, the assembly became stuck and after several attempts, the decision was made to secure the remaining horizontal lateral which was deemed sufficient to prove rock productivity rather than risk the whole wellbore with continued recovery operations. Ultimately it was only possible to complete a lateral length of 2,566 ft above the stuck assembly, with the revised plan of nine fracture stimulation stages. IP30 results were 361 bbl per day oil which equates to 141 bopd per 1,000 ft of completed lateral compared to the TMS Type Curve rate of 122 bopd. Whilst the achieved well length was disappointing, the well has demonstrated strong productivity relative to the TMS Type Curve.

Decision to Trial New Mud System

The challenging drilling conditions on the first four wells and in particular, the Williams 26H-2, were interpreted at the time as being caused by wellbore stability issues. Australis had identified a potential change in the drilling program to utilise a new technology drilling fluid system, that was specifically designed to address well bore stability issues. A new High-Performance Water Based Mud ("HPWBM") was therefore trialled for the next two IDP wells: the Quin 41-30 3H and the Saxby 03-10 2H.

Quin 41-30 3H

The HPWBM introduced several new and additional operational challenges, each with their own learning curve. Whilst these started to be resolved during this first well utilising the system, the Quin 41-30 3H well was only drilled with a completed lateral length of 2,476 ft with 9 fracture stimulation stages. The well commenced oil flowback on 23 October and achieved an IP30 rate of 414 bopd. The IP30 equates to 167 bopd per 1,000 ft of completed lateral compared to the TMS Type Curve rate of 122 bopd, representing a 37% outperformance.

Saxby 03-10 2H

The Saxby 03-10 2H well was the second HPWBM well and it was possible to transfer knowledge from the Quin well and therefore this well was more successful. It was drilled with a completed lateral length of 4,825 ft with 17 fracture stimulation stages. The well achieved an IP30 rate of 387 bopd which equated to 80 bopd per 1,000 ft of completed lateral compared to the TMS Type Curve rate of 122 bopd. Analysis of tracer data indicates that a number of stages are not contributing to oil production on this well.

These non-contributing stages are located at the base of the horizontal section drilling window and encountered hard mineralogy preventing effective fracture stimulation in these sections which Australis believes explains the below type curve performance. Although a review of other wells in the TMS Core does not show the presence of this mineral in these concentrations, future wells will narrow the drilling target window to avoid this section of the formation.

Assessment of HPWBM Trial

The use of HPWBM mud on the Quin 41-30 3H and Saxby 03-10 2H, whilst a possible longer term solution, introduced a number of new operational difficulties to the drilling phase, which significantly contributed to the time taken and the shorter laterals achieved. Some were addressed during the two well program as the design of the HPWBM was refined, but some, such as high friction factors, remain to be resolved. Analysis resulting from the review of the initial six wells has reduced the weighting of wellbore stability as a root cause of difficulties on the first four wells and hence reduced the necessity to change to the HPWBM system. Reverting to an oil based mud drilling fluid for the next phase of TMS drilling avoids the need to address the additional difficulties the system introduced.

TMS OPERATIONS – PRODUCTION

Increased cash flows from new wells

Production from the six IDP wells led to a significant increase in sales volumes and revenue. Production from these wells, along with production from the pre IDP acquired operated and non-operated wells, provided Australis with reliable and consistent operational cash flow.

Operated sales volumes averaged approximately 2,273 bbls per day (WI) and 1,866 bbls per day (Net) for the year and 2,185 bbls per day (WI) and 1,790 bbls per day (Net) for the month of December. Non-operated sales volumes averaged approximately 45 bbls per day (WI) and 35 bbls per day (Net) for the year. Figure 6 indicates the increased rates of production in 2019 due to the IDP by showing the WI and Net sales volumes for both operated and non-operated wells. Australis operated 37 producing wells by the end of 2019.

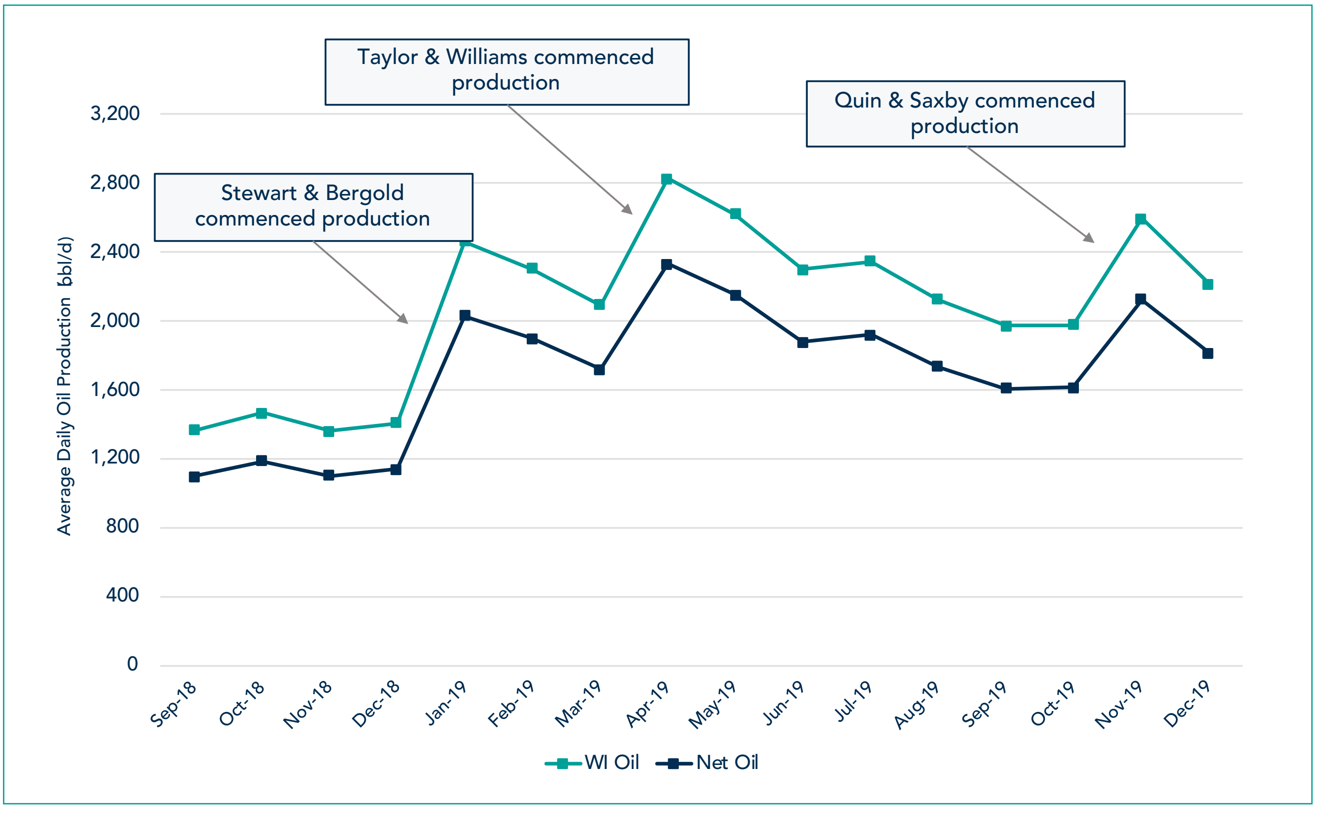


Figure 6: Australis WI and Net Sales Volumes from September 2018 to December 2019 (Operated and Non-Operated)

Review of Operations

TMS LEASED ACREAGE – A STRATEGIC POSITION WITHIN THE TMS CORE

Consolidation of lease position and increase in net acreage within the TMS Core on highly attractive terms

Australis started 2019 with approximately 110,000 net acres within the TMS Core. Australis has now built this position to 115,000 net acres with longer tenure and on highly attractive terms.

Australis continued to execute a leasing strategy that is focused on consolidating its ownership within the core area by entering into new leases and extending the term of existing leases at attractive commercial terms. Extending the primary terms of the overall lease position provides Australis with flexibility and optionality for future development programs. Furthermore, in bringing new wells onto production during the IDP, Australis increased its HBP acreage. At the end of 2018, Australis had an HBP position of 29,800 net acres within the TMS Core. By 31 December 2019, Australis had brought the remaining five new wells onto production, all in separate units and therefore increased its HBP position by 27% to 37,700 net acres.

Australis TMS Core Acreage as at 31 December 2019 (Net Acres)	2019	2018	Variance
HBP core acres	37,700	29,800	27%
Undeveloped core acreage – primary lease term 2022 and beyond	56,200	42,100	33%
Undeveloped core acreage – primary lease term before 2022	21,100	38,100	(45)%
Total Net Acres within the TMS Core	**115,000**	**110,000**	**5%**

Table 3: Australis TMS Core acreage as at 31 December 2019

As at 31 December 2019, approximately 82% of the TMS Core acreage was either HBP or has an expiry later than January 2022, allowing timing flexibility for development activities and a manageable HBP program.

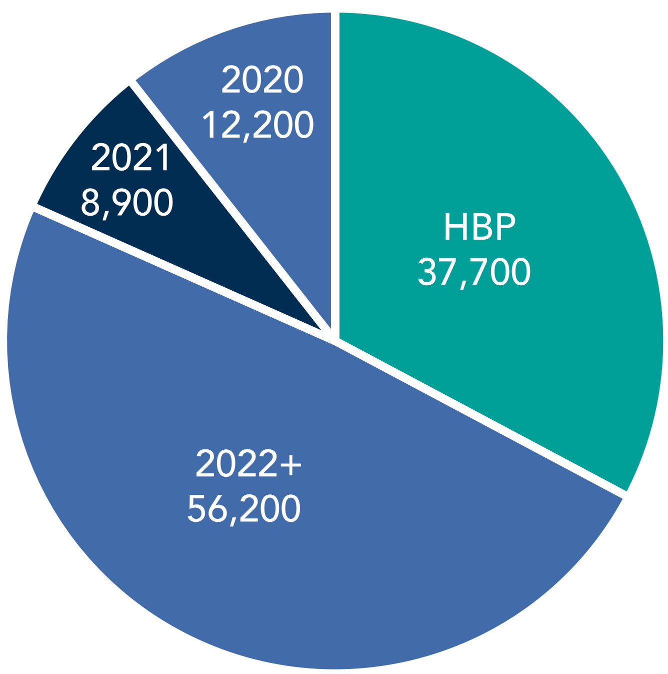


Figure 7: TMS Lease Expiration year – TMS Core Net Acres as at 31 December 2019

TMS RESERVES AND CONTINGENT RESOURCES

Increase in Proven reserves and conversion of resources to reserves within the TMS

Table 4 summarises the Australis reserve estimates as at 31 December 2019. This year-end estimate only assessed 31% of the total TMS Core acreage due to an assumed development program within the operational capability of a company such as Australis and complies with development window guidelines under SPE-PRMS (2018) for reserve estimates. The balance of the undeveloped TMS Core acreage was allocated a Contingent Resource subject to a permissible development plan. These reserves and resources were independently assessed by Ryder Scott Company LP (Ryder Scott)[1]. The allocation of reserve category is based on proximity of the planned well location to existing production, i.e. Proved categories being within the same production unit as a PDP well and Probable then Possible locations being further away.

TMS reserves and resources as at 31 December 2019[1]

Reserve and Resource Category	Net Oil (Mbbls)	% change to YE18
Proved Reserves (1P)	**48,600**	**52.5%**
Probable Reserves	13,507	
Proved + Probable Reserves (2P)	**62,107**	**24.9%**
Possible Reserves	31,648	
Proved + Probable + Possible Reserves (3P)	**93,755**	**5.1%**
2C Contingent Resource	**129,539**	**20.2%**

Table 4: TMS reserves and resources as at 31 December 2019

Both the reserves and resources have increased substantially driven by the following factors:

- the IDP wells drilled by Australis during 2018/2019 continued the de-risking of the reserves development area, allowing future well locations to be transitioned as at 31 December 2019 from the Possible and Probable categories to the lower risk Proved (1P) category;
- evaluation of the production data, including the addition of new 2019 wells, led Ryder Scott to increase their expectation of performance of future wells in each reserve category;
- an increase in the Company's working interest in the acreage within the assessed reserves development area; and
- the focused leasing program in 2019 increased the overall acreage position in the TMS Core by 5,000 net acres, and its bias to the high graded areas in the overall net acreage has led to increased Contingent Resources estimates.

The acreage not assessed for reserve allocation was allocated a 2C Contingent Resource estimate of 130 MMbbls[1], which is based on 9% recovery of assessed oil in place. Australis is not aware of any subsurface technical reason preventing these resources transitioning to reserves when assessed for development within the five-year development time period established for independently assessed reserves, where sufficient capital and operating capacity are available.

Review of Operations

Figure 8 below represents the chronological evolution in our total reserves and most likely Contingent Resource (2C) base since our Initial Public Offering, reflecting the successful progression of the Company strategy to accumulate oil barrels in the ground.

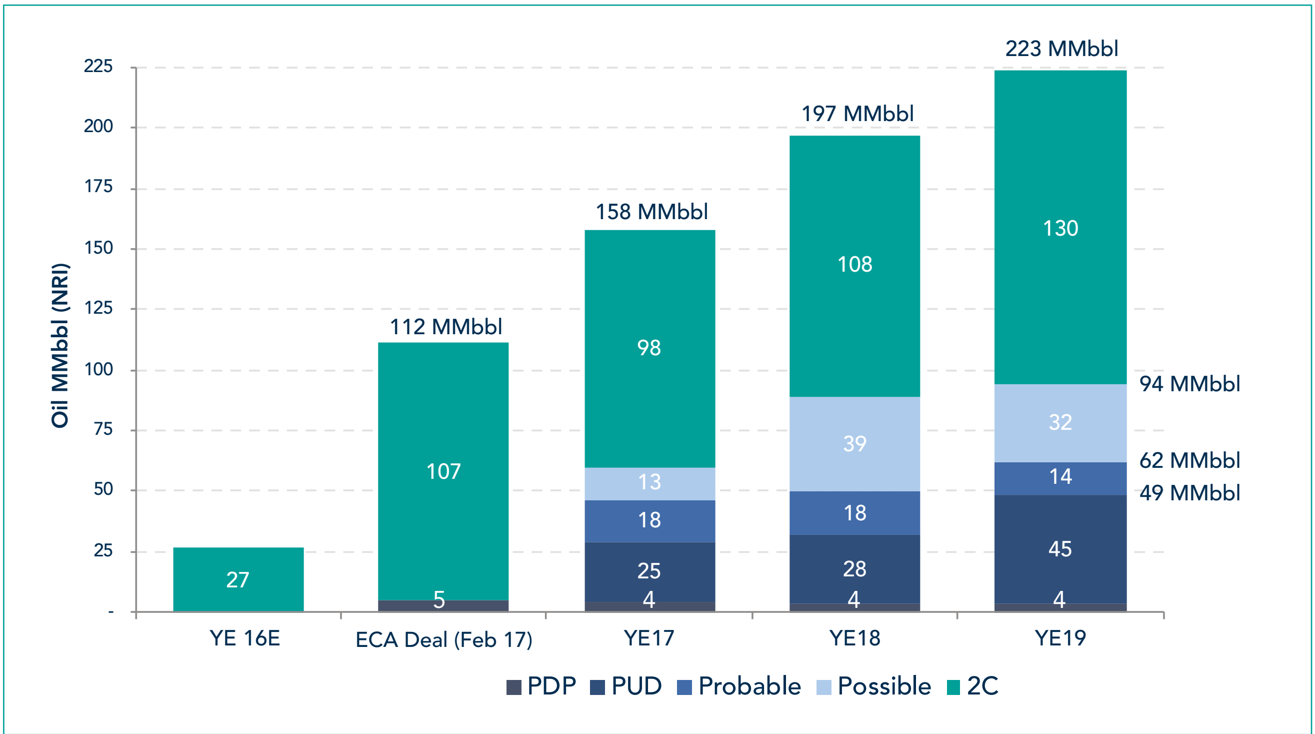


Figure 8: Evolution of Australis' TMS Reserves and Resources (2C)

A more detailed Reserves and Resources Statement is provided on pages 24 and 25.

US Shale Oil Industry

Australis believes that the US shale industry is undergoing a significant transition that will lead to a decline in the rate of oil production growth. This transition is driven in a large part by the following factors observed and noted by many industry participants:

- reduced inventory of Tier 1 oil development locations in more mature plays;
- aggressive assumptions on spacing have led to lower well performance and further reduction in assumed inventory; and
- shareholder pressure for free cash flow and limited availability of capital markets funding is reducing development budgets.

The impact of this can be seen in the significant reductions in horizontal drilling rig counts and frac fleet utilisation in the US during 2019, statistics which are indicative of weaker production growth in the US going forward.

As production growth from mature Tier 1 basins reduces, the industry will need to find replacement inventory in new and emerging plays. Australis believes these circumstances have made the TMS Core an increasingly unique and attractive play with the following attributes:

- highly productive oil-weighted reservoir proven to be as productive as mature Tier 1 plays in the US;
- for prospective partners, Australis' acreage is at an attractive stage where it has been substantially de-risked and delineated but remains largely undeveloped;
- proximity to oil sales infrastructure, with large capacity and multiple markets;
- quality light crude that attracts premium LLS pricing;
- a position that is sizable and contiguous, and enables control of development of the play; and
- favourable land and development rules, regulatory context and receptive local and state governments.

Austin Chalk and other potential targets

During the year there was an active exploration program to test the Austin Chalk play to the south-west of the Australis lease area. The Austin Chalk sits above the TMS stratigraphically and all of the existing wells drill through the Chalk prior to landing horizontally in the TMS section. Australis has leased the Austin Chalk rights on approximately 110,000 net acres and continues to lease at all depths.

The Austin Chalk drilling activities were primarily undertaken by ConocoPhillips and EOG although both companies reported high water cuts with associated hydrocarbons from their exploration wells. Whilst the offset results are not encouraging, Austin Chalk as a play type has always been very localised in nature and further data is needed before those results can be extrapolated to the Australis position.

All Australis drilled wells have seen increases in oil and gas shows within the Austin Chalk and the Company continues to collect available data, including a full logging suite run on the Saxby 03-10 2H well, to help increase the understanding of this horizon in our area. The Austin Chalk represents further upside to the Australis position but to date has not been included in any of the Company's reserve or resource estimates and the Company has been cautious in attributing any value to its prospectivity in the Company's leased areas.

There are further horizons above the TMS which Australis considers prospective, having seen strong shows during the drilling of the IDP wells. The horizons will be assessed further by future TMS wells.

LUSITANIAN BASIN – CONVENTIONAL GAS & OIL ACREAGE ONSHORE PORTUGAL

Initial technical evaluation completed and seeking permits to commence appraisal and exploration activities.

AUSTRALIS' PORTUGAL CONCESSIONS

In September 2015, Australis was awarded two onshore exploration concessions in the Lusitanian Basin, known as the Batalha and Pombal Concessions. The exploration concessions cover a total area of 620,000 acres and are valid for a further five years after having completed year three in September 2018. The concession contracts have a limited commitment work program in the first three years involving studies and data analysis and Australis has exceeded all of its obligations. Thereafter each concession has an annual drilling obligation from year four, although the concession contract timing is paused whilst the Environmental Impact Assessment ("EIA") process is underway. The concessions can be relinquished at the end of each concession year after year three provided all obligations have been met.

In 2018, Australis submitted the relevant preparatory EIA document to the Portuguese authorities. Australis agreed a substantial EIA workscope with the Portuguese Environmental Agency in mid 2019 and has made substantial progress in completing the necessary activities for each surface location. In preparation for drilling Australis has purchased surface land locations to permit drilling to take place. Australis awarded an engineering contract to develop a detailed drilling program and associated European compliant support and safety systems for both proposed concessions. Australis has also contracted the local office of an international environmental consultancy to assist in the management and execution of the EIA processes.

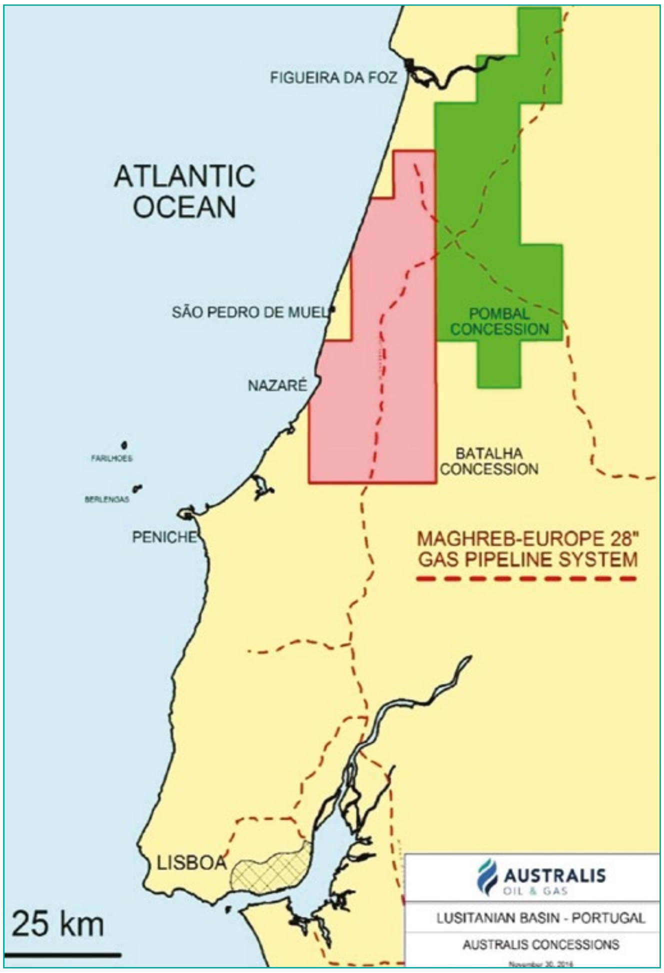


Figure 9: Overview of the Batalha and Pombal Concessions in the Lusitanian Basin

Under Portuguese law, the concession contract timeline is paused whilst the EIA workscope is underway. All phases of the EIA have progressed, with a number completed and being translated in preparation of the final documentation. Our contract operator is nearing the end of the engineering design which will allow completion of the final elements of the EIA. Preparation has begun on safety management systems and other requirements required to be provided as appendices to the EIA.

The comprehensive program of work will ensure a complete and thorough analysis of any potential impacts of the planned operations and if required, any required mitigations will be identified and implemented. Australis is interacting with all relevant stakeholders in the local and federal governments as well as the local community. We are also seeking to address concerns raised by a number of environmental focused groups who have become involved in the various public consultation exercises undertaken.

The Aljubarrota well is targeting an existing discovery, which has been delineated by a number of historical wells in the area, including two which have produced gas to surface at modest rates. Figure 10 shows the structure maps from a 3D seismic survey data set and Table 5 below provides details of the resources independently assessed to be recoverable.

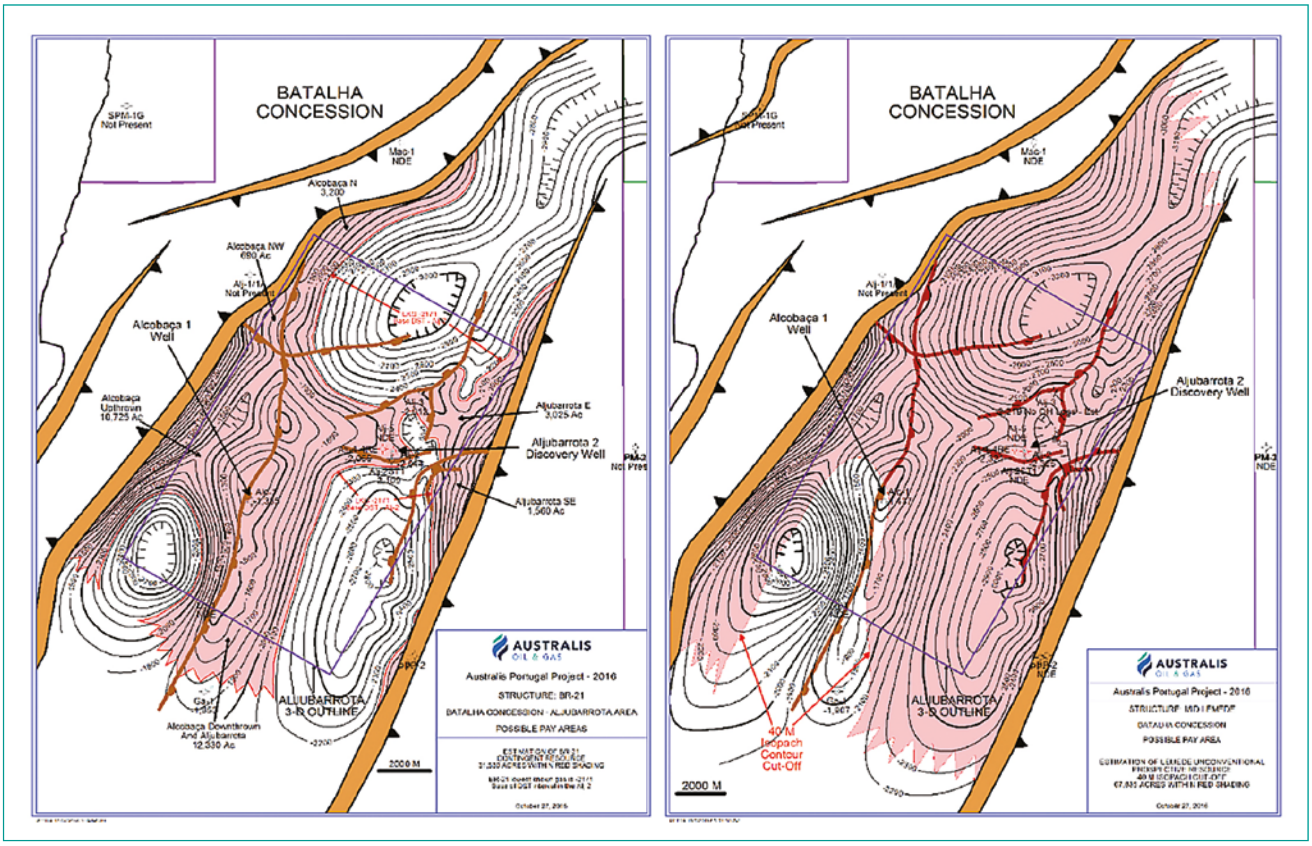


Figure 10: Structural map for the Brenha and Lemede discoveries

Table 5: Portugal Contingent Resources as at 31 December 2016

Portugal Contingent Resources, as at 31 December 2016[3]

	Low Contingent Resource (1C)	**Most Likely Contingent Resource (2C)**	High Contingent Resource (3C)
Net Gas (Bcf)	217.4	**458.5**	817.7

Australis has identified a number of exploration prospects and leads from the available seismic data. Success with the year four program would be encouraging for further exploration drilling to test some of these potential accumulations.

A Reserves and Resources Statement is provided on pages 24 and 25.

Financial & Corporate Review

1. SUMMARY OF FINANCIAL RESULTS POSITION

Australis reported a net profit after taxation of US$7.0 million for the year ended 31 December 2019. Cash flow from producing wells in the TMS (Field Netback) of US$28.5 million funded corporate overhead, financing costs and capital investment applied to land leasing and acquisition activities as well as assisting with the capital required for the IDP during the year.

A review of Group results is summarised below.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000	**% Change Favourable/ (Unfavourable)**
Sales volumes (working interest)* bbls	**846,000**	506,000	67%
Revenue	**52,570**	33,704	56%
Field Netback	**28,510**	16,335	75%
Operating Cashflow	**16,975**	2,700	529%
EBITDAX**	**14,283**	1,943	635%
Net Profit	**7,009**	85	8,145%

* *Volumes rounded to the nearest thousand barrels*

** *EBITDAX represents net profit for the year before income tax or benefit, finance costs, depletion, depreciation and exploration and evaluation expenses*

Sales and Revenue

Sales revenue for the year was US$52.6 million, which was 56% higher than 2018. This increase was primarily due to the commencement of production from six new wells as part of the IDP. Whilst production from the IDP wells led to a 67% increase in sales volumes, the average realised price per barrel of oil, including hedging gains and losses, was 6% lower in 2019 at US$62.12 compared with US$66.06 in 2018. Australis continued to benefit from higher realised pricing than other plays in onshore USA due to the LLS premium received in the TMS. This premium over WTI averaged over US$5 per barrel in 2019.

Field Netback, Operating Cashflow and EBITDAX

Field Netback, Operating Cashflow and EBITDAX increased 75%, 529% and 635% respectively due to higher revenue from an increase in sales volumes. Production costs (lease operating and workover expenses) of US$13.0 million (US$15.40/bbl) were broadly consistent with expectations and lower, per barrel, than 2018 (US$19.07/bbl) as downtime and workover costs per barrel reduced over the course of the year.

Net Profit

The Company reported a profit for the year in 2019 of US$7.0 million compared with US$0.09 million in 2018. The primary reason for the increase in profit was higher sales volumes from the commencement of production from new wells as a result of the IDP.

2. SUMMARY OF FINANCIAL POSITION

	As at		
Balance Sheet Summary	**31 December 2019 US$'000**	31 December 2018 US$'000	**% Change Favourable/ (Unfavourable)**
Current assets	**22,319**	47,457	(53%)
Non-current assets	**205,863**	143,025	44%
Current liabilities	**(16,080)**	(26,244)	39%
Non-current liabilities	**(30,298)**	(8,198)	(270%)
Equity	**181,804**	156,040	17%

Funding

Following the completion of the six wells of the IDP, the Australis balance sheet remains in a strong position. The Company's cash balance is US$16 million and remaining undrawn available debt is US$40 million. In addition, in December 2019 Australis secured various amendments to its credit facility with Macquarie Bank Limited ("Macquarie") to provide further funding flexibility.

During the year a total of US$25 million was drawn under the credit facility and US$2 million repaid. The total drawn debt at the balance date, including the $10 million drawn in late 2018, is US$33 million. The total debt capacity under the facility is US$75 million, of which US$40 million remains undrawn.

In the 4th quarter of 2019, Australis undertook a review of the credit facility and agreed with Macquarie certain amendments which provide Australis with additional financial flexibility. The agreed amendments were as follows:

- extended the maturity date by two years to November 2023;
- extended the availability period of Tranche 1 (the first US$65 million of the committed Facility) by one year to April 2021;
- reduced and restructured certain financial covenants providing Australis with greater balance sheet flexibility in a lower oil price environment;
- provided greater ability to transact partnering opportunities within the existing security arrangements; and
- provided an ability to repay all or a portion of drawn amounts at any time without cancelling the remaining availability.

In return for these amendments Australis agreed to pay a customary standby fee of 2% pa on undrawn committed funds during the availability period.

During Q1 2019 Australis undertook a two tranche placement to issue 87 million new fully paid ordinary shares at A$0.35 per share to raise A$30.5 million before costs of issue.

Approximately A$0.3 million was received from the exercise of options during the year.

Capital Expenditure

Capital expenditure for the year totaled US$68 million. The capital expenditure incurred for the year was mainly attributable to the drilling and completion costs associated with the IDP and to a lesser extent land leasing and plant and equipment installations for the IDP wells.

Australis applied financial discipline to the allocation of capital throughout the IDP. This capital discipline led to decisions for drilling to be stopped short of the targeted length on certain wells to ensure adherence to the aggregate IDP capital budget. The cost for the drilling, completion, tie in and direct facility costs for the six IDP wells for the period October 2018 to December 2019 was US$78 million. Of this, approximately US$24 million was incurred in 2018 and the balance incurred in 2019.

Australis achieved its aim of drilling wells cheaper than Encana with costs of less than US$11 million each for Stewart 30H-1 and Taylor 27H-1 wells. These two wells which were drilled to plan and met or exceeded the absolute productivity targets. For the two most recent wells of the IDP, the Quin 41-30 3H and Saxby 03-10 2H wells, Australis changed drilling fluid programs to assess the operational benefits of water-based mud systems for the first time in the TMS. This major change to the operations program introduced a new learning curve which manifested itself with additional down time, incremental trips and mud costs as the systems were refined. In addition, these wells tested a contingency liner installation and had additional data gathering take place with the logging of the Austin Chalk. As a result drilling costs on these wells were higher than the first four IDP wells and are not considered representative for future well costs.

Since commencing the IDP in 2018, capital has been applied within the IDP to development activities other than drilling, completing and tie in of wells including:

- land permitting, access rights and title validation for the units in which the six IDP wells were located and units for which future wells are proposed to be drilled;
- pad preparation including road access and power distribution to an additional drilling location for future wells;
- the construction of facilities to provide water for stimulations for each of the IDP wells and future wells; and
- production facilities for shared use for future wells on existing pads.

Hedging

Consistent with the focus on balance sheet stability and protecting against downside risk, the Company hedged over 50% of net production in 2019. The hedges entered into in 2019 were a combination of WTI costless collars and swaps. Between late 2018 and June 2019, Australis hedged 337,000 bbls for 2019 using costless collars with an average WTI floor of US$55/bbl and an average WTI ceiling of US$73/bbl. In September 2019, 23,000 bbls were hedged for the remainder of 2019 using WTI swaps of an average of US$56/bbl. All of the above hedges settled for a net gain to Australis of $90,000.

In addition, the Company executed additional swaps and collars for the three year period from 2020 to 2022 protecting a WTI floor price of between US$50-55/bbl. The following hedges were in place as at 31 December 2019.

Australis Hedge Position – Swaps and Collars

Period	Instrument	Volumes bbls	WTI Swap US$/bbl	WTI Put[A] US$/bbl	WTI Call[A] US$/bbl
H1 2020	Swaps	27,000	54		
	Collars	127,000		54	73
H2 2020	Swaps	62,000	52		
	Collars	30,000		55	77
H1 2021	Swaps	47,000	51		
	Collars	7,000		55	73
H2 2021	Swaps	34,000	51		
H1 2022	Swaps	15,000	50		
H2 2022	Swaps	7,000	50		

[A.] *Based on weighted average price*

Table 6: Australis' current hedge position as at 31 December 2019

The "mark to market value" of the current hedges as at 31 December 2019 is US$(0.6) million which reflects the higher WTI futures strip pricing at year-end. This value is recognised as a liability on the balance sheet.

It is anticipated that additional barrels will continue to be hedged throughout 2020 consistent with Australis' hedging strategy to manage commodity price risk.

CORPORATE GOVERNANCE

The Board monitors the operational and financial performance of the Company and oversees its business strategy, including approving the strategic goals of the Company. The Board is committed to generating and maximising shareholder value. In conducting business with this objective, the Board aims to ensure that Australis is properly managed to protect and enhance shareholder interests and that the Company, its directors, officers and employees are operating in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Australis, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Australis business and which are designed to promote the responsible management and conduct of the Company. Australis reviews and amends its corporate governance policies as appropriate to reflect the size and activities of the Company, current legislation and good practice. The main charters, policies and procedures that form the basis of corporate governance practices at Australis, can be found in the corporate governance section of the Australis website, www.australisoil.com.

FUTURE DEVELOPMENTS

As part of the next steps in executing on its corporate strategy to demonstrate the underlying value of the ~200 million bbls of undeveloped reserves and resources associated with its TMS Core acreage, Australis will continue to engage in the following activities:

- review its corporate G&A, which has already generated a 20% reduction at the beginning of 2020;
- updating its basis of the TMS well design and drilling processes and procedures on the back of the comprehensive IDP review to ensure consistent well execution for future drilling;
- undertaking an exercise in re-pricing goods and services in the current environment to improve project economics; and
- exploring potential partnering, both technical and financial, for further development of its acreage.

Strategy and 2020 Outlook

The Company continues to focus on growth in value per share in preference to other metrics such as market capitalisation, production or reserves.

The strategic goals for Australis in 2020 include to:

- demonstrate the value of the significant position in the core area of the TMS to shareholders and industry;
- explore the potential for partnering to assist in increasing the value of the TMS acreage;
- maintain long-lease life and HBP position in the TMS core through strategic and targeted leasing;
- enhance the value of our Portuguese areas of interest in preparation for partner introduction and drilling; and
- continue a sustainable business with a strong safety and environmental track record.

Australis believes the macro environment for the unconventional oil & gas industry will become favourable to its corporate strategy, although the time frame for achieving ultimate value realisation may be longer than initially anticipated whilst current depressed market conditions improve. Management will therefore adopt a prudent and cautious approach in maintaining and, under the right circumstances, developing its TMS Core acreage. This will include, among other things, exploring potential partnering for further development of its acreage.

RESERVES AND RESOURCES STATEMENT

RESERVES

Reserve Category	Australis Reserves[1] Gross Oil (Mbbls)	Australis Reserves[1] Net Oil (Mbbls)	Net Oil YE19 vs YE18
Proved Developed Producing (PDP)	5,374	3,547	
Proved Undeveloped (PUD)	58,733	45,053	
Proved (1P)	**64,107**	**48,600**	**52.5%**
Probable Developed Producing	985	655	
Probable Undeveloped	16,953	12,851	
Probable Total	17,938	13,507	
Proved + Probable (2P)	**82,045**	**62,107**	**24.9%**
Possible Developed Producing	1,040	698	
Possible Undeveloped	51,595	30,950	
Possible Total	52,636	31,648	
Proved + Probable + Possible (3P)	**134,680**	**93,755**	**5.1%**

Description	Net Oil (Mbbl)
PDP Reserve (31/12/18)[3]	**3,927**
2019 Net Production	(691)
Four New IDP wells	837
Technical Adjustment	43
Lower oil price	(239)
Higher operating cost	(321)
Changes to ownership	(11)
PDP Reserve (31/12/19)[1]	**3,547**

The above figures have been rounded for presentational purposes. Arithmetic sums may not tally as a result.

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

- The lower realised oil price used in generating the estimates resulted in an economic cut-off that reduced reserves by 239 Mbbls.
- The higher operating cost for existing wells is largely driven by operating and workover costs of the jet pump wells and water disposal costs. Future wells will no longer use the jet pump artificial lift and development costs include an allowance for dedicated water disposal wells, which leads to lower anticipated costs.

RESOURCES

Australis net Contingent Resource summary[1,2,3,4,5]

	Current Resource Estimates			Previous Resource Estimates		
	As of Date	Net Oil (MMbbl)	Net Gas (Bcf)	As of Date	Net Oil (MMbbl)	Net Gas (Bcf)
Low (1C)						
TMS	31-Dec-19	6.3	22	31-Dec-18	6.9	16
Portugal – Batalha Concession	31-Dec-16	-	217	31-Dec-16	-	217
Total 1C Resources		**6.3**	**239**		**6.9**	**233**
Most Likely (2C)						
TMS	31-Dec-19	129.5	98	31-Dec-18	107.8	86
Portugal – Batalha Concession	31-Dec-16	-	458	31-Dec-16	-	458
Total 2C Resources		**129.5**	**556**		**107.8**	**544**
High (3C)						
TMS	31-Dec-19	234.8	204	31-Dec-18	195.4	191
Portugal – Batalha Concession	31-Dec-16	-	818	31-Dec-16	-	818
Total 3C Resources		**234.8**	**1,022**		**195.4**	**1009**

The change in estimated TMS Contingent Resource as at 31 December 2018 and 31 December 2019 is due to the following key factors:

- between the two dates Australis increased its net acreage position in the TMS Core from 110,000 net acres to 115,000 net acres; and
- Australis has concentrated its acreage position in areas deemed to be high graded, with higher 'in place' estimates yielding higher Contingent Resource estimates.

Australis net Prospective Resource summary[3]

Current Risked Resource Estimates[3]			
As Of Date	**As Of Date**	**Net Oil (MMbbl)**	**Net Gas (Bcf)**
Low			
Portugal – Batalha Concession[4,5]	31-Dec-16	16.5	96
Portugal – Pombal Concession[4,5]	31-Dec-16	2.6	8
Total Low		**19.2**	**104**
Best			
Portugal – Batalha Concession[4,5]	31-Dec-16	97.2	388
Portugal – Pombal Concession[4,5]	31-Dec-16	29.3	78
Total Best		**126.4**	**466**
High			
Portugal – Batalha Concession[4,5]	31-Dec-16	332.9	1,324
Portugal – Pombal Concession[4,5]	31-Dec-16	115.4	309
Total High		**448.4**	**1,632**

* *It should be noted that, with reference to the Prospective Resources, the estimated quantities of petroleum that may be potentially recovered by the future application of a development project may relate to undiscovered accumulations. These estimates have associated risk of discovery development. Further exploration and appraisal is required to determine the existence of a significant quantity at potentially moveable hydrocarbons.*

The above figures have been rounded for presentational purposes. Arithmetic sums may not tally as a result.

Notes

1. Contingent Resources and Reserves estimated with an effective date of 31 December 2019 are taken from the Independent Ryder Scott report dated 31 January 2020 and announced on 11 February 2020, titled "Reserve and Resource Update Year End 2019". 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 a deterministic method.
2. Contingent Resources and Reserves estimates with an effective date of 31 December 2018 are taken from the independent Ryder Scott report dated 31 January 2019 and announced on 6 February 2019 and titled "Reserve and Resource Update Year End 2018". 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).
3. All estimates have been taken from the independent Netherland, Sewell & Associates report, effective 31 December 2016 and announced on 25 January 2017 titled '2016 Year End Resource Update'. 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 ofPetroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS). The Company is not aware of any new information or data that materially affects the information included in the referenced market announcement and that all material assumptions and technical parameters underpinning the estimates in the referenced market announcement continue to apply and have not materially changed.
4. 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.
5. Australis holds a 100% working interest in the Batalha and Pombal Concessions, however this interest is subject to a 3% working interest option granted to a contractor and the Net estimates provided by NSAI are prepared with the assumption that this option has been exercised. The Net estimates provided by NSAI also make an allowance for royalties payable to the Portuguese government. The actual royalties payable by Australis are detailed in Article 51 of Decree Law nr 109/94 of the 26th April,1994 and Article 19.2 of each concession contract. For oil there is a staged royalty of between 0 and 9% based on produced volumes and for gas there is a similar staged royalty of between 3 and 8% again based on produced volumes. As there is not a development plan and an associated production profile for either the contingent or prospective resource estimates, the royalty rate has been assumed to be 8 and 9% respectively.

Governance and Assurance

On at least an annual basis Australis engages an independent reviewer to verify and determine changes to reserves.

Qualified Petroleum Reserves And Resources Evaluation

The estimates provided in "TMS Reserves and Contingent Resources" and the "Reserves and Resources Statement" in this report pertains to the Tuscaloosa Marine Shale and 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 report has been issued with the prior written consent of Mr Yee in the form and context in which it appears.

MATERIAL BUSINESS RISKS

The key risk factors affecting the Company are set out below. The occurrence of any one of the risks below could adversely impact the Company's operating or financial performance.

(a) Strategy

Australis' strategy is predicated on the belief that the fundamental drivers are in place for a potential increase in oil prices in due course. The Company owns high quality, oil-weighted developed and undeveloped assets that have been acquired to provide potential additional leveraged upside to any modest recovery in the oil price.

There is no guarantee the oil price will rise or that these assets will be economically developed.

(b) Title risk – TMS Leases

Australis has acquired and will continue to acquire leasehold interests of mineral rights and working interests in mineral rights from owners in Louisiana and Mississippi, USA. Certain TMS Leases are, at Australis' election, capable of renewal or extension. There is no guarantee that existing leases will be renewed, extended or reacquired prior to expiry or that leases on new areas will be acquired. The process of confirming defensible title on leases for oil and gas exploration and production has been performed by experts acting for Australis. If at any time title cannot be confirmed, it may have a financial impact on the value of that lease.

(c) Commodity price

The prices of crude oil, condensate and natural gas are volatile. As a producer of oil and gas, changes in the prices of crude oil, natural gas and refined products could affect Australis' financial position, financial results, cash flows, access to capital, ability to grow, and the level of Australis' reserves. The international markets for crude oil, natural gas and refined products are volatile, and have in recent years been characterised by significant price fluctuations due to factors beyond Australis' control.

Australis has adopted a hedging policy to manage its commodity price risk. Details of the current hedge program are detailed in this Operations & Financial Review.

(d) Operational risks

Australis' future financial condition and results of operations will depend on the success of its exploration, development and production activities. Oil, condensate, and natural gas exploration and production activities are subject to numerous risks, including the risk that drilling will result in dry holes or not result in commercially feasible oil or natural gas production. Selecting a drilling location is influenced by the interpretation of geological, geophysical, and seismic data, which is a subjective science and has varying degrees of success. Other factors, including land ownership and regulatory rules, may impact the Company's decisions with respect to well locations. Further, no known technologies provide conclusive evidence prior to drilling a well that oil or natural gas is present or may be produced economically. New wells drilled may not be productive, or may not recover all or any portion of the Company's investment in such wells. The cost of drilling, completing, equipping and operating wells is typically uncertain before drilling commences.

Australis manages operational risk through the its procedures and policies, employee training, a developed risk management system and a focus on health and safety.

(e) Hydrocarbon spills

Oil and gas operational activities involve the production, storage and transport of the produced oil and gas as well as waste materials. Hydrocarbon spills may lead to damage to the environment, as well as potential safety issues and damage to Australis' reputation and fines. Please refer to the Sustainability Report for more detail around how the risk of hydrocarbon spills is managed.

(f) Reliance on key personnel

Australis' success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near term operations are likely to be of central importance. There can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the implementation, development and operation of its business strategy.

(g) Funding

The oil and natural gas industry is capital intensive. Australis currently makes and expects to continue to make, substantial capital expenditures for the acquisition, development and exploration of oil and natural gas reserves. As and when further funds are required the Company may consider raising additional capital including from one or more of: the issue of equity securities; the incurrence of further debt finance; or the contribution of capital from one or more operational or financial partners in exchange for a portion of Australis' interests in its assets, if and as appropriate. There is no assurance that the Company will be able to access and secure additional funding on reasonable terms or at all.

Australis manages financial risk through the implementation of policies and procedures that address areas such as hedging and liquidity management. Furthermore, as operator of its assets, Australis has the flexibility to manage its capital program to help mitigate liquidity risks.

(h) Geopolitical, regulatory and sovereign

Exploration for and development, exploitation, production and sale of oil and natural gas is subject to laws and regulations, including complex tax laws and environmental laws and regulations, employment law and other laws. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations could adversely affect the Company. Certain of these laws may have material penalties and fines for instances of non-compliance. In addition to governmental legal action, private parties may pursue legal actions to enforce these laws and regulations against industry participants.

The Company's assets are located in the United States and Portugal. As a result, they are subject to each country's (and in the USA, each State's) different environmental laws and regulatory requirements.

Whilst Portugal and the USA are considered by Australis to be politically stable the Concessions and TMS Leases held by the Company may be affected by any changes in government policy or legislation. The Concession contract terms include rights to mitigate any law changes affecting the fiscal or economic terms of the Concessions, however these rights are subject to negotiation and arbitration within Portugal.

Further, all future field work on the Concessions requires the approval of the Portuguese authorities that regulate oil and gas activity, which approvals may not be granted in a timely fashion or at all.

Changes in government regulations and policies may also adversely affect the financial performance or the current and proposed operations generally of the Company. The ability to explore and develop oil and gas concessions, as well as industry profitability generally, can be affected by changes in government regulations policies or legislation in jurisdictions, that are beyond the control of the Company and may also adversely affect the financial performance or the current and proposed operations of the Company. In order to be compliant, certain permits, approvals, and certificates must be obtained and maintained and the cost of any of these may substantially increase from current levels.

(i) Hydraulic fracturing

In the TMS, Australis engages in the practice of hydraulic fracturing to stimulate production of hydrocarbons from tight geological formations. Public debate exists regarding the potential sub surface and surface impact of hydraulic fracturing, including concern about the impacts of hydraulic fracturing on drinking water. Hydraulic fracturing requires large volumes of water (the availability and regulation of which may change over time) and there are costs associated with water disposal that may be increase over time. Hydraulic fracturing may be subject to additional regulations or restrictions from local, state, or federal governmental authorities, resulting in increased compliance costs. Any modification to the current requirements may materially adversely impact the value of the Company's assets and future financial performance.

(j) Reserves and Resource Estimation

Calculation of recoverable oil and gas reserves and resources contain significant uncertainties which are inherent in the reservoir geology, well data, operating costs and oil prices. There is a risk that resource estimations will not convert into reserves or any actual production may significantly vary from such estimates. Australis manages the risk associated with reserves estimates through the engagement of qualified, experienced internal engineers and the engagement of independent auditors on at least an annual basis to certify reserves.

(k) Debt Facility and Interest Rate

The Company has incurred indebtedness under the credit agreement with Macquarie, which may adversely affect its cash flows and ability to operate its business and remain in compliance with and repay such indebtedness.

Our ability to make payments on and to refinance our debt and to fund planned capital expenditures will depend on our ability to generate cash in the future. To some extent, this is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Lower net revenues will reduce our cash flow. If we are unable to generate sufficient cash flow to service our debt and meet our other commitments, we may need to refinance all or a portion of our debt, sell material assets or operations or raise additional debt or equity capital.

We cannot assure investors that we could affect any of these actions on a timely basis, on commercially reasonable terms or at all, or that these actions would be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt agreements may restrict us from effecting any of these alternatives. If we are not able to service our debt and other commitments, and are unable to negotiate alternative arrangements with the providers of debt, we may seek or be forced into bankruptcy, or forced to reduce our operations or discontinue our operations in their entirety.

Australis' exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. A significant fluctuation in market interest rates could have an impact on Australis' financial position. The potential exposure to interest rate fluctuations could be expected to increase as Australis' debt position increases.

(l) Commercialisation and access to infrastructure

Australis' future performance will be impacted by its ability to source and access equipment and services and product transportation routes and processing facilities. The ability of the Company to access infrastructure economically or at all is largely out of control of Australis and therefore may have an adverse impact on future performance.

(m) Environmental

The Company is subject to laws and regulations to minimise the environmental impact of any operations as well as rehabilitation of any areas affected by any operation carried out on the areas leased by the Company. These laws can be costly to operate under and can change further adversely affecting the Company. Penalties for failure to adhere to the laws or in the event of environmental damage the penalties and remediation costs can be substantive.

In the areas in which the Company holds oil and gas interests, there exists regulations that include amongst other requirements, the need for permits for drilling operations, drilling bonds and reports concerning operations. In addition, there are rules and regulations governing conservation matters, including abandonment of drilled wells.

The Company may require approval from relevant authorities before it can undertake activities that may impact the environment, including drilling wells. Failure to obtain such approvals may prevent the Company from achieving its business objectives.

Regulations may limit the rate at which oil and gas could otherwise be produced from the Company's leasehold interests and may restrict the number of wells that may be drilled on a particular lease or in a particular field.

(n) Competition

The Company competes with numerous other organisations in the search for, and the acquisition of, oil and gas assets. The Company's competitors include oil and gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop the TMS leases and Concessions, but also on its ability to select and acquire suitable producing properties or prospects for drilling.

(o) Climate Change

Australis recognises that climate change is an important global challenge and poses certain physical risks to its TMS operations. Physical risks from climate change are those arising from increased severe weather events such as hurricanes and flooding. Weather events have proven to cause substantial disruptions to hydrocarbon production and as a result of such weather, the Company's (i) facilities may be substantially damaged and (ii) any oil and gas production may be reduced or interrupted entirely.

Financial & Corporate Review

CAUTIONARY AND FORWARD LOOKING STATEMENTS

This Report contains forward looking statements, including as to Australis' strategy, oil and gas exploration and drilling activities, and related funding, which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Annual Report, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Annual Report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Annual Report, except where required by law.

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out above. Past performance should not be relied upon as being indicative of future performance.

MATERIAL PREJUDICE

As permitted by sections 299(3) and 299A(3) of the *Corporations Act 2001*, Australis has omitted certain information from the Operating and Financial Review in relation to its business strategy, future prospects and likely developments in its operations and the expected results of those operations in future years. Such information including but not restricted to internal budgets, and forecasts and estimates, has been omitted on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice for example because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage.

Glossary

Unit	Measure	Unit	Measure
B	Prefix - Billions	bbl	Barrel of oil
MM or mm	Prefix - Millions	boe	Barrel of oil equivalent (1 bbl = 6 mscf)
M or m	Prefix - Thousands	scf	Standard cubic foot of gas
/d	Suffix - per day	Bcf	Billion standard cubic feet of gas

Abbreviation / Term	Description
TMS	Tuscaloosa Marine Shale
TMS Core	The Australis designated productive core area of the TMS delineated by production history
Permitted Drilling Units	Acreage within a formed and approved drilling unit but is yet to be HBP as a well has not been drilled and commenced production
WI	Working Interest
Gross	Means 100% (or 8/8ths) interest
C	Contingent Resources – 1C/2C/3C – low/most likely/high
NRI	Net Revenue Interest (after royalty)
Net	Working interest after deduction of Royalty Interests
NPV(10)	Net Present Value (discount rate), before income tax
HBP	Held by Production (lease obligations met)
AFE	Authorised for Expenditure
EUR	Estimated Ultimate Recovery per well
WTI	West Texas Intermediate Oil Benchmark Price
LLS	Louisiana Light Sweet Oil Benchmark Price
2D / 3D	2 dimensional and 3 dimensional seismic surveys
Opex	Field Operating Expenditure
PDP	Proved Developed Producing
PDNP	Proved Developed Non Producing
PUD	Proved Undeveloped Producing
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
D, C & T	Drilling, Completion, Tie In and Artificial Lift
Capex	Capital expenditure
Ryder Scott	Ryder Scott Company LP
NSAI	Netherland Sewell & Associates, Inc.
Field Netback	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains or losses, field based production expenses but excludes depletion and depreciation
EBITDAX	Earnings before interest, tax, depreciation depletion, amortisation and exploration and evaluation expenditure
Net Sales	Oil & gas sales net of royalties
Royalty Interests or Royalty	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
Net Acres	Land the Company has leased and currently holds the mineral rights
IP24	The peak oil production rate over 24 hours of production
IP30	The average oil production rate over the first 30 days of production
Initial Drilling Program or IDP	The planning, implementation and execution of an initial drilling program of wells by Australis in the highly productive core of the TMS
IRR	Internal Rate of Return
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.

Sustainability Report

SUSTAINABILITY

At Australis, our corporate vision is to generate shareholder value in a sustainable and responsible manner. To achieve this, we have implemented considered and appropriate procedures and policies to facilitate and assist in sustainable business practices which permeate all levels of the organisation including management and are factored into all business decisions and processes.

Our focus on sustainability is reinforced through our Environmental, Health and Safety (EHS) performance to date. In 2019, Australis maintained a high level of EHS compliance and as a result there have been no environmental or safety regulatory violations or penalties and we performed strongly against our EHS target KPIs.

PURPOSE AND VALUES

Since its inception the Company has been clear as to its purpose, which is "to identify and secure entry into undervalued upstream oil opportunities and is to realise material value on behalf of shareholders through the disciplined use of capital whilst protecting the safety of those who work for us and the environment in which we operate". Whilst our strategy has adapted to market conditions, the Board, staff and contractors of Australis have remained focused and resolute on delivery of this purpose.

The way in which Australis pursues that purpose is defined by a set of values that encapsulate the culture, ethics and standards which the Company upholds. Whilst the principles have been well understood and followed internally, the Board has explicitly defined those values as follows:

1. **Generate an entrepreneurial culture that values collaboration, accountability and initiative from all employees and contractors.**
2. **Respect our stakeholders by communicating with clarity and honesty at all times.**
3. **Seek out opportunities to make positive impacts on the local communities within which we operate.**

The Board of Australis is committed to ensuring that purpose and values continue to be evolve based on communication and feedback from employees and stakeholders and that the resultant culture is reinforced through all levels of the organisation.

ENVIRONMENTAL, HEALTH AND SAFETY

To ensure the continual improvement in the sustainability of our operations, Australis incorporates specific and measurable initiatives to embed a cultural commitment, Company-wide. One such initiative has been establishing the Company's EHS performance as the overarching financial multiplier within the Company's annual Short-Term Incentive Plan ("STI Plan"), scaling the achieved bonus amounts up or down based on EHS performance. Under the designed Plan, the EHS multiplier, which ranges from 60 – 140%, is applied to all aspects of the Company's business, including corporate goals and targets linked to Company strategy, individual generic and specific targets and the Group's achieved safety targets. This direct correlation between environmental and safety performance and remuneration assists in ensuring that EHS is at all times considered a priority, Company-wide.

PEOPLE

Health and Safety: Ensuring a safe working environment for all employees and contractors

At Australis, the safety and protection of people and the environment in which we operate has been a core value and priority since the Company was founded in 2014. Health and safety measures are embedded in Company policies and procedures. Working safely is a condition of employment across all teams and the Company EHS Policy requires that EHS-related considerations are prevalent in all business decisions and processes. Company leadership strives to foster a culture of responsibility and EHS excellence.

Underpinning Australis' EHS framework is the Safety Observation Suggestion (SOS) program, which is designed to document EHS-related observations and encourage active participation by all employees and contractors in building a strong EHS culture. The program aids the identification of potential hazards requiring corrective action, either immediately, if warranted, or helps identify trends which can then be targeted before they lead to an actual incident. The program also rewards positive recognition of behaviour demonstrating strong EHS leadership and increases accountability across all Australis operations. Negative EHS outcomes financially impact all employees, and thus the SOS program is a proactive component of Australis' STI Plan calculations.

Australis' other key health and safety initiatives include:

- compulsory Company-specific EHS Orientation training for all new field employees and contractors before commencing work, as well as role-specific core safety and environmental training based upon hazard exposure at all levels within the organization;
- use of Veriforce PEC, a third-party verification service, to screen and assess contractors' safety policies, EHS performance and risk management measures as an integral and mandated part of the procurement process;
- Stop Work Authority as a core safety function for all employees and contractors, which authorises any employee or contractor to stop work and correct an unsafe condition without fear of retribution.
- advanced driver safety training for employees that operate any Company vehicles;
- a Company-wide Emergency Response Plan for operations in the USA, as well as a field operations-specific Well Control Emergency Response Plan. The former was initiated in 2017, and the latter in 2018. All plans were rolled out with ongoing annual training exercises that include mock scenarios and collaboration with local government authorities; and
- GPS monitoring devices in our operations fleet vehicles for location identification and to monitor driving behaviour such as speed, acceleration and braking patterns and assign driver-specific scores based upon performance. Scores are evaluated and reported monthly via internal management reports.

Operating with Integrity: Understanding the importance of trust in the way we conduct our business and interact with staff and contractors

The Company's Code of Conduct outlines the principles and standards of behavior expected of its directors, employees and contractors when working with each other and when interacting with shareholders, other stakeholders and the broader community. The Code of Conduct requires employees and contractors to act with honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which Australis operates. Any breaches of the Code of Conduct may be brought to the attention of management in accordance with the Whistleblower Policy, without fear of recrimination or reprisal.

The Code of Conduct and Whistleblower Policy are accessible to all employees at any time via the Company's internal intranet site and are also available via the Company's website.

Development & Retention: Providing appropriate opportunities and incentives for employees to develop and grow their career within the Company

Australis recognises and values the importance of training and development programs for all directors, managers and professional staff. Technical training, professional development and support for technical certifications are offered to all staff.

Each year, the Australis leadership team set the general Company goals. These goals are then cascaded down through the organisation so that departmental and personal goals are set for each employee, ensuring that all targets are aligned with Australis' strategy. Employees are financially rewarded in their STI Plan for achieving and exceeding these goals.

Under Australis' Employee Equity Incentive Plan ("LTI Plan"), eligible employees are awarded performance rights annually which vest over a three-year period and can be exercised into shares once vested. In addition to aligning employee compensation with the shareholder return of the Company, the LTI Plan has the objective of rewarding employees for continuing their employment with the Company. For most senior staff the vesting of a majority of the rights are also linked to the Company share price performance during the vesting period.

Diversity: Building a diverse and talented team based on performance and merit

Australis understands the variety of employee backgrounds in an organisation can increase overall performance, sustainability, teamwork and creativity. To help generate this value in our business, Australis upholds a Diversity Policy, which is designed to augment business success by recognising and utilising the contribution of diverse skills and talent whilst fostering an environment of inclusion. The Diversity Policy is available via the Company's website.

We value gender and cultural diversity, and so Australis utilises a number of recruitment agencies to assist in obtaining a wider network of possible candidates for open positions. To encourage diversity in our team, Australis facilitates alternative working hours to accommodate for employees with family and other personal responsibilities. The Company also engages in visa sponsorship programs to ensure those with the best skills for our operations are able to work with us, regardless of their background.

ENVIRONMENT

Air Quality & Emissions: Monitoring and managing the emissions produced through our operations

Australis ensures that all operations are conducted in line with local government regulations, including operating production sites under government-issued air emissions permits when required. The Company has proactively worked with the Mississippi Department of Environmental Quality (DEQ) to streamline the permit process and modernise permit requirements, resulting in reduced net emissions and increased operational efficiency. An example is the creation of an oil and gas specific General Air Permit that was promulgated in 2019, in collaboration with other operators in Mississippi. In addition, Australis requires all third-party oil haulers to comply with more stringent leak testing requirements than are legally required, to reduce air emissions from loadouts. In 2019, Australis participated in the USA Environmental Protection Agency's (EPA) Greenhouse Gas Reporting Program by submitting data on operations and plans to continue this effort in 2020. Australis also carries out periodic gas leak surveys using forward-looking infrared (FLIR) cameras to further reduce emissions. Australis operations locations are designed and equipped with modern air emissions control equipment to minimise emissions.

Water Management: Responsibly sourcing and managing the water we utilise

Australis is conscious of the level of both water consumption and produced water in our operations and continues to plan and prepare for the ability to reuse produced water in future. Australis continues to assess long-term initiatives to minimise the impact of water sourcing on the environment.

Operations Waste Management: Disposing responsibly of produced water and waste to minimise our ecological impact

Australis only utilises the services of permitted third-party disposal contractors to manage our solid wastes. Australis ensures all water produced through our operations is managed responsibly and legally. At present, we use a licensed water disposal contractor, who injects the produced water into deep saline aquifers to minimise its impact on the surrounding environment. Whilst produced water volumes are relatively modest, field development plans contemplate recycling water for fracture operations.

Spill Prevention & Remediation: Minimising the risk of accidental fluid or waste spills and ensuring a focus on site remediation

To prevent spills to the environment, Australis operates using best practice initiatives such as full secondary bounding around all onsite storage tanks and sophisticated data monitoring systems with alarms and automatic shut-downs. Our advanced tank battery containment systems consist of steel walls with a synthetic liner. These resist weathering and wear and tear, and are more easily repaired when required. Australis maintains Spill Prevention, Control and Countermeasure (SPCC) Plan documents for all operated locations.

By ensuring that we operate with the latest and safest technology, we reduce the impact on the areas surrounding our operations and minimise the need for remediation in the future. Where remediation is required, Australis performs remediation work as soon as practicable and in full compliance with all regulatory requirements. To demonstrate Australis' understanding of the importance of adequate remediation, anticipated remediation costs for the end of each well's life are provided for and are incorporated in the Company's Statement of Financial Position.

2019 EHS Performance

In 2019, Australis achieved the target for three out of four EHS related KPIs. The "miss" was a result of the occurrence of three spills during our TMS operations that met the criteria of "reportable" under applicable regulation compared to our target of two reportable spills. Each of these spills, although reportable because each was over one barrel, were minor in nature and together involved in less than eighteen barrels. These spills were immediately addressed through existing containment and remediation procedures adopted by the Company that meet or exceeded industry standards.

STAKEHOLDER RELATIONS

In addition to Australis' EHS performance indicators mentioned above, throughout 2019 the Company has actively engaged with external stakeholders relating to EHS matters. We value our stakeholder relationships with high regard and seek to uphold positive and frequent community engagement throughout our operations.

Community Engagement: Maintaining transparency in our communications and engagement with local communities and stakeholders

Mississippi:

- Australis' management team proactively meets with government regulators in Mississippi to update them on the Company's progress and obtain information on specific regulatory programs pertinent to our operations. Examples of items proactively discussed with regulators in 2019 included frac water sourcing strategies to minimise environmental impact, drafting of the oil and gas air general permit, and reserve pit closure regulations and best practices.
- We maintain a 24-hour emergency hotline with posted signage for the public and landowners at all of our operated locations.
- We frequently collaborate with local governments to address public road maintenance issues at our field locations.
- During the year, Australis carried out a full deployment Emergency Response drill in collaboration with local authorities to ensure the continuous development of our emergency preparedness and response procedures.

Portugal:

- Manager Director, Ian Lusted, has conducted several briefing sessions with local municipal and national government officials, and town hall meetings with local communities.
- Australis' senior management team met with members of the local communities to maintain transparency and credibility in our operations.
- As planning for operations progresses, Australis is setting up focus groups, with representation from local communities, authorities and other stakeholders to provide a forum for questions and information dissemination.

RISK MANAGEMENT

Risk Management: Recognising and preparing for risks inherent to our industry

Australis maintains a robust system of risk management and internal controls which facilitate the identification and management of risks that may have a material impact on the Company's strategy or objectives.

The Board retains overall responsibility for reviewing, ratifying and monitoring systems of risk management and internal control however, the day to day responsibility for the management of risk is delegated to the CEO. The Board has adopted a Risk Management Policy and associated procedures, which are reviewed by the Board on at least an annual basis. Corporate and Operation Risks are regularly reviewed by Company, the frequency depending on the severity of the risks.

Australis' Risk Management Policy is available via the Company's website.

Financial Risk Management

The Board has delegated responsibility for financial risk management to the Audit and Risk Management Committee (ARMC). The ARMC reports to the Board on at least an annual basis as to the effectiveness of the financial risk management and internal control systems.

Australis' Audit and Risk Management Charter is available via the Company's website.

Operational Risk Management

Australis' risk management initiatives extend beyond our employees, to include our contractors. An example of this is Australis' use of Veriforce PEC, a third-party registration system, to qualify contractors and to require them to track and report their EHS performance to Australis. Potential contractors must meet minimum insurance, safety and environmental requirements in line with industry standards and thus achieve a minimum score on PEC's scoring system to be considered by Australis during the procurement process. Australis retains the right to audit vendors as part of our risk management framework.

Compliance

Australis is committed to conducting its business in compliance with the laws, regulations and rules of the jurisdictions and capital markets in which it operates or functions. In order to achieve this goal, Australis has adopted a sound system of corporate governance which is regularly monitored, developed as appropriate and communicated to employees and, where applicable, to its contractors.

Directors' Report

The Directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 31 December 2019.

Directors

The names of directors of the Company in office at any time during or since the end of the financial year ended 31 December 2019 are:

Mr Jonathan Stewart	Non-Executive Chairman
Mr Ian Lusted	Managing Director and Chief Executive Officer
Mr Graham Dowland	Finance Director and Chief Financial Officer
Mr Alan Watson	Non-Executive Director
Mr Steve Scudamore	Non-Executive Director

Each director held their office from 1 January 2019 until the date of this report.

Directors Interests in shares and options

The relevant interest of each director in the ordinary share capital of Australis at the date of this report is:

	Shares	Options	Performance Rights
J Stewart	68,335,002	40,000,000	-
I Lusted	15,576,234	16,000,000	2,494,832
G Dowland	15,250,000	13,200,000	1,700,554
A Watson	4,195,715	420,000	-
S Scudamore	296,002	420,000	-

Details of the qualifications, experience, special responsibilities and meeting attendance of each of the directors are set out below.

Principal activities

The principal activity of the Consolidated Entity continued to be oil and gas exploration, development and production. During the year the Consolidated Entity advanced the Initial Drilling Program in the TMS acreage it holds in Mississippi, USA and continued to advance the required submissions seeking permission to commence ground operations at its Portuguese onshore concessions.

Review of Operations

A review of Group operations is included in the Review of Operations within this Annual Report.

Mr Jonathan Stewart – Chairman

Qualifications – B.Com, CA

Mr Stewart was appointed as the Non-Executive Chair of Australis on 12 November 2015. Mr Stewart was a founder of Aurora and was a director of Aurora from 22 February 2005 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd on 11 June 2014. He was Executive Chairman and CEO of Aurora until separating those roles in 2012. An experienced oil & gas executive, Mr Stewart has held a number of executive management positions in listed and unlisted companies in Australia, the United States, Canada, the United Kingdom and the former Soviet Union. He has considerable experience in the management of oil and gas exploration and production companies, structuring and financing of transactions and the broader strategic development of companies. He has also been involved helping list a number of companies in Australia, the United Kingdom and Canada. Based in Europe during the 1990s, Mr Stewart has been involved in raising significant capital from international equity markets to enable the successful development of numerous projects.

Mr Stewart is a qualified Chartered Accountant.

Other current directorships of Australian listed public entities

None

Former directorships with Australian listed public companies within the last three years

None

Special responsibilities

Chairman of the Board
Member of the Audit & Risk Management Committee
Member of the Remuneration & Nomination Committee

Mr Ian Lusted – Managing Director and Chief Executive Officer

Qualifications – B. Science, MBA

Mr Lusted was appointed Managing Director and CEO of Australis on 12 November 2015. Previously Mr Lusted was Technical Director of Aurora from 14 April 2008 until August 2013. As well as being responsible for all technical activities carried out by Aurora, Mr Lusted played an active role in investor and stakeholder relations. He has extensive international oil & gas experience, having begun his career in the industry in 1991 with Shell International after serving for several years as an officer in the Royal Navy. At Shell, Mr Lusted gained upstream operations experience in a variety of locations including the North Sea, SE Asia and onshore Europe. He was responsible for field operations including drilling and well operations on semi-submersibles, platform, jack-up and land facilities. In 1998 Mr Lusted established Leading Edge Advantage ("LEA"), an advanced drilling project management consultancy based in Aberdeen and subsequently in Perth, Australia. Mr Lusted led a number of multi-discipline project teams that implemented world first technology applications often in complex jurisdictions. In 2005, Mr Lusted assumed the Technical Director position for Cape Energy, a private oil and gas company. The company held acreage in Australia and the Philip pines where Cape Energy was a key participant in moving the offshore Galoc field to development status. Mr Lusted acted in this capacity until August 2007 when he joined Aurora and in 2008 he was appointed Technical Director. Starting with a very small technical team and drawing on the services of 3rd party contractors, Mr Lusted managed the Aurora contribution to the early evaluation and operational activity within the Sugarkane Field. As activity levels increased staff were sourced and recruited to provide in house resource and expertise, Mr Lusted continued to participate at a decision making level but took on additional supervisorial and management roles.

Mr Lusted holds a B.Sc (Hons.) from York University in the United Kingdom and is a member of the Society of Petroleum Engineers.

Other current directorships of Australian listed public entities

None

Former directorships with Australian listed public companies within the last three years

None

Special responsibilities

None

Mr Graham Dowland –

Finance Director and Chief Financial Officer

Qualifications – B.Com, CA

Mr Dowland was appointed Director and CFO of Australis on 12 November 2015. Previously Mr Dowland was a founding director of Aurora appointed February 2005. Mr Dowland held the position of Finance Director of Aurora from 10 November 2010 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd in June 2014. He has over 30 years corporate finance and management experience in the oil and gas industry having previously held director or senior management or advisory positions in Australian, Canadian and UK-listed companies with operations in the UK, Russia, Azerbaijan, Indonesia, Australia and New Zealand. Mr. Dowland is a qualified Chartered Accountant.

Other current directorships of Australian listed public entities

None

Former directorships with Australian listed public companies within the last three years

None

Special responsibilities

None

Mr Alan Watson –

Non-Executive Director

Qualifications – B.Sc (Hons.)

Mr Watson was appointed as an independent Non-Executive Director of Australis on 24 May 2016 and was formerly an independent, non-executive director of Aurora from 17 November 2010 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd on 11 June 2014. Sydney-based Mr Watson is a former investment banker with 35 years of experience within various global equity markets. Over this period he established, directed and was responsible for the conduct of securities businesses both in Europe and Asia advising many companies on capital structuring, initial public offerings, takeovers and mergers and investment relations strategies. Mr Watson held positions at Barclays de Zoete Wedd Limited, Donaldson, Lufkin & Jenrette Securities Corporation, Lehman Brothers Holdings Inc and as Head of Securities Europe for Macquarie Capital (Europe) Ltd. Currently Mr Watson is independent Chairman of ASX listed funds management company Pinnacle Investment Management Group Limited.

Other current directorships of Australian listed public entities

Pinnacle Investment Management Group Limited

Former directorships with Australian listed public companies within the last three years

None

Special responsibilities

Chairman of the Remuneration & Nomination Committee
Member of the Audit & Risk Management Committee

Mr Stephen Scudamore –
Non-Executive Director
Qualifications – MA (OXON), FCA

Mr Scudamore was appointed as an independent Non-Executive Director of Australis on 30 November 2016.

Mr Scudamore is an experienced Australian company director. His distinguished career includes more than three decades with KPMG, including senior roles in Australia, London and PNG including Chairman of Partners WA, Head of Corporate Finance in WA and National Head of Valuations, KPMG Australia.

He is currently a non-executive Director of Pilbara Minerals Limited and Regis Resources Limited and was previously Non-Executive Director of Aquila Resources and Altona Mining Limited. He is also Chairman of MDA National Insurance Pty Ltd, the insurance arm of a mutual medical defence organisation.

Mr Scudamore's involvement in community organisations includes acting as Vice Chair of the Trustees at the Western Australian Museum.

Mr Scudamore is a Chartered Accountant with a Master of Arts from Oxford University, a Fellow of the Institute of Chartered Accountants, England, Wales and Australia (FCA), a Fellow of the Institute of Company Directors (FAICD) and a Senior Fellow of the Financial Services Institute of Australia (SF Fin).

Other current directorships of Australian listed public entities

Pilbara Minerals Limited
Regis Resources Limited

Former directorships with Australian listed public companies within the last three years

Altona Mining Limited (Resigned April 2018)
Aquila Resources (Resigned June 2016)

Special responsibilities

Chairman of the Audit & Risk Management Committee
Member of the Remuneration & Nomination Committee

Ms Julie Foster –
Vice President - Finance and Company Secretary
Qualifications – BA(Hons), ACA (ICAEW), AGIA

Ms Foster was appointed Vice President-Finance and Joint Company secretary of Australis on 12 November 2015. Previously Ms Foster was Group Controller and Company Secretary of Aurora from 2008 until its acquisition by Baytex Energy Australia Pty Ltd in June 2014.

Ms Foster holds a degree in Accounting and Finance (BA Hons) and is a member of the Institute of Chartered Accountants in England and Wales (ACA) and a member of the Governance Institute Australia (AGIA).

Indemnity of directors and officers

The Company has paid a premium in respect of a contract insuring the directors and officers of the Company and Group against liabilities incurred as such a director, secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Meetings of Directors

The following table sets out the scheduled number of meetings of the Company's directors held during the year and the number of meetings attended by each director.

	Meetings of Directors		Meetings of Committees			
			Audit		Remuneration	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Jonathan Stewart	6	6	6	6	6	6
Ian Lusted	6	6	-	-	-	-
Graham Dowland	6	6	-	-	-	-
Alan Watson	6	6	6	6	6	6
Steve Scudamore	6	6	6	6	6	6

In addition to the above formal meetings there were a number of informal meetings held throughout the year to discuss a variety of operational and strategic matters. Informal meetings included a visit to the operations office located in Houston, Texas. The Board and Committees also resolved several actions by circular resolution. A total of 8 Board resolutions, 3 Audit Committee resolutions and 1 Remuneration Committee resolution were resolved by circulatory resolution during 2019.

Shares issued on the exercise of options

The following fully paid ordinary shares were issued during the year ended 31 December 2019 on the exercise of 1,027,500 options (2018: 4,316,703). No amounts are unpaid on these shares.

Grant Date	Year Ended 31 December 2019		Year Ended 31 December 2018	
	Number	Exercise Price	Number	Exercise Price
Options 16-May-16	1,027,500	A$0.275	4,316,703	A$0.275
Total	1,027,500		4,316,703	

17,496,730 unlisted options exercisable at A$0.275 expired on 30 June 2019.

Shares issued on the exercise of performance rights

The following performance rights were exercised and settled during the year ended 31 December 2019 through the Australis Oil & Gas Employee Share Trust (Trust) with treasury shares previously acquired on market and through the issue of ordinary shares on 3 April 2019 to the Trustee of the Trust. No amounts are unpaid on these shares.

Grant Date	Year Ended 31 December 2019		Year Ended 31 December 2018	
	Number	Exercise Price	Number	Exercise Price
Performance Rights 15-Jun-17	677,103	-	51,523	-
Performance Rights 24-May-18	881,273	-	-	-
Total	1,558,376		51,523	

No performance rights expired during the year (2018: Nil). 198,372 performance rights were exercised to meet employee personal tax obligations in the United States upon vesting (2018: 41,738). 2,091,440 performance rights lapsed as a result of failure to meet the employment vesting condition (2018: 421,008).

Details of all options and performance rights on issue and their terms and conditions as at 31 December 2019 are set out at Note 7.3 to the financial statements. The remuneration report outlines those granted and / or vested to KMP and the key terms and conditions.

Significant changes in the state of affairs

The significant changes in the state of affairs of the Consolidated Entity during the financial period and to the date of this Report are set out in the Operating & Financial Review and the events after the reporting date as set out in this Annual Report.

Dividends

In respect of the year ended 31 December 2019, (2018: Nil) no dividends have been paid or declared and the directors do not recommend the payment of a dividend in respect of the financial period.

Events after the reporting date

Other than disclosed, no event has occurred since 31 December 2019 that would materially affect the operations of the Group, the results of the Group or the state of the affairs of the Group not otherwise disclosed in the Group's financial statements.

Likely developments

Refer to Future Developments section on page 23 of the Financial & Corporate Review.

Environmental developments

The Group is subject to environmental regulations under State and Federal laws in the jurisdictions where it holds mineral rights and concessions being the United States and Portugal and has processes in place to ensure compliance with these regulations. Environmental performance is reported to the Board on a monthly basis. For further detail on our environmental performance, refer to Environment section on page 34 of the Sustainability Report.

Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 2016/191, dated 24 March 2016 and in accordance with that Class Order amounts in the Director's Report and Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Proceedings on behalf of Australis

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Australis, or to intervene in any proceedings to which Australis is a party, for the purpose of taking responsibility on behalf of Australis for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of Australis with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

From time to time Australis may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor’s expertise and experience with Australis are important.

The Board has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the audit independence requirement of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code – Code of Ethics for Professional Accountants, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for Australis, acting as advocate for Australis or jointly sharing economic risk and reward.

Details of the amounts paid or payable to the external auditors, BDO for audit and non-audit services provided during the year are set out at Note 7.6 to the financial statements.

Auditor’s Independence Declaration

The Auditor’s independence declaration as required by section 307C of the *Corporations Act 2001* is included on page 118.

The Directors’ Report is signed in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the directors,

Jonathan Stewart
Chairman

Perth, Western Australia
28 February 2020

Remuneration Report

The Directors of Australis Oil & Gas Limited present their Remuneration Report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the year ended 31 December 2019.

This remuneration report outlines the remuneration arrangements of key management personnel (KMP) of the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, including any director (whether executive or otherwise) of Australis.

In accordance with section 308(3C) of the *Corporations Act 2001*, the remuneration report has been audited by BDO Audit (WA) Pty Ltd and forms part of the Directors' Report.

In this report the remuneration and benefits reported have been presented in United States dollars (unless otherwise stated) as a result of Australis change in functional and presentational currency from 1 January 2017. Quoted share prices and volume weighted average price of shares are expressed in Australian Dollars.

Australian based KMP are paid in Australian dollars. Remuneration and benefits denominated in Australian dollars have been converted to United States dollars at the exchange rate prevailing at the date of the transaction.

CONTENTS OF THE REMUNERATION REPORT:

Remuneration Report

1. LETTER FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

The 2019 remuneration strategy designed in late 2018 was similar to previous years with executives and employees receiving fixed and incentive based remuneration. The incentive program was again split into short and long term programs, with performance requirements aligning with the corporate goals and strategy. Whilst the short term performance focused on the immediate and specific corporate goals and targets, the medium to longer term incentives aligned to the corporate strategy of increasing and realisation of value for shareholders.

As detailed within this Annual Report, the past year has been challenging for both the US shale industry and Australis shareholders. Whilst many goals and targets were achieved during the year the Company's share price endured stock market headwinds. As a result, in the latter part of 2019, it was agreed that a reduction in components of fixed and short term remuneration for the CEO and CFO would be appropriate, and retain alignment with shareholder interests.

Short term incentive remuneration (STI)

The 2019 STI plan continued its primary focus on the continuation of safe operations. The Company's EH&S targets contained stringent targets for operational safety for all employees and contractors and a responsible approach to all environmental components of the group's operations. All but one of the EH&S targets were met and these are described in the Company's 2019 Sustainability Report.

The KPI objectives ranged from maintenance and improvement in well productivity and reducing associated costs, TMS land leasing, including consolidating and extending ownership with the TMS Core, execution of the Initial Drilling Program, and reserve and resource growth.

The outcomes of each of the KPI's are set out within the Remuneration Report with several objectives achieving stretch targets. Whilst many of the objectives of the IDP were met, the shorter well length for two of the four wells drilled in 2019 led to KPI under achievement of targets that did not meet minimum thresholds.

Long term incentive remuneration (LTI)

The 2019 LTI plan adopted a similar structure to prior years and was designed to align, as far as a possible, executives and all staff with the interest of shareholders. Performance Rights were granted and will vest into ordinary shares over a period of 3 years, with over 50% vesting in the 3rd year. Between 60% and 75% of KMP awards are subject to further hurdles based on the Australis share price performance. Further detail on the 2019 LTI Plan is contained within this Remuneration Report.

The Australis share price in 2019 led to no LTI performance criteria being achieved in any of the LTI Awards.

2019 Remuneration Outcomes and 2020 Remuneration Plan

In recognition of the difficulties currently being faced by the US shale industry and the industry in general, the following actions were taken prior to the commencement of 2020.

- Fixed remuneration for the executive directors was reduced by 20% from November 2019 and for 2020, and 10% for other executive KMP for 2020;
- 2019 STI for executive directors has been voluntarily forfeited;
- Non-executive directors reduced their cash fees for 2020 by 50% with the balance of their annual remuneration, subject to shareholder approval, to be provided by way of equity awards in Australis based on the average share price for the first half of 2020. Details will be provided in the Company's Notice of Annual General Meeting; and
- Reweighting the objectives for the at risk compensation for 2020. Safely managing the operations and the environment remain the priority with the operational targets aligning with the corporate strategy in the current industry environment. Short term targets include maximising productivity and cashflow, prudent capital management, balance sheet stability and land and reserve maintenance.

Alan Watson

Alan Watson
Chairman, Remuneration and Nomination Committee
Perth, Western Australia
28 February 2020

2. 2019 REMUNERATION OVERVIEW

The Board, together with the Remuneration and Nomination Committee established a remuneration structure appropriate for its activity levels and evolution of the Company's development and business which is aligned with the achievement of the Company's strategic objectives. The Board considers that the components of the Australis remuneration structure are required to retain executives with appropriate experience, both in Australia and North America.

The Board recognises that a motivated workforce is essential for the achievement of its corporate goals and as such the remuneration structure seeks to reward those who perform and encourage both individual and corporate growth and advancement through the offering of:

- Fixed remuneration that aligns an individual's role, their level of knowledge, skills and experience with market practice and economic conditions;
- Short term incentives (STI's) that reward the achievement of near term goals which align with long term strategic objectives; and
- Long term incentives (LTI's) to help strengthen the links between employees and the Company, intended to align the long term objectives of employees with those of Shareholders and to assist in attracting high calibre personnel particularly in North America where LTI's are a more common recruitment and retention tool.

In 2016 the Australis Oil & Gas Limited Employee Equity Incentive Plan (LTI Plan) was approved by Shareholders. The LTI Plan was re-approved by Shareholders at the Company's Annual General Meeting held on 29 April 2019 in accordance with Listed Rule 7.2 (Exception 9(b)). The LTI Plan is the structure under which the annual grant of long term performance incentives is offered to all employees. The first awards were made in 2017 under the LTI Plan to employees other than executive directors. Further awards were made in 2018 and 2019 to all employees including executive directors.

In addition, the Board may offer incentives such as options and shares to future executives where necessary to attract or retain high calibre candidates.

Progress towards the execution of the Company's strategy with regards to increasing the value of its assets in the TMS and in Portugal is described in the Chairman's letter on page 4. The 2019 remuneration targets continued the focus on goal aligned with the Company strategy of increasing the value of the Company's assets. The goals included meeting productivity and capital expenditure targets, reserve and resource targets, whilst maintaining the Company culture and commitment to achieving high rates of safety measured with reference to injury time, safety and environmental standards and vehicle use customary for onshore oil & gas operations.

Operational safety and environmental standards continued to be maintained at high levels and significant progress with the Company's strategy was made, particularly in demonstrating the productivity of the Company's TMS asset. The impact of the macro oil environment, together with the operational challenges encountered in the drilling programme as described in the Chairman's letter on page 4, resulted in a moderate achievement of the 2019 corporate goals and targets.

3. KEY MANAGEMENT PERSONNEL

The KMP disclosed in this report are as follows:

Name	Position
Directors	
Jonathan Stewart	Non-executive Chairman
Ian Lusted	Managing Director and Chief Executive Officer (CEO)
Graham Dowland	Finance Director and Chief Financial Officer (CFO)
Alan Watson	Independent Non-Executive Director
Steve Scudamore	Independent Non-Executive Director
Other KMP	
Michael Verm	Chief Operating Officer (COO) – Derecognised as KMP on 31 October 2019
Darren Wasylucha	Chief Corporate Officer (CCO)

Executive KMP are all KMP other than Non-Executive Directors.

4. RESPONSIBILITIES OF THE BOARD AND REMUNERATION AND NOMINATION COMMITTEE

The Board retains overall responsibility for remuneration policies and practices within the Australis Group.

The Board has established a Remuneration and Nomination Committee (RNC or Committee) which operates in accordance with its charter as approved by the Board. A copy of the charter is available under the corporate governance section of the Australis website.

For 2019 the RNC was comprised of Independent non-Executive Directors: Mr Alan Watson (Chair) and Mr Steve Scudamore and non-Executive Chairman Mr Jonathan Stewart whose qualifications are set out within the Directors Report at page 38-40.

The RNC charter sets out the main responsibilities of the Committee with regard to remuneration including to:

- Undertake regular (at least every two years) review of market conditions, economic factors, industry trends, remuneration statistics and trends, and peer remuneration to set the framework for the determination of organisational wide remuneration policies;
- Review the Company's Human Resources Policies including a review of the Company's Remuneration Policy, Diversity Policy and other related policies (e.g. recruitment, remuneration, training, management, retention and termination policies and procedures for senior executives);
- Review and make recommendations to the Board in relation to whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees;
- Recommend to the Board the structure of employee incentive and equity-based plans including the appropriateness of performance hurdles;
- Review and approve the measurable outcomes of incentive plans;
- Review all executive compensation disclosure before the Company publicly discloses this information, including in the annual Remuneration Report and in any information circular for annual general meetings;
- Recommend to the Board the terms and conditions governing the appointment, remuneration and termination of employment of the CEO and Executive Directors;
- Determine CEO and Executive Director Key Performance Indicators (KPIs) and recommend them to the Board;
- Evaluate the performance of the CEO and Executive Directors in light of those KPIs;
- Approve the terms and conditions governing the appointment, remuneration and termination of employment of KMP;
- Approve KMP Key Performance Indicators (KPIs);
- Approve the recommendation of the CEO in relation to the outcomes of KPI performance of KMP;
- Review, based on the CEO's recommendations in relation to remuneration matters on employees who hold the title of Vice President;
- Review the remuneration of non-Executive Directors on a regular basis and recommend any changes in remuneration to the Board; and
- Review and approve the Claw Back Policy.

5. REMUNERATION STRUCTURE – EXECUTIVE KMP

5.1 Remuneration Principles

The objective of the Group's remuneration framework is to provide an appropriate and competitive reward which aligns the compensation packages of those executives of Australis who are considered KMP (Executive KMP) with the achievement of the strategic objectives of the Group including growth in shareholder value by linking rewards to individual performance and the performance of the Group over the short and long term.

Executive KMP receive a mix of fixed and "at risk" remuneration which includes a blend of short and long term incentives and benefits.

The remuneration framework is designed to attract, motivate and retain high calibre Executive KMP. The remuneration framework has been established with the aim of being appropriate within both Australia and North America.
The framework seeks to align:

- **fixed remuneration** for individual roles and responsibilities with that of peers in accordance with market practice and conditions;
- **"at risk" short term incentives** with each Executive KMP contribution and effort to the achievement of the Company's ongoing performance defined by pre-determined key performance targets. The key performance targets are based on the annual goals and targets, including outperformance targets, of the Company which are in turn linked to the corporate strategy. Prior to the effect of the Environmental, Health and Safety ("EHS") Targets on STI achievement:

  a) 80% of available STI is linked to measurable corporate targets and goals. If all outperformance stretch targets are achieved this increases to 99.8% of available STI, and

  b) 20% of available STI is linked to individual performance which contains subjective measures, with all determined and approved by the Board;

  (c) To reinforce the Company's commitment to a culture of safety an STI target focussed on Environment, Health and Safety (EHS) was introduced from 2017 and is applied to all employees. The EHS STI target measures all lost time incidents by employees or contractors on company sites, motor vehicle incidents causing injury or above a financial value threshold and reportable spills with the overall result being a range of a maximum of an increase of up to 40% of achieved STI for achieving all EHS targets or reduction of up to 40% of achieved STI depending on the extent and number of EHS targets missed.

- **"at risk" long term incentives** with shareholder objectives through the grant of share-based incentives with performance hurdles. Prior to 2016, long term incentives were provided to Executive KMP (also founders of the Company) through the grant of non-transferable options, subject to vesting requirements linked to continued employment. No long term incentives were granted to Executive Directors under the LTI Plan in 2017. Long term incentives were granted to Executive KMP under the LTI Plan in 2018 and 2019 as set out herein. For 2020 the long term incentives offered to existing and any new Executive KMP will be subject to performance hurdles that include minimum absolute shareholder return ("TSR") and will, in part, be benchmarked to a peer group that could be considered as an alternative investment to Australis.

The Company has adopted a Claw Back Policy which permits the claw back of vested and unvested short and long term incentives granted to Executive KMP and other senior executives, in accordance with the terms of the applicable incentive, including if the Company becomes aware of a material misstatement in its financial statements or other reports for the immediately preceding financial year for LTI's and for STI's or becomes aware of an event that has occurred, including but not limited to fraud or dishonesty, which would deem that some or all of the performance based remuneration should not have been paid to Executive KMP and other senior executives.

5.2 Remuneration Components

The various components of Executive KMP remuneration are set out below.

Table 1: Executive KMP remuneration components

5.2.1 Fixed remuneration	
Base Remuneration	• Base remuneration for Executive KMP is reviewed annually by the RNC as part of the Company's annual performance review processes. Consideration is given to comparable roles in organisations of a similar size, industry and complexity. Where relevant, remuneration information derived from relevant remuneration surveys conducted by independent third parties are used to supplement this data. • As a result of the share price performance during 2019 and the operational difficulties encountered during the TMS drilling program, effective 1 November 2019, the base remuneration for the CEO and CFO were voluntarily reduced by 20%. KMP base remuneration for 2020 is set out on page 73.
Post-employment benefits	• Minimum Superannuation Guarantee contributions are made for Australian-based Executive KMP. • USA-based Executive KMP receive a contribution towards "401k" retirement plans which matches their own contributions to such plans. In 2019, contributions were matched for USA Executive KMP up to a maximum of 6% of base salary. • In January 2020, a 2% one-off employer only 401k contribution was made to US employees including the COO based on total cash remuneration (base plus STI subject to IRS limits) for 2019. • Termination benefits are payable to Executive KMP as part of their contractual agreements as set out in section 14. These termination benefits were approved by shareholders on 27 June 2016 for Executive KMP other than the CCO whose termination benefit was approved by shareholders on 29 April 2019.
Other benefits	• For the year ended 31 December 2019, the following benefits or allowances (including fringe benefits tax where applicable) were made available to Executive KMP: • Car parking – CEO, CFO and COO. • Health, dental and life insurance benefits – COO and CCO (a standard benefit for North American based employees).
5.2.2 Short term incentives	
What is a short term incentive (STI)	• An STI is an 'at risk' cash incentive payment which is paid to Executive KMP at the discretion of the Board on an annual basis, subject to the satisfaction of performance conditions including pre-set Board approved corporate goals and targets and assessment of individual performance for 2019 which align with corporate strategy. • The maximum amount of STI payable to Executive KMP is expressed as a percentage of their Base Remuneration and is based on employment level. • The STI percentage for individual Executive KMP is pre-approved by the Board or RNC. • The Board retains the right to grant STI's in recognition of, however is not restricted to, additional workload and ad hoc assignments.

5.2.2 Short term incentives (Continued)

Objectives

- To provide reward for each Executive KMP's performance in achieving pre-agreed individual and corporate objectives which have been determined to be priorities for the relevant period.

Performance conditions

- The level of STI awarded is determined by reference to both individual and Company performance. For Executive KMP up to 99.8% (all stretch targets achieved or exceeded and prior to the EHS target multiplier) of their individual available STI is linked to corporate performance.
- For 2019 Company performance was assessed based on weighted components that included:

	As a % of target STI	Range (subject to minimum threshold achievement)		
Corporate KPI's	**Target**	**Base**	**Stretch**	**EHS Multiplier[1]**
1. Goals aligned to continuing operations in the TMS and preparation for development activities in Portugal	35%	n/a	35%	
2. Targets relating to the maintenance of production from existing operated wells	4%	2%	6%	
3. Target relating to production expenses	4%	2%	6%	
4. Targets relating to increasing reserves and resources including the transition of resources to reserves	9%	4.5%	10.8%	
5. Targets relating to capital expenditure and production for new wells drilled under the Initial Drilling Program	28%	14%	42%	
Total not greater than	**80%**	**57.5%**	**99.8%**	**0.6 to 1.4 x**

(1) The Board and management of Australis are committed to supporting a culture of prioritising safety. The EHS KPI relates to specific statistical targets for reportable incidents. These targets are monitored on a regular basis. Due to the importance attributed to the safety culture the EHS KPI overlies the existing corporate and individual KPI's. A multiplier of between 0.6 to 1.4 times, dependent on the level of achievement of EHS targets, will be applied to the achieved STI %.

- At the end of the financial year, the RNC determined the corporate KPI outcomes based on the allocation (set at the commencement of the year) appropriate to the Company's activity during 2019 and assessed achievement of certain components of Company performance based on a pre-determined range as follows:
  - Base – minimum performance necessary to qualify for an award, other than Goals which require a subjective assessment by the board as to achievement
  - Target – where performance requirements are met.
  - Stretch – where performance requirements are exceeded.
- In addition, for Executive KMP 20% of available STI is linked to individual performance and is measured against personal objectives which support both the base business and promote business growth. The individuals' performance rating assesses the achievement of these goals as well as overall performance and behaviour.
- The STI outcome for each Executive Director is approved by the Board after receiving recommendations from the RNC. For Executive KMP other than the CEO and CFO, the amount of STI to be paid is approved by the RNC based on the recommendation of the CEO. The payment of STI's will occur after lodgement of the 2019 Audited Financial Report.

5.2.2 Short term incentives (Continued)

2018 Deferred STI Award

- The 2018 STI Plan included KPI's relating to production and capex costs for new wells spudded in 2018 which was assessable as follows:

	As a % of target STI	Range (subject to minimum threshold achievement)		
Corporate KPI's	**Target**	**Base**	**Stretch**	**EHS Multiplier[1]**
Targets relating to capital expenditure and production of new wells	20%	2%	36%	0.6 – 1.4 x

- With 4 new wells having drilling commence in 2018 but only 2 having commenced production in the 4th quarter 2018 and the second pair commencing production in the 1st quarter 2019 the productivity and capex results, in particularly the IP 30 rates, were not known until the second quarter of 2019. The RNC determined that the assessment of this 2018 KPI would be deferred until 2019 and be recorded as 2019 remuneration.

- The maximum 2018 deferred STI available and achieved in 2019 was as follows:

Executive KMP	**2018 STI Deferred to 2019 (new wells – 2018 capex and productivity targets)**			
Directors	**Maximum Available Deferred STI US$**	**% of Maximum Available STI in 2018**	**Achieved %**	**Achieved US$**
I Lusted	94,422	27%	0%	-
G Dowland	66,651	27%	0%	-
Other				
M Verm	64,125	27%	0%	-
D Wasylucha	40,935	27%	0%	-

- The minimum performance threshold for the 2018 Deferred STI was not achieved and the STI was forfeited

5.2.2 Short term incentives (Continued)

2019 Award

- In assessing the achievement of the 2019 Corporate goals the RNC took into account the changes during the year in the oil & gas industry, oil price, the outcomes of the wells drilled in the TMS during 2019, the continuing delays in progressing the exploration program in Portugal and the effect of these changes on the Company's short term strategic aims for 2019 which were set more than twelve months ago.
- **Corporate Goals –**

  Whilst significant progress, particularly in demonstrating the productivity of our TMS asset per 1000 foot of lateral drilled and completed, the impact of the macro oil environment , together with the operational challenges encountered in the drilling programme resulted in a moderate achievement of corporate goals.
- **Corporate Targets –**

1. The oil productivity in 2019 from all wells on production at the commencement of 2019 exceeded the base target but did not achieve the stretch goal.
2. Production expenses in 2019 met the minimum 2019 base target performance requirement.
3. Reserves and Resources targets focused on growth in Proven reserves and the overall 2P and 2C reserve / resource volume, both of which exceeded the target with the Proved Reserves achieving the stretch target. Please refer to the Reserves and Resources Statement on page 24 of the Annual Report for disclosure of the independently assessed reserve and resource results.
4. The Initial Drilling Program resulted in two wells being drilled and completed in 2018 and a further four wells being drilled and completed in 2019. Due to operational delays and difficulties encountered during the drilling in 2019 the minimum performance threshold for capital expenditure and production targets for these wells on a combined basis was not achieved.

The STI Targets and achieved awards for the year ended 31 December 2019 were as follows:

Executive KMP	Maximum Available STI*	STI Achieved		STI not Achieved and Forfeited		STI Achieved and Voluntarily Forfeited[(2)]	
Directors	**Max STI Plan % of Base Salary[(3)]**	**US$ [(1)]**	**% of Maximum Available STI [(3)]**	**US$ [(1)]**	**% of Maximum Available STI**	**US$ [(1)]**	**% of Maximum Available STI**
I Lusted	125.79%	_		328,061	97.10%	96,921	28.69%
G Dowland	109.01%	-		216,083	84.15%	63,838	24.86%
Other							
M Verm	83.86%	60,021	17.55%	226,780	66.31%	-	-
D Wasylucha	75.47%	43,851	17.78%	142,344	57.7%	-	-

* Includes stretch targets and maximum EHS multiplier.

(1) *Inclusive of superannuation (Australian KMP) and 401k (US KMP) where applicable.*

(2) *Messrs Lusted and Dowland, the CEO and CFO respectively, voluntarily determined to forfeit their entire achieved STI for 2019 due to the share price performance for 2019.*

(3) *To reinforce the Company's commitment to a culture of safety an STI target focussed on Environment, Health and Safety (EHS) was introduced from 2017 and is applied to all employees. The EHS STI target measures all lost time incidents by employees or contractors on company sites, motor vehicle incidents causing injury or above a financial value threshold and reportable spills with the overall result being a range of a maximum of an increase of up to 40% of achieved STI for achieving all EHS targets or reduction of up to 40% of achieved STI depending on the extent and number of EHS targets missed. For 2019 the EHS multiplier target was met although one target, relating to reportable spills was exceeded by one incident, however, through the Company's active group wide safety observation proactive measure, the annual one incident only clawback was entitled to be utilised. Therefore 100% of the achieved STI was maintained.*

5.2.3 Long term incentives

What is a long term Incentive (LTI)	An LTI is an "at risk" incentive the value of which is derived from the equity of the Company and is designed to align compensation with the total shareholder return of the Company over the medium to long term. In 2016 the Company established the Australis Oil & Gas Limited Employee Equity Incentive Plan (LTI Plan) which was approved by shareholders at a general meeting on 27 June 2016. The LTI Plan was re-approved by shareholders at the Annual General Meeting on 29 April 2019. LTI awards under the LTI Plan can include options, performance rights and shares.
Objectives	• To reward, retain and motivate eligible employees. • To assist in the engagement of high calibre employees. • To link the reward of eligible employees to performance and creation of shareholder value. • To align the interests of eligible employees with those of shareholders. • To provide eligible employees with the opportunity to share in any future growth in value of the Company. • To provide greater incentive for eligible employees to focus on the Company's longer term goals.
Performance Condition	For the 2017, 2018 and 2019 performance year awards for Executive KMP (excluding the Executive Directors) under the LTI Plan: • 40% is subject to continued employment within the Group and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period. • 30% is subject to an Absolute TSR Performance Target and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period. • 30% is subject to a Relative TSR performance (as against peer companies – see below) and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period. For the 2018 and 2019 performance year awards for Executive Directors under the LTI Plan: • 25% is subject to continued employment within the Group and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period. • 37.5% is subject to an Absolute TSR Performance Target and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period. • 37.5% is subject to a Relative TSR performance (compared to peer group as set out in Section 10.2) and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period. For the 2017, 2018 and 2019 Awards • The LTI Plan incorporates a retest facility whereby any performance rights that do not vest on the Tranche 1 (1/7) and / or Tranche 2 (2/7) Vesting Dates pursuant to the Absolute and / or Relative TSR Performance Targets will be retested at the Tranche 3 (4/7) Vesting Date in accordance with the Tranche 3 Performance Targets. • Specific details regarding the Absolute TSR Performance Targets are set out in section 7. • The CEO provides a recommendation to the RNC, based on performance outcomes, of awards to be vested for Executive KMP other than the CEO and CFO. • The RNC provides a recommendation to the Board, based on performance outcomes, of awards to be vested for the CEO and CFO.

5.2.3 Long term incentives (continued)

Awards

- The following performance rights were granted to Executive KMP in 2019 (and in 2018):

Executive KMP	2019 Performance Rights Grant	2018 Performance Rights Grant
Ian Lusted	1,111,111	1,383,721
Graham Dowland	723,810	976,744
Michael Verm[(1)(2)]	1,096,892	934,707
Darren Wasylucha[(1)(3)]	729,711	662,214

(1) *On 29 April 2019, the Board approved an out of sequence performance right award to senior executives (excluding the CEO and CFO). The terms and conditions of the 2019 Senior Executive Award granted during the year are set out in Section 7 of this report. This award was an additional incentive offered to 4 senior executives and vesting on 1 January 2022 requires continued employment and an Australis share price minimum achievement for each tranche as follows: A$0.60 VWAP for December 2019 (Tranche 1), A$0.90 VWAP for December 2020 (Tranche 2) and A$1.25 VWAP for December 2021. The fair value of the 2019 Senior Executive Award were calculated by RSM Australia Pty Ltd and will be expensed over the vesting periods commencing in the 2019 reporting period.*

(2) *Of the 1,096,892 performance rights granted to Mr Verm 846,892 related to 2019 LTI Award and 250,000 related to 2019 Senior Executive Award.*

(3) *Of the 729,711 performance rights granted to Mr Wasylucha 479,711 related to 2019 LTI Award and 250,000 related to 2019 Senior Executive Award.*

- The terms and conditions of the 2019 LTI Awards – granted during the year are set out in Section 7 of this report.
- The fair value of the 2019 LTI Awards were calculated by RSM Australia Pty Ltd and will be expensed over the vesting periods commencing in the 2019 reporting period.

6. REMUNERATION STRUCTURE - NON-EXECUTIVE DIRECTORS

6.1 Remuneration Principles

The structure of non-executive director (NEDs) remuneration is separate and distinct from that of executive remuneration.

The Company's policy is to remunerate NEDs at a fixed fee for time, commitment and responsibilities. Remuneration for NEDs is set with regard to:
- market rates;
- the size and complexity of Australis operations; and
- the responsibilities and expected workloads of the NEDs.

In addition to these fees, NEDs are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred attending meetings of the Board, committees or shareholders or while engaged on Australis business.

Remuneration is not linked to individual performance, however to align directors' interests with shareholders' interests, NEDs are encouraged to hold shares in the Company. For 2020, 50% of total NED fees (including superannuation) will be settled by way of the issue of equity awards in Australis subject to shareholder approval at the forthcoming annual general meeting. The remaining 50% of fees will continue to be paid in cash. NED shareholdings are detailed in section 12.

There were no options or performance rights granted to NEDs during 2019 (2018: Nil).

6.2. Remuneration Components

Table 2: Non-Executive Directors' remuneration components

Base remuneration	• Base fee – Chair of the Board of A$250,000. • Base fee of A$85,000 for other non-Executive Directors. • Additional fees: A$15,000 - Chair of the Remuneration and Nomination Committee. A$15,000 – Chair of the Audit and Risk Management Committee. • Maximum aggregate fees payable to non-Executive Directors as approved by shareholders on 27 June 2016 are set at A$600,000.
Post-employment benefits	• Where applicable, superannuation contributions which comply with the superannuation guarantee legislation are included in the above fees.
Other benefits	• No other benefits were paid to non-Executive Directors.

7. TERMS AND CONDITIONS OF SHARE-BASED COMPENSATION

7.1 Options

The key terms and conditions of each LTI Plan award (Options) affecting KMP remuneration in the current or a future reporting period are set out below:

Table 3: Terms and conditions of options granted to KMP

Type of grant	Grant date	Vesting date[1]	Expiry date	Exercise price	Black & Scholes Value per option at grant date[2]	Vesting condition	Achieved	Vested
A$0.275 (Series D) Options	24 May 2016	24 May 2019	24 May 2021	A$0.275	0.1261	Continued engagement as director at 24 May 2019	100%	100%
A$0.3125 (Series C) Options	10 Apr 2017	30 Nov 2019	30 Nov 2021	A$0.3125	0.1555	Continued engagement as director at 30 Nov 2019	100%	100%
A$0.40 (Series C) Options	18 Dec 2017	18 Dec 2019	31 Dec 2022	A$0.40	0.044	Continued employment at 18 Dec 2019	100%	100%

(1) *Options can only be exercised if they have vested and thereafter can be exercised at any time up until the expiry date. Upon exercise by the option holder, and the payment in cash of the exercise price to the Company, each option is convertible into one ordinary share which will rank equally with all other issued ordinary shares.*

(2) *The Black & Scholes value of options at grant date is calculated in accordance with AASB 2 Share-Based Payments.*

(3) *Options carry no dividend or voting rights.*

(4) *The transfer of options is prohibited unless the transfer is approved by the Board at its discretion.*

7.2 LTI Plan Awards – Performance Rights

The key terms and conditions of each LTI Plan award (Performance Rights) affecting KMP remuneration in the current or a future reporting period are set out below:

Table 4: Terms and conditions of performance rights granted to KMP

Type of grant	Grant date	Tranche	Vesting Date	Expiry Date	Exercise Price	Value per right at grant date[1]	Vesting condition	Vested
Performance Rights-2019 LTI Plan Award	1 May 2019	1[2]	31 Jan 2020[11]	31 Jan 2022	Nil	A$0.28	Service condition[3]	N/A
						A$0.172	Performance hurdle 1[4][8]	
						A$0.148	Performance hurdle 2[7][8]	
		2[2]	31 Jan 2021[11]	31 Jan 2023	Nil	A$0.28	Service condition[3]	N/A
						A$0.171	Performance hurdle 1[4][8]	
						A$0.150	Performance hurdle 2[7][8]	
		3[2]	31 Jan 2022[11]	31 Jan 2024	Nil	A$0.28	Service condition[3]	N/A
						A$0.149	Performance hurdle 1[4][8]	
						A$0.135	Performance hurdle 2[7][8	
Performance Rights-2019 Senior Executive Award (excluding Executive Directors)	1 May 2019	1[10]	1 Jan 2022[11]	1 Jan 2024	Nil	A$0.012	Service condition[9]	N/A
							Performance hurdle[9]	
		2[10]	1 Jan 2022[11]	1 Jan 2024	Nil	A$0.020	Service condition[9]	N/A
							Performance hurdle[9]	
		3[10]	1 Jan 2022[11]	1 Jan 2024	Nil	A$0.024	Service condition[9]	N/A
							Performance hurdle[9]	

Table 4: Terms and conditions of performance rights granted to KMP (Continued)

Type of grant	Grant date	Tranche	Vesting Date	Expiry Date	Exercise Price	Value per right at grant date[1]	Vesting condition	Vested
Performance Rights-2018 LTI Plan Award	25 May 2018	1[2]	31 Jan 2019[11]	31 Jan 2021	Nil	A$0.405	Service condition[3]	96%
						A$0.386	Performance hurdle 1[5][8]	
						A$0.331	Performance hurdle 2[7][8]	
		2[2]	31 Jan 2020[11]	31 Jan 2022	Nil	A$0.405	Service condition[3]	N/A
						A$0.362	Performance hurdle 1[5][8]	
						A$0.313	Performance hurdle 2[7][8]	
		3[2]	31 Jan 2021[11]	31 Jan 2023	Nil	A$0.405	Service condition[3]	N/A
						A$0.331	Performance hurdle 1[5][8]	
						A$0.284	Performance hurdle 2[7][8]	
Performance Rights-2017 LTI Plan Award	15 June 2017	1[2]	31 Jan 2018[11]	31 Jan 2020	Nil	A$0.24	Service condition[3]	40%
						A$0.049	Performance hurdle 1[6][8]	
						A$0.076	Performance hurdle 2[7][8]	
		2[2]	31 Jan 2019[11]	31 Jan 2021	Nil	A$0.24	Service condition[3]	70%
						A$0.079	Performance hurdle 1[6][8]	
						A$0.108	Performance hurdle 2[7][8]	
		3[2]	31 Jan 2020[11]	31 Jan 2022	Nil	A$0.24	Service condition[3]	N/A
						A$0.09	Performance hurdle 1[6][8]	
						A$0.127	Performance hurdle 2[7][8]	

(1) *The value at grant date of performance rights granted are calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.3 of the Financial Report for details of the assumptions used in calculating the value of each performance right as at their effective grant date.*
For Executive Directors, as 75% of each tranche of Performance Rights granted under the 2018 and 2019 Awards require both continued employment and achievement of TSR based performance hurdles, the value for these rights differ from the service only based rights. For Other KMP, as 60% of each tranche of Performance Rights granted under the 2017, 2018 and 2019 Awards require both continued employment and achievement of TSR based performance hurdles, the value for these rights differ from the service only based rights.

(2) *Tranche 1 – 1/7th of total performance rights awarded*
Tranche 2 – 2/7th of total performance rights awarded
Tranche 3 – 4/7th of total performance rights awarded

(3) *The following vesting conditions will be assessed for the KMP on the Vesting Date:*
Service based vesting condition: subject to the participant being employed by the Company throughout the relevant test period (2019 and 2018: being the period from the grant date up to and including the Vesting Date for each tranche of an award. 2017: being the period from the grant date up to and including 1 January of the year of vesting), 25% for Executive Directors and 40% for Other KMP of the relevant tranche of an award that may vest on a particular Vesting Date will vest;

(4) *The following vesting conditions will be assessed for the Executive KMP on the Vesting Date for the 2019 LTI Plan Award:*
- *Performance hurdle 1: up to 56.25% for Executive Directors and 45% for Other KMP of the relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the performance of the Company's Absolute TSR performance measure, being the increase of the Company's volume weighted average price("VWAP") for December 2018 to the VWAP of the Company for the month of December prior to the particular Vesting Date.*

Vesting Schedule – Absolute TSR – 2019 Granted

ATS TSR increase compared to December 2018 VWAP of A$0.315	**<15%**	**15% to 20%**	**>20% to 25%**	**>25% to 30%**	**>30% to 40%**	**40% +**
Vesting to occur:	**% of Absolute TSR tested tranche that vests**					
31 Jan 2020 (December 2019 VWAP)	0%	60%	80%	100%	100%	100%
31 Jan 2021 (December 2020 VWAP)	0%	40%	60%	80%	100%	100%
31 Jan 2022 (December 2021 VWAP)	0%	20%	40%	60%	80%	100%

(5) *The following vesting conditions will be assessed for the Executive KMP on the Vesting Date for the 2018 LTI Plan Award:*
- *Performance hurdle 1: up to 37.5% for Executive Directors and 30% for Other KMP of the relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the performance of the Company's Absolute TSR performance measure, being the increase of the Company's volume weighted average price("VWAP") for December 2017 to the VWAP of the Company for the month of December prior to the particular Vesting Date.*

Vestiing Schedule – Absolute TSR – 2018 Granted

ATS TSR increase compared to December 2017 VWAP of A$0.215	<10%	≥10%	≥15%	≥20%	≥25%	≥30%	≥40% +
Vesting to occur:	**% of Absolute TSR tested tranche that vests**						
31 Jan 2019 (December 2018 VWAP)	0%	25%	37.5%	50%	75%	100%	0%
31 Jan 2020 (December 2019 VWAP)	0%	10%	25%	37.5%	50%	75%	100%
31 Jan 2021 (December 2020 VWAP)	0%	0%	0%	25%	37.5%	50%	100%

(6) *The following vesting conditions will be assessed for the Other KMP on the Vesting Date for the 2017 LTI Plan Award:*

- *Performance hurdle 1: up to 30% for Other KMP (Executive Directors did not participate) of the relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the performance of the Company's Absolute TSR performance measure, being the increase of the Company's share price from the IPO issue price of (A$0.25) to the VWAP of the Company for the month of December prior to the particular Vesting Date.*

ATS TSR increase compared to IPO Price A$0.25	<10%	≥10%	≥15%	≥20%	≥25%	≥30%	≥40%	≥50%	≥60%
Vesting to occur:	**% of Absolute TSR tested tranche that vests**								
31 Jan 2018 (December 2017 VWAP)	0%	25%	37.5%	50%	62.5%	75%	100%	100%	100%
31 Jan 2019 (December 2018 VWAP)	0%	0%	25%	37.5%	50%	62.5%	75%	100%	100%
31 Jan 2020 (December 2019 VWAP)	0%	0%	0%	25%	37.5%	50%	62.5%	75%	100%

(7) *The following vesting condition will be assessed on the Vesting Date for the Other KMP for the 2017 LTI Plan Award and for all Executive KMP for the 2018 and 2019 LTI Plan Award:*

- *Performance hurdle 2*
  - *2017 Award: up to 30% for Other KMP (Executive Directors did not participate) of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's IPO price of A$0.25) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 10.2 (being the largest 16 ASX listed oil and gas exploration and production companies with a market capitalisation of less than A$300 million as 31 December 2016). Each peer company's TSR is calculated by comparing its VWAP for the month of December prior to the current Vesting Date with its December 2016 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.*

  - *2018 Award: up to 30% for Other KMP and 37.5% for Executive Directors of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's December 2017 VWAP) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 10.2 (being the 16 largest ASX listed oil and gas exploration and production companies with a market capitalisation between A$100 million and A$600 million). Each peer company's TSR is calculated by comparing its VWAP for the month of December prior to the current Vesting Date with its December 2017 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.*

- *2019 Award: up to 15% for Other KMP and 18.75% for Executive Directors of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's December 2018 VWAP) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 10.2 (being the 12 largest ASX listed oil and gas exploration and production companies with a market capitalisation between A$100 million and A$1 billion). Each peer company's TSR is calculated by comparing its VWAP for the month of December prior to the current Vesting Date with its December 2018 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.*

ATS Ranking within Peer Group	LTI Vesting for the Relative TSR portion of the 2019 LTI	LTI Vesting for the Relative TSR portion of the 2018 and 2017 LTI
1st	100.0%	100.0%
2nd	83.3%	87.5%
3rd	66.7%	75.0%
4th	50.0%	62.5%
5th	33.3%	50.0%
6th	16.7%	37.5%
7th	0.0%	25.0%
8th	0.0%	12.5%
9th	0.0%	0.0%

(8) *If either of the relevant TSR performance hurdles for Tranche 1 or Tranche 2 of an award are not satisfied on the relevant Vesting Date for either of the tranches, the portion of awards eligible to vest but which do not vest on the relevant Vesting Date will be re-tested on the Tranche 3 Vesting Date in relation to the Tranche 3 Performance Targets.*

(9) *The following vesting condition will be assessed on the Vesting Date for the Other KMP (Executive Directors did not participate) for the 2019 Senior Executive Award:*

- *Service based vesting condition: subject to the participant being employed by the Company throughout the relevant period from the grant date up to and including the Vesting Date for each tranche of an award; and*
- *Performance Hurdle: The relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the performance of the Company's share price. Each Tranche will lapse if the minimum December VWAP is not achieved at the respective Vesting Date*

Tranche	Vesting Date	ATS Share Price Performance
1	1 Jan 2022	Dec 2019 ATS VWAP > A$0.60
2	1 Jan 2022	Dec 2020 ATS VWAP > A$0.90
3	1 Jan 2022	Dec 2021 ATS VWAP > A$1.25

(10) *Tranche 1 – 40% of total performance rights awarded*
Tranche 2 – 40% of total performance rights awarded
Tranche 3 – 20% of total performance rights awarded

(11) *Performance rights can only be exercised if they have vested and can be exercised for two years from the date of vesting. Upon exercise each performance right is convertible into one ordinary share which will rank equally with all other issued ordinary shares.*

(12) *Performance rights carry no dividend or voting rights.*

8. SHARE-BASED AWARDS GRANTED AND/OR VESTED DURING THE YEAR

The following options and performance rights were granted and / or vested to KMP:

Table 5: KMP share-based awards granted, vested or forfeited during 2019

	Award	Grant date	Grant value[1] (A$)	Number of rights/ options granted[2]	Number of rights/ options vested during year	Number of rights/ options forfeited during year
Non-Executive Directors						
Alan Watson	A$0.275 (Series C) options	24 May 2016	-	-	140,000	-
Steve Scudamore	A$0.3125 (Series C) options	10 April 2017	-	-	140,000	-
Executive Directors						
Ian Lusted	2018 LTI Plan	25 May 2018	-	-	188,408	-
	2019 LTI Plan	1 May 2019	202,658	1,111,111	-	-
Graham Dowland	2018 LTI Plan	25 May 2018	-	-	132,994	-
	2019 LTI Plan	1 May 2019	132,018	723,810	-	-
Other KMP						
Michael Verm[4]	2017 LTI Plan	15 June 2017	-	-	118,412	-
	2018 LTI Plan	25 May 2018	-	-	128,523	-
	2019 LTI Plan	1 May 2019	171,400	846,892	-	-
	2019 Senior Executive Award	1 May 2019	4,400	250,000	-	-
Darren Wasylucha	$0.40 options	18 Dec 2017	-	-	500,000	-
	2018 LTI Plan	25 May 2018	-	-	91,055	-
	2019 LTI Plan	1 May 2019	96,861	479,711	-	-
	2019 Senior Executive Award	1 May 2019	4,400	250,000	-	-

(1) *The grant value of performance rights represents fair value at the date of grant was calculated by RSM Australia Pty Ltd using a binomial tree distribution and Monte Carlo simulation valuation technique as set out in Note 7.3 to the Financial Report.*

(2) *The number of performance rights granted to Executive KMP for the 2019 LTI Award was calculated by dividing an amount equal to a percentage of base salary as at 1 January 2019 by the Australis VWAP for the month of December 2018. The percentage applied to base salary was determined by the Board.*

(3) *The assessed fair value of the options and performance rights at grant date is allocated to remuneration equally over the period from effective grant date to Vesting Date.*

(4) *Represents the share-based awards granted or vesting prior to Mr Verm being derecognised as KMP on 31 October 2019. As Mr Verm's employment ceased on 31 January 2020 all unvested Performance Rights lapsed as at that date.*

9. SHARE-BASED AWARDS EXERCISED DURING THE YEAR

During the year Mr Wasylucha exercised 91,055 performance rights that vested as part of the 2018 Tranche 1 grant. The value of the rights exercised was A$30,048 and was determined as the intrinsic value of the performance rights at that date.

There were no other share-based awards granted to KMP that were exercised during the year.

10. CONSOLIDATED ENTITY PERFORMANCE

10.1 Company Performance

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must, in each location of operations and presence including Australia and the USA, attract, motivate and retain highly skilled directors and executives.

In considering performance in terms of an increase in longer term shareholder value the Board has noted the following commonly used measures of performance for each financial year / period:

Table 6: Company Performance

	Year ended			Six months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2017	30 June 2019	30 June 2018
Revenue from oil sales (US$'000)	52,570	33,704	23,347	28,182	16,028
Profit/(Loss) after tax (US$'000)	7,009	85	(1,159)	4,459	(395)
Profit/(Loss) per share (US cents)					
Basic	0.72	0.01	(0.18)	0.47	(0.05)
Diluted	0.63	0.01	(0.18)	0.41	(0.05)
Share price at start of year/period	A$0.28	A$0.23	A$0.22	A$0.28	A$0.23
Share price at end of year/period	A$0.08	A$0.28	A$0.23	A$0.26	A$0.46
Proved reserves (mmbbl)	48.6	31.9	29	31.9	29
Proved plus Probable reserves (mmbbl)	62.1	49.7	47	49.7	47
2C Contingent Resource					
- TMS (mmbbl)	129.5	107.8	98	107.8	98
- Portugal (Bcf)	458	458	458	458	458
Gross sales (WI) (bbls)	846,000	506,000	469,000[1]	441,000	255,000
Net (after royalties) sales (NRI) (bbls)	694,000	409,000	374,000[2]	362,000	207,000

(1) *Gross sales are for the period April – December 2017*

(2) *Net sales are for the period April – December 2017*

10.2 LTI Plan Peer Group

The peer group for the 2019, 2018 and 2017 LTI Relative TSR Performance is set out below. Refer to section 7.2, note 7 for details of each peer group's criteria for selection in each years LTI Plan.

Table 7: 2019, 2018 and 2017 LTI Plan Peer Group

Peer Group Company	2019 LTI Plan	2018 LTI Plan	2017 LTI Plan
Buru Energy Ltd	-	✔	✔
Blue Energy Ltd	-	✔	✔
Cooper Energy Ltd	✔	✔	✔
Central Petroleum Ltd	✔	-	✔
Cue Energy Resources Ltd	-	-	✔
Carnarvon Petroleum Ltd	✔	✔	✔
Elk Petroleum Ltd	-	-	✔
Freedom Oil and Gas Ltd	✔	✔	✔
Horizon Oil Ltd	✔	✔	✔
Nuenergy Gas Ltd(1)	-	-	✔
Petsec Energy Ltd	-	-	✔
Range Resources Ltd	-	-	✔
Sundance Energy Australia Ltd(3)	✔	-	✔
Sino Gas & Energy Holdings Ltd(1)(2)	-	✔	✔
Strike Energy Ltd	-	-	✔
88 Energy Ltd	✔	✔	✔
AWE Ltd(2)	-	✔	-
Byron Energy Ltd	-	✔	-
Comet Ridge Ltd	✔	✔	-
Far Ltd	✔	✔	-
Karoon Gas Australia Ltd	✔	✔	-
Senex Energy Ltd	✔	✔	-
Liquefied Natural Gas Ltd	✔	✔	-
Global Energy Ventures Ltd	-	✔	-

(1) *Nuenergy Gas Ltd and Sino Gas & Energy Holdings Ltd were delisted from the ASX in 2018 and will therefore not be included in the peer group for the performance testing of the 2017 LTI Plan Award.*

(2) *AWE Ltd and Sino Gas & Energy Holdings Ltd were delisted from the ASX in 2018 and will therefore not be included in the peer group for the performance testing of the 2018 LTI Plan Award.*

(3) *Sundance Energy Australia Ltd was delisted from the ASX in 2019 and will therefore not be included in the peer group for the performance testing of the 2017 LTI Plan Award and of the 2019 LTI Plan Award.*

11. TOTAL REMUNERATION SUMMARY

11.1 Remuneration of KMP

Details of the total remuneration of KMP as required to be disclosed under the *Corporations Act 2001* is set out below:

Table 8: KMP total remuneration per Corporations Act (all US$)

	Short term benefits			Post-employment benefit	Total Cash		Share-based	Total	
Name	Cash salary & fees	STI[(1)]	Other benefits [(2)]	Superannuation	Remuneration	Annual leave provision	Options/Rights[(3)]	Remuneration	Performance related
Non-Executive Directors									
Jonathan Stewart									
31 Dec 2019	159,194	n/a	691	15,123	175,009	n/a	-	175,009	n/a
31 Dec 2018	164,179	n/a	16,033	15,597	195,809	n/a	-	195,809	n/a
Alan Watson									
31 Dec 2019	63,672	n/a	1,532	6,049	71,253	n/a	1,624	72,877	n/a
31 Dec 2018	62,936	n/a	-	5,979	68,915	n/a	6,828	75,743	n/a
Steve Scudamore									
31 Dec 2019	63,672	n/a	n/a	6,049	69,721	n/a	5,239	74,960	n/a
31 Dec 2018	62,936	n/a	n/a	5,979	68,915	n/a	14,672	83,587	n/a
Executive Directors									
Ian Lusted									
31 Dec 2019	350,310	(50)	9,675	18,706	378,641	(2,024)	188,729	565,346	13%
31 Dec 2018	330,245	178,436	12,294	18,359	539,334	1,394	134,060	674,788	41%
Graham Dowland									
31 Dec 2019	264,939	(34)	9,675	15,559	290,138	(5,072)	130,141	415,207	12%
31 Dec 2018	268,462	122,266	12,294	18,623	421,645	(8,591)	94,631	507,685	37%
Other KMP									
Michael Verm[(4)]									
31 Dec 2019 (pro rata to 31 Oct 2019)	285,000	50,018	16,899	20,383	372,300	13,733	130,493	516,526	23%
31 Dec 2018	285,000	114,891	19,230	16,500	435,621	24,157	151,797	611,575	30%
Darren Wasylucha									
31 Dec 2019	243,479	45,046	5,140	6,126	299,791	4,122	100,633	404,546	22%
31 Dec 2018	250,062	75,698	6,091	8,867	341,913	7,847	91,387	441,147	26%
Total 2019	**1,430,267**	**94,979**	**43,612**	**87,994**	**1,656,853**	**10,759**	**556,859**	**2,224,471**	
Total 2018	1,423,820	491,291	65,942	89,904	2,070,957	24,807	493,375	2,589,139	

(1) *STI represent the amount earned in relation to 2019 which will be paid in 2020 after release of the 2019 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2019. 2018 STI's represent the amount earned in relation to 2018 which were paid in 2019 after release of the 2018 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2018.*

(2) *Other benefits include car parking, health and travel benefits and associated fringe benefit tax, where applicable.*

(3) *AASB 2 – Share Based Payments requires the fair value at grant date of the options and performance rights granted be expensed over the vesting periods. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual KMP my ultimately realise should these equity interests vest. No options or performance rights were granted to directors during 2019 other than as set out in Section 8.*

(4) *Mr Verm did not meet the definition of KMP per AASB 124 from 1 November 2019 and as such Mr Verm Remuneration for 2019 is pro rated to the date of derecognition.*

11.2 Share-based compensation benefits

The Corporations Act and accounting standards require that all incentive based options granted to KMP be valued at the date of grant using a valuation model such as Black Scholes Option Pricing Model. The value attributed to the grant of the options is allocated to remuneration for KMP in each reporting period over the vesting period of the options whether the options vest or not. For example, if options do not vest due to performance conditions not being achieved, the value of the options that lapse will still be included as remuneration in the Corporations Act disclosure.

The actual realisable value of the options granted to KMP will depend on the future success of the Company and in particular its future share price exceeding the exercise price.

If options are not exercised by their expiry date they will be forfeited and will have no value.

The specific details of options and performance rights granted, vested and forfeited for KMP are set out below:

The maximum value of options or performance rights yet to vest has been determined based on the fair value at the grant date. This amount will be expensed over the remaining vesting period.

Table 9: Summary of option and performance rights (as at 31 December 2019)

Name	Type of grant	Year Granted	Vested %	Retest (1)(2) %	Forfeited %	Financial year in which benefits have or may vest	Maximum total value of grant yet to vest A$
Non-Executive Directors							
Jonathan Stewart	$0.25 options	2015	100%	-	-	31 Dec 2015	-
	$0.30 (Series A) options	2015	100%	-	-	31 Dec 2016	-
	$0.35 (Series A) options	2015	100%	-	-	31 Dec 2017	-
Alan Watson	$0.275 (Series B) options	2016	100%	-	-	31 Dec 2017	-
	$0.275 (Series C) options	2016	100%	-	-	31 Dec 2018	-
	$0.275 (Series D) options	2016	100%	-	-	31 Dec 2019	-
Steve Scudamore	$0.3125 (Series A) Options	2016	100%	-	-	31 Dec 2017	-
	$0.3125 (Series B) Options	2016	100%	-	-	31 Dec 2018	-
	$0.3125 (Series C) Options	2016	100%	-	-	31 Dec 2019	-
Executive Directors							
Ian Lusted	$0.25 options	2015	100%	-	-	31 Dec 2015	-
	$0.30 (Series A) options	2015	100%	-	-	31 Dec 2016	-
	$0.35 (Series A) options	2015	100%	-	-	31 Dec 2017	-
	2018 LTI Plan Tranche 1	2018	95%	5%	-	31 Dec 2019	3,067
	2018 LTI Plan Tranche 2		-	-	-	31 Dec 2020	140,102
	2018 LTI Plan Tranche 3		-	-	-	31 Dec 2021	262,413
	2019 LTI Plan Tranche 1	2019	-	-	-	31 Dec 2020	30,159
	2019 LTI Plan Tranche 2		-	-	-	31 Dec 2021	60,437
	2019 LTI Plan Tranche 3		-	-	-	31 Dec 2022	112,063
Graham Dowland	$0.25 options	2015	100%	-	-	31 Dec 2015	-
	$0.30 (Series A) options	2015	100%	-	-	31 Dec 2016	-
	$0.35 (Series A) options	2015	100%	-	-	31 Dec 2017	-
	2018 LTI Plan Tranche 1	2018	95%	5%	-	31 Dec 2019	2,165
	2018 LTI Plan Tranche 2		-	-	-	31 Dec 2020	98,895
	2018 LTI Plan Tranche 3		-	-	-	31 Dec 2021	185,232
	2019 LTI Plan Tranche 1	2019	-	-	-	31 Dec 2020	19,646
	2019 LTI Plan Tranche 2		-	-	-	31 Dec 2021	39,370
	2019 LTI Plan Tranche 3		-	-	-	31 Dec 2022	73,002

Name	Type of grant	Year Granted	Vested %	Retest (1)(2) %	Forfeited %	Financial year in which benefits have or may vest	Maximum total value of grant yet to vest A$
Other KMP							
Michael Verm	$0.30 (Series B) options	2016	100%	-	-	31 Dec 2016	-
	$0.35 (Series C) options	2016	100%	-	-	31 Dec 2017	-
	$0.35 (Series D) options	2016	100%	-	-	31 Dec 2018	-
	2017 LTI Plan Tranche 1	2017	40%	60%	-	31 Dec 2018	3,172
	2017 LTI Plan Tranche 2		70%	30%	-	31 Dec 2019	4,745
	2017 LTI Plan Tranche 3		-	-	-	31 Dec 2020	54,504
	2018 LTI Plan Tranche 1	2018	96%	4%	-	31 Dec 2019	1,657
	2018 LTI Plan Tranche 2		-	-	-	31 Dec 2020	97,343
	2018 LTI Plan Tranche 3		-	-	-	31 Dec 2021	185,072
	2019 LTI Plan Tranche 1	2019	-	-	-	31 Dec 2020	25,165
	2019 LTI Plan Tranche 2		-	-	-	31 Dec 2021	50,402
	2019 LTI Plan Tranche 3		-	-	-	31 Dec 2022	95,432
	2019 Senior Executive Award Tranche 1	2019	-	-	-	31 Dec 2023	1,200
	2019 Senior Executive Award Tranche 2		-	-	-	31 Dec 2023	2,000
	2019 Senior Executive Award Tranche 3		-	-	-	31 Dec 2023	1,200
Darren Wasylucha	$0.285 options	2017	100%	-	-	31 Dec 2017	-
	$0.345 options	2017	100%	-	-	31 Dec 2018	-
	$0.40 options	2017	100%	-	-	31 Dec 2019	-
	2018 LTI Plan Tranche 1	2018	96%	4%	-	31 Dec 2019	1,174
	2018 LTI Plan Tranche 2		-	-	-	31 Dec 2020	68,965
	2018 LTI Plan Tranche 3		-	-	-	31 Dec 2021	131,118
	2019 LTI Plan Tranche 1	2019	-	-	-	31 Dec 2020	14,254
	2019 LTI Plan Tranche 2		-	-	-	31 Dec 2021	28,560
	2019 LTI Plan Tranche 3		-	-	-	31 Dec 2022	54,057
	2019 Senior Executive Award Tranche 1	2019	-	-	-	31 Dec 2023	1,200
	2019 Senior Executive Award Tranche 2		-	-	-	31 Dec 2023	2,000
	2019 Senior Executive Award Tranche 3		-	-	-	31 Dec 2023	1,200

(1) *The performance rights that did not vest during the year for Tranche 1 and Tranche 2 of the 2017 LTI Plan award will be retested along with Tranche 3 of the 2017 LTI Plan Award.*

(2) *The performance rights that did not vest during the year for Tranche 1 of the 2018 LTI Plan award will be retested along with Tranche 3 of the 2018 LTI Plan Award.*

(3) *Performance Rights have no exercise price, therefore no cash to be received on exercise.*

(4) *The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the rights that are yet to be exercised.*

12. KMP INTERESTS IN SHARES, PERFORMANCE RIGHTS AND OPTIONS

12.1 Shareholdings, performance rights and option holdings

The number of shares, options and performance rights in the Company held during the financial year by KMP, including their personally related parties, are set out below. No shares were issued or granted during the period ending 31 December 2019 (2018 - nil) as compensation.

Table 10: 2019 KMP shareholding and performance rights and option holding reconciliation

	Type of Equity	Balance at start of year	Granted	Exercised	Net other changes	Balance at end of year	Vested and exercisable	Unvested
Non-Executive Directors								
Jonathan Stewart[1]	Shares	62,042,859	-	-	6,292,143	68,335,002	n/a	n/a
	Options	45,000,000	-	-	(5,000,000)	40,000,000	40,000,000	-
Alan Watson[2]	Shares	3,910,000	-	-	285,715	4,195,715	n/a	n/a
	Options	875,000	-	-	(455,000)	420,000	420,000	-
Steve Scudamore[3]	Shares	197,215	-	-	98,787	296,002	n/a	n/a
	Options	420,000	-	-	-	420,000	420,000	-
Executive Directors								
Graham Dowland[4][6]	Shares	14,750,000	-	-	500,000	15,250,000	n/a	n/a
	Options	13,500,000	-	(300,000)	-	13,200,000	13,200,000	-
	Performance Rights (2018)	976,744	-	-	-	976,744	132,994	843,750
	Performance Rights (2019)	-	723,810	-	-	723,810	-	723,810
Ian Lusted[5][6]	Shares	14,668,572	-	-	907,662	15,576,234	n/a	n/a
	Options	16,250,000	-	(250,000)	-	16,000,000	16,000,000	-
	Performance Rights (2018)	1,383,721	-	-	-	1,383,721	188,408	1,195,313
	Performance Rights (2019)	-	1,111,111	-	-	1,111,111	-	1,111,111
Michael Verm[6][7]	Shares	3,000,000	-	-	(3,250,000)[8]	-	n/a	n/a
	Options	3,250,000	-	(250,000)	(3,000,000)[8]	-	n/a	n/a
	Performance Rights (2017)	592,064	-	-	(592,064)[8	-	n/a	n/a
	Performance Rights (2018)	934,707	-	-	(934,707)[8]	-	n/a	n/a
	Performance Rights (2019)	-	1,096,892	-	(1,096,892)[8]	-	n/a	n/a
Darren Wasylucha[6][9]	Shares	250,000	-	-	91,055	341,055	n/a	n/a
	Options	1,500,000	-	-	-	1,500,000	1,500,000	-
	Performance Rights (2018)	662,214	-	(91,055)	-	571,159	-	571,159
	Performance Rights (2019)	-	729,711	-	-	729,711	-	729,711

(1) On 13 March 2019 and 23 December 2019 Mr Stewart acquired 935,000 and 2,500,000 shares on market respectively. On 30 April 2019 Mr Stewart acquired 2,857,143 shares through a share placement. On 30 June 2019 Mr Stewart's A$0.275 unlisted options, (5,000,000) expired unexercised.

(2) On 30 April 2019 Mr Watson acquired 285,715 shares through a share placement. On 30 June 2019 Mr Watson's A$0.275 unlisted options, (455,000) expired unexercised.

(3) On 14 and 15 March 2019 Mr Scudamore acquired 50,861 and 47,926 shares on market respectively.

(4) On 8 March 2019 Mr Dowland acquired 200,000 shares on market. On 18 June 2019 Mr Dowland exercised 300,000 A$0.275 unlisted options, expiring 30 June 2019.

(5) On 5 and 14 March 2019 and 15 November 2019 Mr Lusted acquired 250,000, 135,662, and 272,000 shares on market respectively. On 18 June 2019 Mr Lusted exercised 250,000 A$0.275 unlisted options, expiring 30 June 2019.

(6) Of the 3,661,524 performance rights granted to KMP in 2019 651,646 related to Tranche 1, 1,103,292 related to Tranche 2 and 1,906,586 related to Tranche 3. Of the performance rights granted in 2019 to Mr Verm and Mr Wasylucha the below table shows the performance rights granted under the 2019 Senior Executive Award.

Name	Tranche 1	Tranche 2	Tranche 3
Michael Verm	100,000	100,000	50,000
Darren Wasylucha	100,000	100,000	50,000

(7) On 26 June 2019 Mr Verm exercised 250,000 A$0.275 unlisted options, expiring 30 June 2019.

(8) Mr Verm did not meet the definition of KMP per AASB 124 from 1 November 2019.

(9) On 1 February 2019 Mr Wasylucha exercised 91,055 performance rights.

Table 11: 2018 KMP shareholding and performance rights and option holding reconciliation

	Type of Equity	Balance at start of year	Granted	Exercised	Net other changes	Balance at end of year	Vested and exercisable	Unvested
Non-Executive Directors								
Jonathan Stewart[(1)]	Shares	61,042,859	-	-	1,000,000	62,042,859	n/a	n/a
	Options	45,000,000	-	-	-	45,000,000	45,000,000	-
Alan Watson [(2)]	Shares	3,810,000	-	-	100,000	3,910,000	n/a	n/a
	Options	875,000	-	-	-	875,000	735,000	140,000
Steve Scudamore [(3)]	Shares	97,215	-	-	100,000	197,215	n/a	n/a
	Options	420,000	-	-	-	420,000	280,000	140,000
Executive Directors								
Graham Dowland[(5)]	Shares	14,750,000	-	-	-	14,750,000	n/a	n/a
	Options	13,500,000	-	-	-	13,500,000	13,500,000	-
	Performance Rights (2018)	-	976,744	-	-	976,744	-	976,744
Ian Lusted [(4)] [(5)]	Shares	14,518,572	-	-	150,000	14,668,572	n/a	n/a
	Options	16,250,000	-	-	-	16,250,000	16,250,000	-
	Performance Rights (2018)	-	1,383,721	-	-	1,383,721	-	1,383,721
Other KMP								
Michael Verm[(5)]	Shares	3,000,000	-	-	-	3,000,000	n/a	n/a
	Options	3,250,000	-	-	-	3,250,000	3,250,000	-
	Performance Rights (2017)	592,064	-	-	-	592,064	33,832	558,232
	Performance Rights (2018)	-	934,707	-	-	934,707	-	934,707
Darren Wasylucha[(5)]	Shares	250,000	-	-	-	250,000	n/a	n/a
	Options	1,500,000	-	-	-	1,500,000	1,000,000	500,000
	Performance Rights (2018)	-	662,214	-	-	662,214	-	-

(1) *On 28 and 29 November 2018 Mr Stewart acquired shares on market.*

(2) *On 28 November 2018 Mr Watson acquired shares on market.*

(3) *On 30 November 2018 Mr Scudamore acquired shares on market.*

(4) *On 30 November 2018 Mr Lusted acquired shares on market.*

(5) *Of the 3,957,386 performance rights granted to KMP in 2018, 565,341 related to Tranche 1, 1,130,682 related to Tranche 2 and 2,261,363 related to Tranche 3.*

13. EMPLOYMENT AGREEMENTS KMP

Executive KMP have employment agreements with Australis which include provisions relating to remuneration, notice period, termination entitlements and post-employment restraints as follows:

Name	Employing Company	Contract Duration	Termination – Material Diminution	Termination notice period company[3]	Termination notice period executive	Post-employment restraints[4]
Ian Lusted	Australis Oil & Gas Limited	Unlimited	1 month[1]	12 months	12 months	12 months
Graham Dowland	Australis Oil & Gas Limited	Unlimited	1 month[1]	12 months	12 months	12 months
Michael Verm[5]	Australis TMS Inc	Unlimited	2 months[1]	3 months	3 months	3 months
Darren Wasylucha	Australis Oil & Gas Limited	Unlimited	2 months[2]	6 months increasing by one month for each anniversary to a maximum of 9 months.	3 months	6 months

(1) *The contractual Termination Benefits were approved by shareholders in General Meeting on 27 June 2016.*

(2) *The contractual Termination Benefit for Mr Wasylucha was approved by shareholders at Annual General Meeting on 29 April 2019.*

(3) *The Company may terminate without notice for serious misconduct including serious or persistent breach of duty, failure to perform obligations under agreement.*

(4) *Non-compete and non-solicitation provisions apply from notification of termination.*

(5) *Mr Verm did not meet the definition of KMP per AASB 124 from 1 November 2019.*

Loans to KMP

Details of loans to KMP during the year are set out below:

Name	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Highest indebtedness during the year
KMP	-	-	$345	-	$7,399

An unsecured short term loan was made to Other KMP in relation to an individual tax liability arising on vesting of performance rights totalling $11,452 on an interest free basis. This loan was repaid in instalments by the reporting date.

The amounts shown for interest not charged represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to KMP.

Deed of Indemnity

Australis has entered into deeds of access, indemnity, and insurance with each of its directors and officers.

Policy for Trading in Company Securities

Australis has in place a Policy for Trading in Company Securities which can be found on the Company's website.

The Policy prohibits KMP and other executives from entering into agreements or transactions which operate to limit the economic risk of their holdings in Company securities.

14. 2019 REMUNERATION STRATEGY

The RNC has the authority, as it deems necessary or appropriate, to engage and compensate external consultants or specialists for advice in relation to remuneration related matters.

During 2018, at the request of the RNC, management undertook a review of statistics and trends and peer remuneration as part of setting the 2019 remuneration strategy.

Remuneration data from US based oil and gas companies who were similar in terms and size and/or stage of development, geographic region or focus and/or with whom the Company competes for executive services was collated by Management with the assistance of the Company's US external HR and payroll advisors. Similar data was obtained from publicly available remuneration data in Australia.

The data obtained was used by the RNC to develop a remuneration framework for 2019 and 2020 that provides for a blend of fixed and variable pay and short and long term incentives that are comparable to the remuneration packages offered by the Company's peers in each jurisdiction.

2020 Fixed Remuneration

At the end 2019, management undertook a review of remuneration statistics and trends in Australia and North America in light of changing market conditions and in conjunction with the Company's share price performance for 2019 have made the following adjustments to fixed remuneration from 1 January 2020:

Other KMP and Senior Executives	**10% reduction in fixed remuneration**
Other employees	**5% reduction in fixed remuneration**

Executive Directors fixed remuneration was voluntarily reduced by 20% from 1 November 2019 as set out previously in this report.

To facilitate the alignment of directors' interests with shareholders' interests, the Board has approved that effective 1 January 2020 that 50% of 2020 non-executive director fees will be settled in Australis equity awards rather than cash subject to the approval of Shareholders in general meeting.

2020 Short Term Incentives

The STI Plan for Executive KMP was reviewed by the RNC in November 2019 and approved by the Board in January 2020.

2020 Long Term Incentives

The grant of the 2020 awards under the LTI Plan are anticipated to occur immediately following the 2020 Annual General Meeting (AGM). Approval for the grant of Australis equity awards to NEDs (in lieu of fees) and Performance Rights to the Executive Directors will be sought from Shareholders at the AGM.

The LTI Plan was approved by Shareholders in general meeting on 27 June 2016 and re-approved by Shareholders in annual general meeting on 29 April 2019. Shareholder approval permits the Company to issue shares under the Plan under Listing Rule 7.2 exception 9 such that any shares issued to employees other than directors are treated as having been made with the approval of shareholders for the purpose of Listing Rule 7.1. Approval under the exception lasts for 3 years after which further shareholder approval must be sought in general meeting.


Weatherford

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Operating revenue	2.1	**52,570**	33,704
Cost of sales	2.2	**(28,547)**	(20,220)
Gross profit		**24,023**	13,484
Other income	2.1	**21**	-
Other expenses	2.2	**(14,878)**	(13,801)
Profit / (loss) from operating activities		**9,166**	(317)
Net finance (expense) / income	2.7	**(2,157)**	402
Profit from continuing operations before income tax expense		**7,009**	85
Income tax expense	2.8	**-**	-
Net profit attributable to owners of the Company		**7,009**	85
Other comprehensive (loss) / income			
Items that may be reclassified to profit or loss;			
Change in fair value of cash flow hedges	4.3	**(3,732)**	3,767
Other comprehensive (loss) / income for the year net of tax		**(3,732)**	3,767
Total comprehensive income for the year attributable to the owners of the Company		**3,277**	3,852
Profit per share attributable to owners of the Company			
Basic profit per share (cents per share)	2.9	**0.72**	0.01
Diluted profit per share (cents per share)	2.9	**0.63**	0.01

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 US$'000	31 December 2018 US$'000
Current assets			
Cash and cash equivalents	4.1	**16,116**	37,943
Trade and other receivables	5.1	**5,306**	7,100
Inventories	5.2	**897**	254
Derivative financial instruments hedge	5.4	**-**	2,160
Total current assets		**22,319**	47,457
Non-current assets			
Oil and gas properties	3.1	**143,418**	86,181
Exploration and evaluation	3.2	**51,713**	47,336
Plant and equipment	3.3	**10,003**	7,849
Other receivables	5.1	**729**	698
Derivative financial instruments hedge	5.4	**-**	961
Right-of-use asset		**1,445**	-
Total non-current assets		**207,308**	143,025
Total assets		**229,627**	190,482
Current liabilities			
Trade and other payables	5.3	**(11,317)**	(23,872)
Provisions	5.5	**(427)**	(372)
Derivative financial instruments hedge	5.4	**(336)**	-
Borrowings	5.7	**(4,000)**	(2,000)
Lease liability		**(512)**	-
Total current liabilities		**(16,592)**	(26,244)
Non-current liabilities			
Provisions	5.6	**(2,660)**	(2,380)
Borrowings	5.7	**(27,363)**	(5,818)
Derivative financial instruments hedge	5.4	**(275)**	-
Lease liability		**(933)**	-
Total non-current liabilities		**(31,231)**	(8,198)
Total liabilities		**(47,823)**	(34,442)
Net assets		**181,804**	156,040
Equity			
Contributed equity	4.2	**176,194**	154,996
Treasury shares	4.2	**(188)**	(59)
Option reserve	4.3	**9,600**	8,182
Foreign exchange reserve	4.3	**(467)**	(467)
Cash flow hedge reserve	4.3	**(611)**	3,121
Accumulated losses	4.3	**(2,724)**	(9,733)
Total equity		**181,804**	156,040

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Contributed Equity US$'000	Treasury Shares US$'000	Other Reserves US$'000	Accumulated Losses US$'000	Total US$'000
Balance as at 1 January 2018	**125,253**	**-**	**4,479**	**(9,818)**	**119,914**
Profit for the year	-	-	-	85	85
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	3,767	-	3,767
Total comprehensive income	-	-	3,767	85	3,852
Transactions with owners, in their capacity as owners					
Contributed equity net of transaction costs	29,743	-	-	-	29,743
Option expense recognised during the year	-	(59)	-	-	(59)
Share-based payments	-	-	1,332	-	1,332
Transaction costs	-	-	1,258	-	1,258
Balance as at 31 December 2018	**154,996**	**(59)**	**10,836**	**(9,733)**	**156,040**
Balance as at 1 January 2019	**154,996**	**(59)**	**10,836**	**(9,733)**	**156,040**
Profit for the year	-	-	-	7,009	7,009
Other comprehensive income (loss)					
Change in fair value of cash flow hedges	-	-	(3,732)	-	(3,732)
Total comprehensive income / (loss)	-	-	(3,732)	7,009	3,277
Transactions with owners, in their capacity as owners					
Contributed equity net of transaction costs	21,198	-	-	-	21,198
Purchase of treasury shares	-	(356)	-	-	(356)
Release of treasury shares	-	227	-	-	227
Share-based payments	-	-	1,418	-	1,418
Transaction costs	-	-	-	-	-
Balance as at 31 December 2019	**176,194**	**(188)**	**8,522**	**(2,724)**	**181,804**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Cash flows from operating activities			
Receipts from customers		**53,510**	31,954
Payments to suppliers and employees		**(36,556)**	(29,254)
Other revenue		**21**	-
Net cash inflow from operating activities	2.11	**16,975**	2,700
Cash flows from investing activities			
Payments for acquisition of exploration interests		**(6,488)**	(7,397)
Payment for property, plant and equipment		**(4,442)**	(2,141)
Payment for capitalised oil and gas assets		**(71,428)**	(10,194)
Refund of security deposits and bonds		**1,000**	-
(Acquisition) of security deposits and bonds		**(32)**	(113)
Interest received		**270**	539
Net cash (outflow) from investing activities		**(81,120)**	(19,306)
Cash flows from financing activities			
Proceeds from shares and other equity securities		**22,341**	31,060
Share issue costs		**(916)**	(1,317)
Treasury shares acquired		**(356)**	(59)
Proceeds from hedging		**120**	-
Proceeds from borrowings		**25,000**	10,000
Repayment of borrowings		**(2,000)**	-
Debt facility costs		**(1,787)**	(1,062)
Net cash inflow from financing activities		**42,402**	38,622
Net (decrease) / increase in cash and cash equivalents		**(21,743)**	22,016
Cash and cash equivalents at the beginning of the period		**37,943**	16,602
Effect of exchange rates on cash holdings in foreign currencies		**(84)**	(675)
Cash and cash equivalents at the end of the financial year	4.1	**16,116**	37,943

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the Consolidated Financial Statements

Section 1: Basis of Reporting
Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

Corporate information

The consolidated financial report for the year ended 31 December 2019 comprises the financial statements of Australis Oil & Gas Limited, the parent entity and its controlled entities ("Group" or "Consolidated Entity"). Australis Oil & Gas Limited ("Company" or "Australis") was incorporated in Australia as a private company on the 12 November 2015 as Australis Oil & Gas Holdings Pty Limited. On 10 June 2016 the Company converted to a public company and changed its name to Australis Oil & Gas Limited.

In July 2016, the Company successfully completed an initial public offering and was admitted to the Official List of the Australian Securities Exchange (Ticker code: ATS). The Company shares, commenced trading on the ASX 25 July 2016.

The principal activity of the Group is oil and gas exploration, development and production.

1.1 Financial report

The notes to the consolidated financial statements are set out in the following sections:

1. **Basis of Reporting –** summarises the basis of preparation of the financial statements.
2. **Results for the Year –** sets out the performance of the Group and highlights the significant accounting policies impacting on the results for the year.
3. **Invested Capital –** sets out expenditure during the year on oil & gas properties, exploration and evaluation, property, plant and equipment and the commitments of the Group.
4. **Capital and Debt Structure –** provides information about the Group financing structure.
5. **Other Assets & Liabilities –** sets out the working capital balances of the Group.
6. **Group Structure –** sets out the ownership and intra-group transactions with subsidiaries.
7. **Other Notes**

1.2 Basis of preparation and compliance statement

The consolidated financial statements of the Group are general purpose financial statements prepared in accordance with Australian Accounting Standards applicable to for profit entities, Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Australian Accounting Standards incorporate International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board. As such, the consolidated financial statements comply with IFRS. The accounting standards have been consistently applied to all financial years presented.

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in US dollars and are rounded to the nearest thousand dollars (US'000) as permitted under ASIC Corporations Instrument 2016/191.

The accounting policies adopted are consistent with those of previous financial years.

The following accounting standard was issued with an effective date of 1 January 2019.

- AASB 16 Leases – On adoption of AASB 16 the Group has retrospectively applied AASB 16 Leases but has not restated the comparative for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The Group has recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principals of AASB 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The reclassification and the adjustments from the new leasing standard were not material to the Group.

In addition, there are several standards and amendments issued which are not applicable to the group and have no material effect on any of the amounts recognised in the current year or any prior period consolidated financial report.

1.3 Basis of consolidation

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of Australis and its controlled entities as at 31 December 2019 and the financial performance of the Company and its controlled entities for the year then ended.

(i) Controlled entities are all those entities (including special purpose entities) the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of the controlled entities are included in the consolidated financial statements from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

(ii) Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of the subsidiaries are consistent with the policies adopted by the Consolidated Entity.

(iii) Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

(iv) The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the group. The consideration transferred also includes the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their face value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree's net identifiable assets.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

(v) Joint Operations – A joint arrangement is when two or more parties hold joint control in an arrangement. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties sharing control with a Joint Operation being a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Australis has an arrangement that meets this definition for its oil and gas leases.

In accordance with AASB 11, the arrangements have been classified as joint operations (whereby the jointly controlling parties have rights to the assets and obligations for the liabilities relating to the arrangement). The Group therefore recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations and have been incorporated into the consolidated financial statements under appropriate classifications. Details of joint operations can be found in Note 7.1.

For the year ended 31 December 2019

1.4 Foreign currency

(i) Functional and presentational currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The functional currency of the Company and its subsidiaries is US dollars. The Australian and Portuguese subsidiaries have a functional currency of US dollars. The presentational currency of the Company and its subsidiaries is US dollars.

(ii) Translation and balances

Foreign currency transactions are translated into functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency as at the exchange rate existing at reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year and the amortised costs in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency difference arising on retranslation are generally recognised in profit or loss.

1.5 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions about future events. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined using either a Monte Carlo simulation valuation technique or a Black Scholes Option Pricing Model.

Key inputs to the Black Scholes options pricing model include the expected price volatility and risk free interest rate. The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information. The risk interest is the risk free rate of securities with comparable terms to maturity.

The vesting conditions of the Absolute TSR (ATSR) Rights and the Relative TSR (RTSR) Rights have been reflected in assessment of the fair value of the Rights through the use of a Monte-Carlo simulation model which determines the probability of the market conditions being fulfilled at the vesting dates and, as such, whether the Rights will vest.

1.5 Critical accounting estimates and judgements (continued)

In determining a valuation for the Absolute and Relative TSR conditions in addition to service conditions, the Monte Carlo simulation valuation technique has been used, each simulation entails the following steps:

1. Simulate the share price of the company, and the companies in the peer group, as at a performance test date. The share prices are simulated such that they are consistent with the assumed distribution of, and correlation between, share price outcomes.
2. Determine whether any awards vest at the current test date, based on the simulated share price.
3. For any vesting awards calculate the value using the simulated share price. This valuation uses either an analytic or binomial tree methodology.
4. Factors in a re-test facility whereby any Rights that do not vest on the Tranche 1and/or Tranche 2 vesting date pursuant to the RTSR performance targets, will be re-tested at the Tranche 3 vesting date.
5. Calculate the present value of the award as at the valuation date.

Future restoration costs – Note 3.1

Reserve estimates – Note 3.1

Depletion and depreciation – Note 3.1

Impairment – Notes 3.1 & 3.2

Derivative financial instruments – Note 5.4

1.6 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting year;

or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year;

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities when recognised.

1.7 Fair value measurement

The Group measures financial and non-financial assets at fair value at reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.

or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1.8 Financial and capital risk management

The management of financial and capital risks aims to ensure that available capital, funding and cash flow are sufficient to meet the Groups financial commitments as and when they fall due and to ensure the capacity to fund its current projects is maintained.

The financial risks that arise during the normal course of Australis' operations comprise market risk, foreign currency risk, credit risk and liquidity risk (see Notes 4.1, 5.1, 5.3, 5.4) The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Australis is responsible for approving Australis' policies on risk oversight and management and ensuring management has developed and implemented an effective risk management and internal control system. Whilst maintaining ultimate responsibility for financial risk management, the Board has delegated responsibility for effective implementation of the Risk Management Policy and objectives to the Audit and Risk Management Committee.

Australis' Audit and Risk Management Committee oversees compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Australis. The CEO, with the assistance of senior executives as required, has responsibility for identifying, assessing, treating and monitoring risks on a day to day basis and reporting to the Audit and Risk Management Committee and the Board on risk management on a regular basis.

1.9 Recently issued standards not in effect

The following recently issued standards, interpretations and amendments which are not yet effective and have not been applied, however the Company is in the process of assessing their impact:

- AASB Interpretation 23 Uncertainty over Income Tax Treatments.
- AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, changes in accounting estimates and errors changes to the definition of materiality.

2.1 Revenue and other income

Recognition and measurement

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

All revenue is generated from oil sales. Revenue from the sale of produced hydrocarbons is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Australis has entered into a contract with an oil marketing group for the sale of oil produced from its operated properties including the sale of production for and on behalf of the joint property partners. A sale is recognised upon transfer of the product to the purchaser's transportation mode, currently via truck, at the Company operated oil production facilities which is the point that title passes.

Revenue is recognised on the basis of the Group's working interest in a producing field (the entitlement method).

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Revenue from continuing operations		
Sales revenue		
Oil sales	**52,480**	34,748
Realised profit / (loss) on forward commodity price contracts	**90**	(1,044)
Total revenue from continuing operations	**52,570**	33,704

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Other income		
Gain on sale of inventory	**21**	-
Total other income	**21**	-

2.2 Cost of sales & other expenses

Recognition and measurement

Policies on the accounting for expenditure are set out in the notes throughout the financial statements. Policies on the accounting treatment of foreign exchange are detailed in Note 1.4.

	Notes	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Cost of sales			
Production costs		**(13,018)**	(9,655)
Royalties		**(9,517)**	(6,655)
Production taxes		**(1,611)**	(1,765)
Depletion	3.1	**(3,060)**	(874)
Depreciation – production equipment	3.3	**(1,427)**	(933)
Other		**86**	(338)
Total cost of sales		**(28,547)**	(20,220)
Other expenses			
Administrative expenses	2.3	**(12,742)**	(11,342)
Exploration costs expensed	2.5	**(511)**	(329)
Depreciation	3.3	**(119)**	(123)
Unrealised foreign exchange loss		**(88)**	(675)
Share based payments	7.3	**(1,418)**	(1,332)
Total expenses		**(14,878)**	(13,801)

The administrative expenses for the year ended 31 December 2019 include the following material expenses;

Employee benefits expensed – Note 2.4.

Good and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Foreign exchange risk

The functional currency of the Group is US dollars (USD), however the Group operates internationally and is exposed to various currencies including the Australian Dollar (AUD), Euro (EUR) and Pound Sterling (GBP). The Group is primarily exposed to foreign exchange risk arising from fluctuations in AUD and USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The exposure to risks is measured using sensitivity analysis and cash flow forecasting. Refer to Notes 4.1, 5.1, 5.3 and 5.4.

The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements. The Group does not have any further material foreign currency dealings other than the noted currencies.

2.3 Administrative expenses

Administrative expenses of the Group include the following:

	Notes	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Administrative expenses			
Personnel expenses	2.4	**(9,152)**	(7,840)
Consulting and professional expenses		**(1,637)**	(1,743)
Other general and administrative expenses		**(1,953)**	(1,759)
	2.2	**(12,742)**	(11,342)

2.4 Employee benefits expensed

Recognition and measurement

The Group's accounting policy for employee benefits other than post-retirement benefits is set out in Note 5.5. The policy for share based payments is set out in Note 7.3. For Australian based employees the Group makes superannuation contributions in accordance with the Superannuation Guarantee (Administration) Act 1992 to plans nominated by employees. US-based employees receive a contribution towards retirement plans (401k) which matches their own contribution to such plans. In 2018 and 2019, contributions for US-based employees were matched up to a maximum of 6% of the base salary of each employee for 2019 an additional 2% employee 401k contribution was made based on total 2019 remuneration (base plus STI) for each employee.

Expensed employee benefits of the Group are as follows:

		Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Employee benefits			
Salaries and fees		**(6,647)**	(4,942)
Short term incentives		**(810)**	(1,367)
Superannuation and 401k		**(360)**	(364)
Other payroll expenses [(1)]		**(1,335)**	(1,167)
	2.3	**(9,152)**	(7,840)
Share based payments	7.3	**(1,418)**	(1,332)
		(10,570)	(9,172)

[(1)] *Includes medical benefits and employer on costs in the USA and the movement in annual leave provision for the year of US$55,000 (2018: $124,000)*

2.5 Exploration expenditure

Recognition and measurement

The exploration expense represents expenditures which cannot be capitalised as exploration and evaluation assets under the Company's capitalisation policy which is set out in Note 3.2. This includes but is not limited to geological and geophysical costs.

Exploration expenditure also includes the costs associated with evaluation of projects which are not directly attributable to an acquisition.

Exploration expenditure of the Group includes the following:

	Notes	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Exploration expenditure			
Portuguese exploration expenditure		**(368)**	(329)
TMS well site support		**(143)**	-
	2.2	**(511)**	(329)

2.6 Segment reporting

Recognition and measurement

Management has determined, based on the reports reviewed by the CEO (the chief operating decision maker) and used to make strategic decisions, that the Group has the following reportable segments:

Oil & Gas Production

Development and production from oil and gas assets in the United States.

Exploration

Oil and gas exploration and evaluation in the United States and Portugal.

Other

Corporate overhead. The Group's management and administration office is located in Perth, Australia and the operating office is located in Houston, Texas.

There has been no other impact on the measurement of the Company's assets and liabilities.

	Oil & Gas Production		Exploration		Other		Total	
US$000	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
External revenues	**52,570**	33,704	**-**	-	**-**	-	**52,570**	33,704
Other income	**21**	-	**-**	-	**-**	-	**21**	-
Direct operating costs	**(24,060)**	(18,413)	**-**	-	**-**	-	**(24,060)**	(18,413)
Corporate	**-**	-	**-**	-	**(12,742)**	(11,342)	**(12,742)**	(11,342)
Unrealised foreign currency gains / (losses)	**-**	-	**-**	-	**(88)**	(675)	**(88)**	(675)
Share based payments	**-**	-	**-**	-	**(1,418)**	(1,332)	**(1,418)**	(1,332)
EBITDAX[1]	**28,531**	15,291	**-**	-	**(14,248)**	(13,349)	**14,283**	1,943
Depletion	**(3,060)**	(874)	**-**	-	**-**	-	**(3,060)**	(874)
Depreciation	**(1,427)**	(933)	**-**	-	**(119)**	(123)	**(1,546)**	(1,056)
Exploration costs expensed	**-**	-	**(511)**	(329)	**-**	-	**(511)**	(329)
EBIT[2]	**24,044**	13,484	**(511)**	(329)	**(14,367)**	(13,472)	**9,166**	(317)
Net finance income/ (costs)	**(2,427)**	(137)	**-**	-	**270**	539	**(2,157)**	402
Segment profit / (loss)	**21,617**	13,347	**(511)**	(329)	**(14,097)**	(12,933)	**7,009**	85

[1] EBITDAX represents net profit for the year including net realised hedging effect of $90,000 profit (2018: $1.04 million loss), before income tax expense or benefit, finance costs, depletion, depreciation and exploration and evaluation expenses.

[2] EBIT represents net profit for the year before income tax expense or benefit and finance costs.

2.6 Segment reporting (continued)

US$000	Oil & Gas Production 31 Dec 2019	Oil & Gas Production 31 Dec 2018	Exploration 31 Dec 2019	Exploration 31 Dec 2018	Other 31 Dec 2019	Other 31 Dec 2018	Total 31 Dec 2019	Total 31 Dec 2018
Capital expenditure								
Exploration and evaluation assets	-	-	**6,030**	7,803	-	-	**6,030**	7,803
Oil and gas assets – production and development	**58,363**	25,021	-	-	-	-	**58,363**	25,021
Oil and gas assets – rehabilitation provision	**280**	780	-	-	-	-	**280**	780
Other plant and equipment	**3,602**	3,472	-	-	**97**	283	**3,699**	3,755
	62,245	29,273	**6,030**	7,803	**97**	283	**68,372**	37,359

US$000	Oil & Gas Production 31 Dec 2019	Oil & Gas Production 31 Dec 2018	Exploration 31 Dec 2019	Exploration 31 Dec 2018	Other 31 Dec 2019	Other 31 Dec 2018	Total 31 Dec 2019	Total 31 Dec 2018
Segment assets	**159,049**	103,763	**51,960**	47,588	**18,618**	39,131	**229,627**	190,482
Segment liabilities	**(44,090)**	(24,290)	**(198)**	(136)	**(3,535)**	(10,016)	**(47,823)**	(34,442)

Geographical segments

The Group operates primarily in the United States of America, but also has activities in Portugal and head office in Australia. In presenting information on the basis of geographical segments, segment revenue and segment assets are grouped based on the location of operating activities.

Production from the designated segments is sold on commodity markets.

US$'000	Revenue Year ended 31 Dec 2019	Revenue Year ended 31 Dec 2018	Non-current assets Year ended 31 Dec 2019	Non-current assets Year ended 31 Dec 2018
United States of America	**52,570**	33,704	**197,865**	134,231
Portugal	-	-	**8,363**	8,278
Australia	-	-	**1,080**	516
	52,570	33,704	**207,308**	143,025

2.7 Net finance income

Recognition and measurement

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Refer to section 5.7 Borrowings, for further information on debt finance costs.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Interest income	**270**	539
Amortised debt finance transaction costs	**(795)**	(137)
Interest expense on debt finance	**(1,632)**	-
	(2,157)	402

2.8 Income tax expense

Recognition and measurement

The income tax benefit/(expense) for the year is the tax payable on the current year taxable income/(loss) based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income / equity are also recognised directly in other comprehensive income / equity.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**7,009**	85
Prima facie tax expense at the Australian statutory tax rate of 30% (31 December, 2018: 30%)	**2,103**	26
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Share-based payment expense	**215**	176
Other non-allowable deductions	**233**	7
Income tax rate difference	**872**	336
	3,423	545
Movements in unrecognised temporary differences	**(21,696)**	(5,643)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**18,273**	5,098
Income tax expense / (benefit)	**-**	-

2.8 Income tax expense (continued)

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
(c) Tax affect relating to each component of other comprehensive income		
Cash flow hedges	-	-
	-	-
(d) Deferred tax asset		
Arising from temporary differences attributable to		
Other provisions and accruals	**1,164**	1,287
Tax losses in Australia	**2,476**	3,009
Tax losses in USA	**26,318**	4,994
Tax losses in Portugal	**939**	428
Tax losses in United Kingdom	**51**	62
Total deferred tax assets	**30,947**	9,780
(e) Deferred tax liability		
Oil and gas properties	**27,034**	5,698
Other accruals	-	147
Unrealised foreign exchange gain	**21**	203
Total deferred tax liabilities	**27,055**	6,048

Potential deferred tax assets have not been brought into account at 31 December 2019 (31 December 2018: Nil) as the directors do not believe that realisation of the deferred tax assets is probable at this point in time.

These benefits will only be obtained if:

i. The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
ii. The Company continues to comply with conditions for deductibility imposed by law; and
iii. No changes in tax legislation adversely affect the Company in realising the benefit.

Tax consolidation

As of 1 January 2018, Australis and its 100% owned Australian resident subsidiaries are part of a tax consolidated group. As a result, from this date all members of the tax consolidated group will be taxed as a single entity. Australis is the head entity of the tax consolidated group.

Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

2.9 Earnings per share

Recognition and measurement

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	Year ended 31 December 2019 US$	Year ended 31 December 2018 US$
Profit per share attributable to members of the Company		
Basic profit per share	**0.72**	0.01
Diluted profit per share	**0.63**	0.01
Profit used in calculation of basic / diluted loss per share	**US$'000**	US$'000
Net profit after tax	**7,009**	85
Weighted average number of ordinary shares used as the denominator in calculating:	**Shares**	Shares
Basic profit per share[1]	**970,694,686**	866,380,825
Diluted profit per share	**1,112,990,058**	991,492,348

[1] *Options and Performance rights on issue are not considered to be potential ordinary shares and have not been included in the calculation of basic earnings per share.*

Refer to Note 7.3 for details of options and Performance Rights on issue.

2.10 Dividends

No dividend has been paid or is proposed in respect of the year ended 31 December 2019 (2018: Nil).

2.11 Reconciliation of profit after income tax to net cash from operating activities

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Net profit for the year	**7,009**	85
(i) Add / (less) non-cash items		
Depreciation, depletion and amortisation	**5,401**	2,067
Share based payment expense	**1,418**	1,332
Net foreign exchange loss	**88**	675
(ii) Add / (less) items classified as investment / financing activities:		
Net interest received	**(270)**	(539)
(iii) Change in assets and liabilities during the financial year		
Decrease / (increase) in receivables	**548**	(1,845)
(Increase) / decrease in inventories	**(642)**	318
Increase in payables	**3,368**	483
Increase in employee provisions	**55**	124
Net inflow from operating activities	**16,975**	2,700

2.12 Reconciliation of liabilities arising from financing activities:

	31 December 2018 US$'000	Cash Flows US$'000	Non-cash Movements Fair Value Changes US$'000	31 December 2019 US$'000
Long term borrowings	7,818	22,749	796	31,363
Total liabilities from financing activities	**7,818**	**22,749**	**796**	**31,363**

3.1 Oil and gas properties

Recognition and measurement

Assets in development

Upon the discovery of extractable hydrocarbons, the oil and gas assets enter the development phase. The costs of oil and gas assets in development are separately accounted for and include the transfer of past exploration and evaluation costs, development drilling and other subsurface expenditure. When the committed development expenditure programs are completed and production commences, these costs are transferred to producing assets and become subject to amortisation.

Producing assets

Producing projects are stated at cost less accumulated amortisation and impairment charges. Producing projects include construction, installation or completion of production and infrastructure facilities such as pipeline, the transfer of past exploration and evaluation costs and past development costs, the ongoing costs of continuing to develop reserves for production and the provision for restoration.

In the statement of cash flows, those cash flows associated with oil and gas properties are classified as cash flows used in investing activities.

Amortisation and depreciation of producing projects

Australis uses the "units of production" ("UOP") approach when amortising and depreciating field-specific assets. Using this method of amortisation and depreciation requires Australis to compare the actual volume of production to the reserves and then to apply this determined rate of depletion to the carrying value of depreciable asset.

Capitalised producing projects costs relating to commercially producing wells are depreciated/amortised using the UOP basis once commercial quantities are being produced within an area of interest. The reserves used in these calculations are the Proved reserves and are reviewed at least annually.

Critical accounting estimates and judgements

Future restoration costs

The Group estimates the future rehabilitation costs of production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of restoration activities and the future removal technology available and liability specific discount rates to determine the present value of these cash flows. As at 31 December 2019 rehabilitation obligations have a carrying value of US$2,660,000 (31 December 2018: US$2,380,000).

Reserve estimates

Estimation of reported recoverable quantities of Proven and Probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. These factors used to estimate reserves may change from period to period.

Reserve estimates are used to calculate amortisation of producing assets.

Depletion and depreciation

In relation to the depletion of capitalised producing oil and gas assets and the depreciation of property plant and equipment related to producing oil and gas assets, the Group uses a unit of production reserve depletion model to calculate depletion and depreciation. This method of depletion and depreciation necessitates the estimation of the oil and gas reserves over which the carrying value of the relevant assets will be expensed to the profit or loss. The calculation of oil and gas reserves is extremely complex and requires management to make judgements about commodity prices, future production costs and geological structures. The nature of reserve estimation is such that reserves are not intended to be 100% accurate but rather provide a statistically probable outcome in relation to the economically recoverable reserve. As the actual reserve can only be accurately determined once production has ceased, amortisation and depreciation expensed during the production may not on a year to year basis accurately reflect the actual percentage of reserve depleted. However, over the entire life of the producing assets all capitalised costs will be expensed to the profit or loss.

3.1 Oil and gas properties (continued)

Impairment

In the absence of readily available market prices, the recoverable amounts of assets are determined by a value in use calculation which values current verifiable cashflows from the cash generating unit using an asset specific discount rate. The calculation of net present value is based on assumptions concerning discount rates, reserves, future production profiles, commodity prices and costs.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
At cost	**148,417**	88,120
Accumulated depletion	**(4,999)**	(1,939)
	143,418	86,181

	Producing Projects US$'000	**Development Projects US$'000**	**Total US$'000**
2019			
Balance at 1 January 2019	60,362	25,819	86,181
Additions	53,689	4,675	58,364
Transfer from exploration and evaluation asset	1,653	-	1,653
Transfer from development projects to producing projects	15,511	(15,511)	-
Increase in restoration provision	280	-	280
Depletion	(3,060)	-	(3,060)
Balance at 31 December 2019	**128,435**	**14,983**	**143,418**

	Producing Projects US$'000	**Development Projects US$'000**	**Total US$'000**
2018			
Balance at 1 January 2018	51,226	9,865	61,091
Additions	9,067	15,954	25,021
Transfer from exploration and evaluation asset	163	-	163
Restoration provision	780	-	780
Depletion	(874)	-	(874)
Balance at 31 December 2018	**60,362**	**25,819**	**86,181**

3.2 Exploration and evaluation assets

Recognition and measurement

Areas of interest are recognised at a field level. Exploration and evaluation expenditure other than the costs of acquisition are written off to the Consolidated Statement of Profit or Loss in the year that they are incurred.

The costs of acquiring, renewing or extending leases or concessions, together with associated expenses are capitalised:

- where the expenditure relates to an exploration discovery that, at the reporting date, has not been recognised as an area of interest, as an assessment of the existence or otherwise of economically recoverable reserves is not yet complete;
- where the expenditure relates to a recognised area of interest and it is expected that the expenditure will be recouped through successful exploration of the area of interest, or alternatively, by its sale.

Costs

Pre-lease or concession costs are expensed in the year in which they are incurred.

The costs of acquiring, renewing or extending leases or concessions, together with associated expenses are capitalised as exploration and evaluation assets. If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through profit or loss as exploration expenditure. All geological and geophysical costs, dry hole costs and unproved leasehold costs are also expensed as incurred in accordance with the successful effort's method of accounting for oil and gas exploration and evaluation expenditure.

If extractable hydrocarbons are discovered the exploration and evaluation costs are transferred to Oil and Gas Properties – Development Projects whilst further appraisal activity is undertaken to assess the commercial potential of a reservoir following the initial discovery of hydrocarbons. Costs associated with the drilling of development wells are also capitalised and depletion commences.

During the year ended 31 December 2019, $1,653,000 of exploration and evaluation expenditure was transferred to Oil and Gas Properties in relation to leases that had commenced development during the year (2018: $163,000).

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities and the cash flows associated with exploration expenditure including geological and geophysical and dry hole costs are included in cash flows from operating activities.

For exchanges or parts of exchanges that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognised.

Impairment

All exploration and evaluation costs that meet the requirements of *AASB 6 – Exploration and Evaluation of Mineral Resources* are capitalised and carried at cost unless the Company becomes aware of an indicator of impairment.

	Year ended 31 December 2019	Year ended 31 December 2018
	US$'000	US$'000
Opening balance	**47,336**	39,696
Additions [(1)]	**6,030**	7,803
Transfer to oil and gas properties	**(1,653)**	(163)
Closing balance	**51,713**	47,336

[(1)] *Capitalised Expenditure*

Additions represent the costs associated with the acquisition of new leases and the renewal and extension of existing leases in the TMS during the year.

3.2 Exploration and evaluation assets (continued)

Exploration commitments

As at 31 December 2019 there were no exploration commitments (2018: nil).

Critical accounting estimates and judgements

Area of Interest

An area of interest (AOI) is defined by the Group as an individual geographical area whereby the presence of hydrocarbons is considered favourable or proved to exist. The Group has established criteria to recognise and maintain an AOI.

Impairment of exploration and evaluation assets

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective AOI. Each potential or recognised AOI is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of the capitalised costs. Where a potential impairment is indicated, assessment is performed using a fair value less cost to dispose method, to determine the recoverable amount for each AOI to which the exploration and evaluation expenditure is attributed.

This assessment requires management to make certain estimates and apply judgement in determining assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

3.3 Property, plant and equipment

Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a reducing balance basis so as to write down the net cost or fair value of each asset over its expected useful life to its estimated residual value.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year.

The estimated useful lives of fixtures and fittings used in the calculation of depreciation is 2 to 10 years.

	Office Equipment US$'000	Production Equipment US$'000	Motor Vehicles US$'000	Total US$'000
2019				
Opening net book amount	269	7,429	151	7,849
Additions	97	3,603	-	3,700
Write down in year				
Depreciation charge	(91)	(1,427)	(28)	(1,546)
Closing net book amount	**275**	**9,605**	**123**	**10,003**
2019				
At cost	553	12,726	213	13,492
Accumulated depreciation	(278)	(3,121)	(90)	(3,489)
Closing net book amount	**275**	**9,605**	**123**	**10,003**

For the year ended 31 December 2019

3.3 Property, plant and equipment (continued)

	Office Equipment US$'000	Production Equipment US$'000	Motor Vehicles US$'000	Total US$'000
2018				
Opening net book amount	691	4,890	184	5,765
Additions	283	3,472	-	3,755
Write down in year	(615)			(615)
Depreciation charge	(90)	(933)	(33)	(1,056)
Closing net book amount	269	7,429	151	7,849
2018				
At cost	455	9,123	213	9,791
Accumulated depreciation	(186)	(1,694)	(62)	(1,942)
Closing net book amount	269	7,429	151	7,849

4.1 Cash and cash equivalents

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Group and therefore is not considered highly liquid.

Cash and cash equivalents as defined above, consist of:

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Held with Australian banks and financial institutions		
Cash at bank and in hand	**8,910**	27,036
Deposits at call	-	-
Held with Portuguese banks and financial institutions		
Cash at bank and in hand	**7**	104
Held with UK banks and financial institutions		
Cash at bank and in hand	-	1
Held with US banks and financial institutions		
Cash at bank and in hand	**7,199**	10,802
	16,116	37,943

Cash and cash equivalents in the Cash Flow Statement comprises the following Statement of Financial Position amounts:

Cash on hand and balances at bank	**16,116**	17,613
Short term deposits	-	20,330
Cash and cash equivalents	**16,116**	37,943

Cash & cash equivalents held in foreign currency

	31 December 2019 Amount in Currency $'000	**31 December 2019 Amount in USD US $'000**	31 December 2018 Amount in Currency $'000	31 December 2018 Amount in USD US $'000
Cash & cash equivalents				
AUD Dollars	**3,822**	**2,671**	5,154	3,634
Euro	**7**	**7**	91	104
UK Pounds	-	-	1	1
		2,678		3,739

Foreign exchange risk

The Group held US $2.7 million of cash and cash equivalents at 31 December 2019 (31 December 2018: US$3.7 million) in currencies other than US dollars (predominantly AUD dollars).

A reasonable possible change in the exchange rate of the US dollar to the AUD dollar (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current year or previous year. A reasonable possible change in the exchange rate of the US dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current year.

For the year ended 31 December 2019

4.1 Cash and cash equivalents (continued)

Credit risk

The maximum exposure to credit risk with respect to cash and cash equivalents and the bank guarantee at the end of the reporting year is the carrying amount of each class of cash and cash equivalents set out above. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent with the exception of the financial guarantee held by Bankinter, which is currently rated with Standard & Poor as BBB- (adequate capacity to meet its financial commitments).

Interest rate risk

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits earn interest at the respective short-term deposit rate.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at and during the year ended 31 December 2019, the Group's interest-bearing assets consisted of cash and cash equivalents and a bank guarantee held with Australian and Portuguese banks and financial institutions and earned interest at 0.21% floating rate (31 December 2018: 0.28%). As such the impact on the Group's income and operating cash flows from movements in market interest rates is not considered material.

Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash and access to capital markets. It is the policy of the Board to ensure the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities by ensuring the Group has sufficient working capital and the preserving or resetting of the 15% share issue limit available to the Company under the ASX Rules.

Capital risk management

The Group manages its capital to ensure entities in the Group will be able to continue as a going concern while maximising the potential return to shareholders. The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and potential investment opportunities.

On the 5th June 2018 Australis entered into a credit agreement with Macquarie Bank Limited providing for a three-year senior secured US$75 million term credit facility. During the last quarter of 2019, Australis undertook a review of the Facility and approached Macquarie with certain amendments offering additional financial flexibility, which were subsequently agreed. These amendments can be found in Note 5.7. Under the Facility, the Group is required to maintain at least US$10 million in it's subsidiary Australis TMS, Inc combined accounts. As at 31 December 2019 $33 million was drawn from the facility, refer to Note 5.7 for further information.

4.2 Contributed equity

Recognition and measurement

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

	31 December 2019 Securities	31 December 2018 Securities	**31 December 2019 US$'000**	31 December 2018 US$'000
Share capital				
Ordinary shares	**985,963,678**	895,936,178	**176,194**	154,996
Treasury shares	**(930,211)**	(290,215)	**(188)**	(59)
Total contributed equity	**985,033,467**	895,645,963	**176,006**	154,937

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and any proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote. Upon poll every holder is entitled to one vote per share held.

4.2 Contributed equity (continued)

(b) Movements in contributed equity

	Date	Number of Securities	Issue Price A$	US$'000
Balance at 1 January 2018		776,339,475		125,253
Placement	29 Mar 18	115,280,000	0.34	30,164
Share issue costs		-	-	(1,317)
Exercise of options	26 Feb 18	2,250,000	0.275	483
Exercise of Options	25 May 18	100,568	0.275	21
Exercise of Options	5 Jun 18	115,000	0.275	24
Exercise of Options	11 Jul 18	275,000	0.275	56
Exercise of Options	19 Jul 18	35,000	0.275	7
Exercise of Options	31 Aug 18	404,771	0.275	82
Exercise of Options	19 Oct 18	1,136,364	0.275	223
Balance at 31 December 2018		**895,936,178**		**154,996**
Exercise of options	19 Feb 19	227,500	0.275	44
Placement – Tranche 1[(1)]	27 Feb 19	83,857,142	0.35	21,012
Issue Costs		-	-	(916)
Share Issue – Employee Share Trust[(2)]	2 Apr 19	2,000,000	0.25	356
Placement – Tranche 2[(1)]	30 Apr 19	3,142,858	0.35	776
Exercise of options	18 Jun 19	550,000	0.275	105
Exercise of options	25 Jun 19	250,000	0.275	48
Treasury shares –release of treasury shares[(3)]	Various	-	Various	(227)
Balance at 31 December 2019		**985,963,678**		**176,194**

[(1)] On 27 February 2019 Australis issued 83,857,142 new fully paid ordinary shares (Tranche 1) and on 30 April 2019 Australis issued 3,142,858 new fully paid ordinary shares (Tranche 2) at A$0.35 per share to raise A$30.5 million before costs of issue. The funds raised were predominately applied to the next phase of the initial drilling program in the Tuscaloosa Marine Shale.

[(2)] On 2 April 2019 Australis issued 2 million new fully paid ordinary shares to the trustee of the employee share trust to meet the trust's obligations to employees on exercise of vested performance rights.

[(3)] During the reporting period employees of the Company exercised their vested performance rights, resulting in the release of the treasury shares to the employees.

4.2 Contributed equity (continued)

(c) Treasury shares

Treasury shares are shares held in Australis Oil & Gas Limited by the Australis Oil & Gas Limited Employee Share Trust for the purpose of issuing shares under the Australis Oil & Gas Limited Employee Equity Incentive Plan.

	Date	Number of securities acquired on market	Purchase price per share A$	US$'000
Balance at 31 December 2018		**290,215**		**59**
Australis Oil & Gas Employee Share Trust Distribution	Feb 19	(257,326)	-	(59)
Australis Oil & Gas Employee Share Trust Acquisition	Apr 19	2,000,000	0.25	356
Australis Oil & Gas Employee Share Trust Distribution	Apr 19	(696,725)	-	(120)
Australis Oil & Gas Employee Share Trust Distribution	May 19	(34,064)	-	(7)
Australis Oil & Gas Employee Share Trust Distribution	Jun 19	(25,892)	-	(5)
Australis Oil & Gas Employee Share Trust Distribution	Aug 19	(110,000)	-	(17)
Australis Oil & Gas Employee Share Trust Distribution	Sept 19	(53,829)	-	(8)
Australis Oil & Gas Employee Share Trust Distribution	Nov 19	(12,571)	-	(1)
Australis Oil & Gas Employee Share Trust Distribution	Dec 19	(169,597)	-	(10)
Balance at 31 December 2019		**930,211**		**188**

4.3 Reserves and Accumulated Losses

	Year ended 31 December 2019 US $'000	Year ended 31 December 2018 US $'000
(a) Option reserve		
Balance at the beginning of the financial year	**8,182**	5,592
Share-based payment expense arising during the year	**1,418**	1,332
Transaction cost – Macquarie options	**-**	1,258
Balance at end of the year	**9,600**	8,182
(b) Foreign exchange reserve		
Balance at the beginning of the financial year	**(467)**	(467)
Currency translations differences arising during the year	**-**	-
Balance at end of the year	**(467)**	(467)
(c) Cash flow hedge reserve		
Balance at the beginning of the financial year	**3,121**	(646)
Change in derivatives financial instruments at fair value through comprehensive income	**(3,732)**	3,767
Balance at end of the year	**(611)**	3,121
(d) Accumulated losses		
Balance at the beginning of the financial year	**(9,733)**	(9,818)
Net profit for the year	**7,009**	85
Balance at end of the year	**(2,724)**	(9,733)

5.1 Trade and other receivables

Recognition and measurement

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectible amounts. Subsequent recoveries of amounts previously written off are credited against expenses in the income statement.

Impairment

In determining the recoverability of a trade or other receivable, the Group performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. As prescribed under AASB 9, the simplified approach has been to provide for expected credit losses, which requires the use of the lifetime expected loss provision for all trade receivables. There are no expected credit losses.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Current assets		
Trade receivables	**4,619**	5,367
Cash flow hedge deposit	**-**	1,000
Other receivables	**687**	733
	5,306	7,100
Non-current assets		
Other receivables	**729**	698
	729	698

Trade and other receivables held in foreign currency

	31 December 2019 Currency Amount in $'000	**31 December 2019 Amount in USD US$'000**	31 December 2018 Amount in Currency $'000	31 December 2018 Amount in USD US$'000
Trade and other receivables				
AUD Dollars	**388**	**275**	37	26
Euro	**291**	**326**	86	99
		601		125

Fair value

The carrying amount of trade and other receivables are assumed to approximate fair value due to their short term nature.

Risks

Liquidity Risk

All amounts recognised as trade and other receivables are non-interest bearing and are expected to be received within the next 12 months.

Credit Risk

Trade and other receivables are non-interest bearing and are generally due for settlement within 30 - 60 days and therefore classified as current. No Group receivables were past due or impaired as at 31 December 2019 (2018: Nil) and there is no indication that amounts recognised as other receivables will not be recoverable in the normal course of business.

At 31 December 2019, other receivables consisted of letters of credit, security deposits and government tax refunds. Accordingly, the Group's exposure to credit risk arising from the default of third party debtors at 31 December 2019 is considered immaterial.

5.1 Trade and other receivables (continued)

Foreign exchange risk

The Group held other receivables in Australian dollars of US$275,000 at 31 December 2019 (31 December 2018: US$26,000) and Euro's of US$326,000 at 31 December 2019 (31 December 2018: US$99,000). A reasonable possible change in the exchange rate of the US dollar to the Australian dollar and Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current year.

5.2 Inventories

Recognition and measurement

Inventories include hydrocarbon stocks, consumable supplies and maintenance spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Oil Inventory	**56**	90
Warehouse stores and Inventory	**841**	164
	897	254

5.3 Trade and other payables

Recognition and measurement

Trade and other payables are carried at amortised cost when goods and services are received.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Trade payables	**10,331**	22,124
Other payables	**986**	1,748
	11,317	23,872

	31 December 2019 Amount in Currency $'000	**31 December 2019 Amount in USD US$'000**	31 December 2018 Amount in Currency $'000	31 December 2018 Amount in USD US$'000
Trade and other payables				
Australian Dollars	**234**	**170**	139	98
Euro	**180**	**201**	109	124
UK Pounds	**8**	**12**	9	11
		383		233

5.3 Trade and other payables (continued)

Fair value

The carrying value of payables are assumed to approximate fair value due to their short term nature.

Risks

Liquidity risk

Trade and other payables are non-interest bearing and normally settled within 30 to 60 day terms except US$2,903,000 (2018: US$3,226,000) held in suspense on behalf of royalty owners. This relates to royalty payments due to owners that is held by the operator until certain requirements for release are met. Once met the payment is immediately due. All amounts recognised as trade and other payables are non-interest bearing and are expected to be settled within the next 12 months.

Foreign exchange risk

The Group held US$383,000 of trade and other payables at 31 December 2019 (31 December 2018: $233,000) in currencies other than US dollars (being Australian dollars, Euros and British pounds). A reasonable possible change in the exchange rate of the US dollar to the Australian dollar (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period. A reasonable possible change in the exchange rate of the US dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

The impact on post tax profits and equity of a hypothetical change in the US dollar / Sterling exchange rate is not considered significant.

5.4 Derivative financial instruments

Recognition and measurement

Derivatives are initially recognised at their fair value when the Group becomes a party to the contract. Oil price commodity contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve while any ineffective portion is recognised immediately in the statement of profit or loss. The Group uses oil price commodity contracts as hedges of its exposure to commodity price risk in forecast transactions. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss – when the hedge instrument is settled. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the transaction settlement.

Under the Macquarie Facility Agreement, Australis is obligated to fulfil minimum hedging obligations for the duration of the loan period.

The outstanding oil hedge contracts held by the Group at 31 December 2019 are as follows:

Period of Deliver	Subject of Contract	Reference	Option Traded	Barrels	Put (floor) Price $US/ bbl	Call (ceiling) Price $US/ bbl	Fair Value US$'000
Jan – May 2020	Oil	Nymex WTI	Zero Cost Collar	20,000	55.00	67.70	15,085
Jan – Jun 2020	Oil	Nymex WTI	Zero Cost Collar	18,000	50.00	61.15	(38,312)
Jan – Jun 2020	Oil	Nymex WTI	Zero Cost Collar	64,998	55.00	81.65	86,505
Jan – Jun 2020	Oil	Nymex WTI	Zero Cost Collar	24,000	55.00	60.00	(34,452)
Jul – Dec 2020	Oil	Nymex WTI	Zero Cost Collar	30,000	55.00	77.00	113,023
Jan – Jun 2021	Oil	Nymex WTI	Zero Cost Collar	7,002	55.00	73.05	35,913
Jan – Jun 2020	Oil	Nymex WTI	Swap	27,200	54.35	-	(159,325)
Jul – Dec 2020	Oil	Nymex WTI	Swap	61,500	52.10	-	(318,359)
Jan – Jun 2021	Oil	Nymex WTI	Swap	46,600	51.00	-	(173,460)
Jul – Dec 2021	Oil	Nymex WTI	Swap	33,700	50.60	-	(93,041)
Jan – Jun 2022	Oil	Nymex WTI	Swap	15,100	50.00	-	(32,902)
Jul – Sep 2022	Oil	Nymex WTI	Swap	7,200	50.00	-	(12,032)
Total				**355,300**			**(611,357)**

5.4 Derivative financial instruments (continued)

Fair value

The derivative financial instruments relate to the Group's hedging activities to hedge against cash flow risks from movements in oil price, for which hedge accounting has been applied. The fair value of the derivative financial instruments are level 2 of the fair value hierarchy and are obtained from third party valuation reports. The fair value is determined using valuation techniques which maximise the use of observable market data.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Forward commodity contracts – cash flow hedges:		
Current[1]	**(336)**	2,160
Non-Current[2]	**(275)**	961
	(611)	3,121

[1] *To be settled in 2020 (2018 balance to be settled in 2019)*
[2] *To be settled in 2021 and 2022 (2018 balance to be settled in 2020 and 2021)*

Risks

Credit risk

The maximum exposure to credit risk with respect to cash flow hedges at the end of the reporting year is the carrying amount set out above. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

Commodity price and liquidity risk

The Group uses oil price commodity contract to manage some of its transaction exposures and reduce the variability of cash flows arising from oil sales during the year. These contracts are designated as cash flow hedges and are entered into for periods consistent with oil price exposure of the underlying transactions, generally from 1 to 36 months with volumes generally weighted to earlier periods.

Commodity price risk arises from the sale of oil denominated in US dollars. Revenue from oil and gas sales for the year ended 31 December 2019 is $52,480,000 (2018: $33,704,000). Impact on profit after tax based on a +/- 5% change in average oil price based on the oil volumes translated would be as follows;

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
If the WTI + LLS average differential price was 5% (2018: 15%) higher[1]	**2,624**	5,056
If the WTI + LLS average differential price was 5% (2018: 15%) lower[1]	**(2,624)**	(5,056)

[1] *WTI is defined as West Texas Intermediate and LLS is defined as Louisiana Light Sweet.*

5.5 Provisions for employee benefits

Recognition and measurement

Provision is made for benefits accruing to employees in respect of employee entitlements when it is probable that settlement will be required and these benefits can be measured reliably. These benefits include wages, salaries, annual leave and long service leave.

(i) Short-term employee benefits

Liabilities for wages and salaries, including short-term cash bonus, non-monetary benefits and accumulating annual leave that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have

an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Other long-term employee benefits

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual requirements. The liability for long service leave and annual leave which is not expected to be settled within twelve months after the end of the year in which the employees render the related service is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year. Expected future payments are discounted using market yields at the end of the reporting year on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Employee benefit provisions	**Year ended 31 December 2019 US$'000**	Year ended 31 December 2018 US$'000
Balance at beginning of year	**372**	248
Arising during the year	**554**	450
Utilisation	**(499)**	(326)
Balance at beginning of year	**427**	372
Comprising		
Current	**427**	372
Non-current	**-**	-
	427	372

A breakdown of employee benefits and charges included in the income statement can be found in Note 2.4

5.6 Provisions – Non-Current

Recognition and measurement

Provision for future removal and restoration costs are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

	31 December 2019 US$'000	31 December 2018 US$'000
Restoration provision	**2,660**	2,380
Reconciliation of movement in restoration provision		
Balance at beginning of year	2,380	1,600
Provision made during the year[1]	280	780
Balance at end of year	**2,660**	2,380

[1]The provision made in the year ended 31 December 2019 related to rehabilitation provisions provided for the four wells which were part of the IDP.

5.7 Borrowings

Recognition and measurement

The Group recognises financial liabilities on the trade date, which is the date that the Group becomes party to the contractual provisions of the instrument. Financial liabilities are derecognised when the Group's contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and amortised over the life of the loan through the profit or loss. Borrowing costs that are not directly attributable are recognised in the profit or loss.

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Interest bearing loans and borrowings		
Borrowings[1] Current	**4,000**	2,000
Borrowings[2] Non Current	**27,363**	5,818
Total interest bearing loans and borrowings	**31,363**	7,818

[1] Under the Macquarie Facility Agreement, Australis is required to make repayments of a minimum of US$1 million each quarter for the period of the loan, which commenced in September 2019. Australis expects to make four repayments of a minimum US$1 million during 2020.

[2] Net of capitalised transaction costs of $1.64 million, of which $1.26 million relates to the fair value of the 20 million options granted to Macquarie Bank Limited which vested on the initial drawdown of Tranche 1 funding and expiring on 4 June 2021.

	2019		2018	
	Carrying amount US$'000	**Fair value US$'000**	Carrying amount US$'000	Fair value US$'000
Borrowings	31,363	35,569	7,818	10,075
	31,363	35,569	7,818	10,075

5.7 Borrowings (continued)

On 5 June 2018, Australis TMS Inc, a wholly owned subsidiary entered in to a credit agreement with Macquarie providing for a three-year senior secured US$75 million term credit facility (Facility). This Facility will be applied to the initial drilling program within the significant TMS acreage position owned by Australis TMS Inc. in Mississippi and Louisiana. Drilling commenced in the second half of 2018. During the last quarter of 2019, Australis undertook a review of the Facility and approached Macquarie with certain amendments offering additional financial flexibility, which were subsequently agreed.

Key Terms of the Facility include:

- US$75 million has been committed and is available in two tranches:
  - Tranche 1: US$65 million available of which US$35 million has been drawn as at balance date, and
  - Tranche 2: US$10 million available upon satisfactory initial well results.
- Loan term extended to November 2023 with Tranche 1 available for drawdown until April 2021.
- Interest rate of LIBOR plus 6.0% p.a.
- Quarterly principal repayments of a minimum of US$1 million which commenced in September 2019, nine months after the initial draw down, with the balance of the principle due on the maturity date.
- Senior secured non-revolving facility, with security over US based assets.
- The Facility may be cancelled by the Company at any time without penalty once drawn funds are repaid.
- Standby fee of 2% on undrawn committed funds during the availability period.

In addition to customary upfront and drawdown fees payable to Macquarie, the Company, in June 2018, issued to Macquarie 30,000,000 options to subscribe for fully paid ordinary shares in the Company, all of which were or are subject to vesting conditions. The key pricing terms of the Option issue include:

- 20 million options at an exercise price of A$0.49 (representing a 20% premium to the 30 day VWAP prior to 5 June 2018) which vested on the initial draw down of Tranche 1 funding and expiring on 4 June 2021.
- 10 million options at an exercise price of A$.51 (representing a 25% premium to the 30 day VWAP prior to 5 June 2018) which will vest on the initial draw down of Tranche 2 funding and expiring on 4 June 2021.

At 31 December 2019, $33 million was the balance outstanding of funds drawn under the Facility and future draw downs are at the discretion of the Board and management of Australis. At 31 December 2018, 20 million options have vested at the reporting date and an expense of $1.3 million was recognised in borrowings and is amortised over the life of the facility.

Australis TMS Inc obligations under the Facility are guaranteed by pledged security from the parent entity, Australis and Australis USA 1 Pty Limited a wholly owned subsidiary of Australis (Obligors). At 31 December 2019 the following remained pledged as security:

Grantor	Issuer	Percentage owned	Percentage pledged	Class of stock
Australis Oil & Gas Ltd	Australis USA 1 Pty Ltd	100%	100%	Ordinary shares
Australis USA 1 Pty Ltd	Australis TMS Inc	100%	100%	Common Stock

The security package includes mortgages on leases held by Australis TMS Inc. within existing PDP units and lease within units of the initial development plan locations.

Under the Facility there are industry standard financial covenants which include minimum liquidity, ratios and PDP reserves ratios. In addition there is a financial debt to PDP value ratio which may increase minimum quarterly repayments to US$3 million until such time as the target ratio is achieved.

Section 6: Group Structure
Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6.1 Controlled entities

The consolidated financial statements of the Group include the following subsidiary companies:

	Principal activities	Country of Incorporation	% Equity interest 31 December 2019 and 2018
Australis Europe Pty Limited	Oil & gas exploration	Australia	100%
Australis USA 1 Pty Limited	Oil & gas exploration	Australia	100%
Australis Oil & Gas UK Ltd	Oil & gas exploration	United Kingdom	100%
Australis Oil & Gas Portugal Sociedade Unipessoal Lda	Oil & gas exploration	Portugal	100%
Australis TMS Inc	Oil & gas exploration	United States	100%
Australis Services Inc	Oil & gas exploration	United States	100%

6.2 Transactions with controlled entities

During the year Australis provided services to it's subsidiaries, fees charged are set out below:

• Australis Oil & Gas Limited to Australis TMS Inc	$2,324,000
• Australis Oil & Gas Limited to Australis Oil & Gas Portugal Sociedade Unipessoal Lda	$292,000
• Australis Oil & Gas Limited to Australis Oil & Gas UK Limited.	$26,000

In addition, Australis TMS Inc, a 100% subsidiary of Australis also provided services to a subsidiary Australis Oil & Gas Portugal Sociedade Unipessoal Lda, of $168,000.

During the year the following also occurred:

- Australis provided working capital to its subsidiaries by way of a subscription for shares in Australis Europe Pty Limited and Australis USA 1 Pty Limited totalling A$60.8 million.
- Australis Europe Pty Limited provided working capital to its subsidiary by way of subscription for shares in Australis Oil & Gas UK Limited of GBP1,337,000.
- Australis Oil & Gas UK limited provided working capital to its subsidiary Australis Oil & Gas Portugal Sociedade Unipessoal Lda by way of contribution to equity of EUR1,330,000.
- Australis USA 1 Pty Limited provided working capital to its subsidiary Australis TMS inc by way of contribution to equity of US$41.2 million.

During the year the following advances that were previously made to other related entities were converted to equity:

- An advance from Australis Oil & Gas Limited to Australis Europe Pty Limited of A$60,000.
- An advance from Australis Oil & Gas limited to Australis USA 1 Pty Limited of A$2.2 million.
- An advance from Australis Europe Pty Limited to Australis Oil & Gas UK Limited of GBP80,000.
- An advance from Australis Oil & Gas UK Limited to Australis Oil & Gas Portugal Sociedade Unipessoal Lda of EUR50,000.
- An advance from Australis USA 1 Pty Limited to Australis TMS Inc of US$1.5 million.
- An advance from AustraliS Oil & Gas Limited to Australis Services Inc of US$156,000.

6.2 Transactions with controlled entities (continued)

Details of transactions with controlled entities during the year are as follows:

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Sales of goods and services		
Management fees and expense recharges to subsidiaries	2,810	2,583
Advances to subsidiaries		
Balance at beginning of financial year	945	2,162
Repaid by the subsidiary	(500)	(2,000)
Advanced during year	1,264	14,855
Converted to equity	(1,709)	(14,072)
Balance at end of year	-	945

At 31 December 2019 Australis Oil & Gas Limited was not owed any amounts by its subsidiaries (2018: US$0.9 million). The amounts outstanding are repayable on normal credit terms.

6.3 Parent entity information

Select financial information of the parent entity, Australis Oil & Gas Limited, is set out below:

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Summary financial information		
Current assets	6,267	30,885
Non-current assets	163,619	119,419
Total assets	169,886	150,304
Current liabilities	(854)	(1,067)
Total liabilities	(854)	(1,067)
Net assets	169,032	149,237
Contributed equity	176,421	154,996
Treasury shares	(415)	(59)
Share-based payment reserve	9,600	8,182
Foreign currency translation reserve	10	10
Accumulated losses	(16,584)	(13,892)
Total equity	169,032	149,237
(Loss) for the year	(2,692)	(3,006)
Total comprehensive (loss) for the year	(2,692)	(3,006)

7.1 Joint arrangements

Australis holds through an indirect wholly owned subsidiary approximately 95% working interest in 38 operated wells and an average 10% working interest in 19 non-operated wells held in the TMS, onshore USA.

Australis holds through an indirect wholly owned subsidiary a 100% working interest (subject to a consultant incentive of 3% working interest) in two concessions located onshore in the Lusitanian Basin, Portugal, known as the Batalha and Pombal concessions which collectively cover an area of approximately 620,000 acres.

7.2 Oil and gas leases and concessions

At 31 December 2019 Australis holds approximately 115,000 net acres in the TMS core (31 December 2018: 110,000 net acres).

The two Portuguese concessions were awarded on 30 September 2015 to a Portuguese incorporated company that was acquired by Australis on 31 December 2015. The concessions have independently assessed contingent and prospective resources allocated to them and are held under eight-year concession contracts with a minimum work program for each year. Both concessions are currently on hold as an Environmental Impact Assessment is completed to comply with environmental legislated regulations.

7.3 Share based payments

The Group provides benefits to its employees (including KMP) in the form of share-based payments whereby employees render services for shares (equity-settled transactions).

(i) Options

The movement in the year is set out below:

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Balance at beginning of year	**130,514,230**	104,830,933
- granted[1]	-	30,000,000
- expired[2]	**(17,496,730)**	-
- exercised	**(1,027,500)**	(4,316,703)
Balance at end of year	**111,990,000**	130,514,230
Vested and exercisable at end of the year	**101,990,000**	118,594,230

[1] In 2018, 30,000,000 options were granted to Macquarie, refer to section 5.7 Borrowings for further information.

[2] 17,496,730 unlisted options exercisable at A$0.275 expired on 30 June 2019

The options are not listed and carry no dividend or voting rights. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

Recognition and measurement

The fair value of options granted during was calculated using the Black Scholes options pricing model. The expense is apportioned pro-rata to reporting periods where vesting periods apply. No options were granted during the year ended 31 December 2019 (31 December 2018: 30,000,000 options granted to Macquarie)

7.3 Share based payments (continued)

(ii) Performance Rights

A long term incentive plan operates to provide incentives to employees. Participation in the plan is for invited employees of the Group. Performance Rights were issued during the year at nil consideration. These rights vest in annual tranches over a three year period and upon vesting, each Performance Right can be exercised at no cost, within the following 2 years, into an ordinary share in the parent entity.

Testing of the Performance Rights will occur at the conclusion of each annual performance period and any Performance Rights remaining unvested from either the first or second annual performance period may be retested in accordance with the performance requirements of the third performance period.

The performance period is each calendar year beginning with the 2017 year. The 2017 Performance Rights granted will be tested for vesting on the basis of 1/7th, 2/7th and 4/7ths each year respectively. The performance hurdles for vesting of Performance Rights is continued employment and based on seniority an increasing portion is subject to additional hurdles relating to the total shareholder return (TSR) on an "absolute" and "relative" basis as follows:

a. Absolute TSR – at the vesting date of a particular tranche of Performance Rights that are subject to the Absolute TSR hurdle the following occurs. The Australis volume weighted average share price (VWAP) for the month of December prior to the vesting date is compared to the Performance Right issue price, the outcome of which is measured to a pre-set range of outcomes that stipulate the percentage of Performance Rights that vest.

b. Relative TSR – at the vesting date of a particular tranche of Performance Rights that are subject to the Relative TSR hurdle the following occurs. An absolute TSR is calculated for Australis by comparing the Australis VWAP for the month of December prior to the vesting date to the Performance Right issue price. The absolute TSR's for a peer group of companies (see Remuneration Report section 10.2) listed on the ASX is then calculated by reference to each companies VWAP for December prior to grant of the Performance Right and each companies VWAP for the December prior to the vesting date. If at the vesting date the Australis absolute TSR is ranked lower than the 50th percentile within the peer group, 0% of the eligible rights vest. For each percentile increment the Australis TSR ranking within the peer group exceeds the 50th percentile of the peer group, 2% of the Performance Rights in that particular tranche that are subject to Relative TSR hurdles will vest.

The Performance Rights are not listed and carry no dividend or voting rights. Upon exercise, each Performance Right is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

The movement in the year is set out below:

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Balance at beginning of year	**12,635,701**	2,786,325
- granted	**9,160,803**	10,321,907
- expired	-	-
- exercised	**(1,558,376)**	(51,523)
- forfeited	**(2,091,440)**	(421,008)
Balance at end of year	**18,146,688**	12,635,701
Vested at end of the year	**826,107**	258,818

Recognition and measurement

The fair value of services received in return for the performance rights granted are measured by reference to the fair value of performance rights granted. The estimate of the fair value of the services received is measured through the use of a Monte-Carlo simulation model which determines the probability of the market conditions being fulfilled at the vesting dates and, as such, whether rights will vest.

7.3 Share based payments (continued)

Performance rights fair value assumptions

	1 May 2019	**1 May 2019**	24 May 2018
- Share price	A$0.26	A$0.28	A$0.405
- Expected volatility	53.2%	53.2%	55%
- Risk free rate[1]	1.40% to 1.47%	1.40% to 1.47%	2.04% to 2.18%
- Dividend yield	0%	0%	0%

[1] *Risk free rate of securities with comparable terms to maturity.*
[2] *Expected price volatility is based on the historical volatility from the first date of trading to the valuation date and adjusted for any future impacts on volatility.*

Expense arising from share based payment transactions

The total expense arising from share based payment transactions recognised during the reporting year as part of employee benefit expense were as follows:

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Options expense	**14**	119
Performance rights expense	**1,404**	1,213
	1,418	1,332

Critical accounting estimates and judgements

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes Option Pricing Model.

The Performance Rights are valued using the Monte-Carlo Simulation model for the Absolute TSR Performance Rights and the Hoadley's model for the Relative TSR Performance Rights.

The expense is apportioned pro-rata to reporting periods where vesting periods apply.

7.4 Related party disclosures

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There were no transactions with related parties during the year (2018: nil).

Key management personnel

Further detailed disclosures relating to key management personnel are set out in the Remuneration Report section.

	Year ended 31 December 2019 US$	Year ended 31 December 2018 US$
Base renumeration, short-term incentives and benefits (inc. annual leave provision)	**1,579,618**	2,005,860
Post-employment benefits	**87,994**	89,904
Share-based payments	**556,859**	493,375
	2,224,471	2,589,139

Subsidiaries

Interests in subsidiaries are set out in Note 6.1.

Transactions with wholly-owned controlled entities

Australis subscribed for shares in its wholly owned controlled entities to fund working capital contributions. In addition to this advances that were previously made to other related entities were converted to equity.

Transactions with other related parties

No transactions with other related parties have been entered into in respect of the year ended 31 December 2019.

7.5 Contingencies

The company had no contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

7.6 Auditor's remuneration

The Auditor of Australis Oil & Gas Limited is BDO Audit (WA) Pty Ltd. During the year the following fees were paid or payable for services provided by the auditor of the Group

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
BDO Audit (WA) Pty Ltd for		
Audit and assurance services:		
Audit and review of financial statements	**106**	109
Other services	**1**	-
Total remuneration of BDO Audit (WA) Pty Ltd	**107**	109
BDO LLP (UK) for		
Audit and assurance services:		
Audit and review of financial statements	**7**	15
Total remuneration of BDO LLP (UK)	**7**	15
Total auditor's remuneration	**114**	124

It is the Group's policy to engage BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are assessed to ensure they do not compromise auditor independence prior to engagement.

7.7 Events after reporting date

No events have occurred since 31 December 2019 that would materially affect the operations of the Group, the results of the Group or the state of the affairs of the Group not otherwise disclosed in the Group Financial Statements.

Directors' Declaration

In the Director's opinion:

a. The financial statements and accompanying notes set out on pages 75 to 116 are in accordance with the *Corporations Act 2001*, including:

   i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date.

b. There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;

c. The financial statements and accompanying notes are presented in compliance with IFRS and interpretations adopted by the International Accounting Standards Board; and

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 31 December 2019.

For and on behalf of the Board

Jonathan Stewart
Chairman

Perth, Western Australia
28 February 2020

Auditor's Independence Declaration

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Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF AUSTRALIS OIL & GAS LIMITED

As lead auditor of Australis Oil & Gas Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australis Oil & Gas Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Australis Oil & Gas Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australis Oil & Gas Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Oil and Gas Properties

Key audit matter	*How the matter was addressed in our audit*

The Group's carrying value of oil and gas properties as disclosed in note 3.1 represents a significant asset to the Group. The Australian Accounting Standards require the Group to assess whether there are any indicators that oil and gas properties may be impaired.
 	
The Group concluded there was an impairment indicator as the net assets of the Group exceeded its market capitalisation as at 31 December 2019. Accordingly, the Group was required to estimate the recoverable amount of the assets in accordance with the Australian Accounting Standards from which no impairment was recognised.
 	
The assessment of impairment is complex and highly judgemental and includes assessing a range of external and internal factors and modelling a range of assumptions that could impact the recoverable amount of a cash generating unit. Accordingly, this matter was considered to be a key audit matter.
	We evaluated management's assessment of the asset's recoverable amount at 31 December 2019 in accordance with AASB 136 *Impairment of Assets*. Our work included but was not limited to the following procedures:
	
	• Assessing the appropriateness of the Group's categorisation of Cash Generating Units ("CGUs") and the allocation of assets to the carrying value of CGUs based on our understanding of the Group's business and internal reporting;
	• Obtaining and reviewing available reserve data from management's external expert to determine whether the data has been correctly included in the impairment model. This included assessing the competency and objectivity of management's expert;
	• Challenging key inputs used in the discounted cash flow calculations including the following:
	    • In conjunction with our valuation specialist, reviewing the accuracy and integrity of management's discounted cash flow model and the discount rate utilised by management;
	    • Benchmarking and analysing management's oil price assumptions against external market data;
	    • Reviewing and analysing the appropriateness of pricing inputs contained within managements discounted cash flow; and
	    • Performing sensitivity analysis on the commodity pricing, production type curves, key costs and discount rates;
	• Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value; and
	• Assessing the adequacy of the related disclosures in note 3.1 to the financial report.

BDO

Recoverability of exploration and evaluation assets

Key audit matter	*How the matter was addressed in our audit*
The Group's carrying value of exploration and evaluation assets as disclosed in note 3.2 represents a significant asset to the Group. The Australian Accounting Standards require the Group to assess whether there are any indicators that exploration and evaluation assets may be impaired. The impairment testing process for exploration and evaluation assets commences with an assessment against indicators of impairment under AASB 6 *Exploration for and Evaluation of Mineral Resources*. If there is an indication that the assets may be impaired, the Group is required to estimate the recoverable amount of the asset. The assessment of indicators of impairment and, where required, the determination of recoverable value is complex and highly judgemental. Accordingly, this matter was considered to be a key audit matter.	We evaluated management's assessment of impairment indicators at 31 December 2019 in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*. Our work included but was not limited to the following procedures: • Obtaining from management a schedule of areas of interest held by the Group and assessing whether rights to explore those areas of interest remained current at balance date; • Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 3.2 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 45 to 73 of the annual report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Australis Oil & Gas Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Perth, 28 February 2020

ASX Additional Information

The shareholder information set out below was applicable as at 10th February 2020.

1. Twenty largest shareholders

Ordinary shares	Number	Percentage
JP Morgan Nominees Australia Pty Limited	114,737,321	11.64%
Citicorp Nominees Pty Limited	102,414,876	10.39%
Zero Nominees Pty Ltd	74,250,000	7.53%
HSBC Custody Nominees (Australia) Limited	68,457,808	6.94%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	50,716,571	5.14%
UBS Nominees Pty Ltd	43,434,471	4.41%
National Nominees Limited	41,479,259	4.21%
JK Stewart Investments Pty Ltd <The Stewart Investment A/C>	33,392,858	3.39%
Epicure Superannuation Pty Ltd <Epicure Superannuation A/C>	26,150,001	2.65%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	15,866,058	1.61%
Everzen Holdings Pty Ltd <Lusted Family A/C>	11,576,234	1.17%
Ms Treffina Joyce Dowland	10,533,571	1.07%
Precision Opportunities Fund Ltd <Investment A/C>	9,500,000	0.96%
BNP Paribas Noms Pty Ltd <Drp>	8,838,792	0.90%
Mr Kane Christopher Weiner	8,660,870	0.88%
Munibinea Pty Ltd <Winjac Super Fund A/C>	7,000,000	0.71%
Mr Andrew McKenzie & Mrs Catherine McKenzie <AW McKenzie Super Fund A/C>	6,339,042	0.64%
Urban Land Nominees Pty Ltd	5,648,930	0.57%
Inkese Pty Ltd	5,500,000	0.56%
JK Stewart Investments Pty Ltd < Leake Street Investment A/C>	5,480,000	0.56%
Total top 20	**649,976,662**	**65.92%**
Other	335,987,016	34.08%
Total ordinary shares on issue as at 10th February 2020	**985,963,678**	**100.00%**

ASX Additional Information

2. Substantial shareholders

Set out below are the names of the substantial holders and the number of equity securities held by those substantial holders (including those equity securities held by their associates), as disclosed in the substantial holding notices given to the company:

		As at date of lodgment	
Shareholder	**Date lodged**	**Number of shares**	**Percentage**
Mitsubishi UFJ Financial Group, Inc.	9 January 2020	84,660,424	8.59%
TIGA Trading Pty Ltd and its associates	8 January 2020	52,741,435	5.35%
Westoz Funds Management Pty Ltd	6 November 2019	61,720,054	6.26%
Carol Australia Holdings Pty Ltd	2 August 2019	71,118,612	7.21%
H.E.S.T Australia Limited	27 June 2019	49,622,468	5.03%
Challenger Limited	25 June 2019	75,999,517	7.71%
Kinetic Investment Partners Ltd	18 June 2019	56,948,904	5.76%
Eley Griffiths Group Pty Ltd	28 May 2019	58,937,264	5.98%
Jon Stewart, Carolyn Stewart, Epicure Superannuation Pty Ltd and JK Stewart Holdings Pty Ltd	14 March 2019	62,977,859	6.43%
Greencape Capital Pty Ltd	8 February 2019	62,112,386	6.93%
Commonwealth Bank of Australia and its related bodies corporate	3 April 2018	60,280,582	7.25%
Ellerston Capital Limited and its associates	15 August 2017	43,269,992	5.57%

3. Distribution of equity securities

	Ordinary shares	Shares %	Ordinary Shares No of Holders	Unlisted securities	Unlisted securities %	Unlisted securities No of Holders
1 - 1,000	8,840	0.00%	42	-	0.00%	-
1001 - 5000	653,199	0.07%	221	11,103	0.01%	3
5,001 – 10,000	1,823,188	0.18%	221	-	0.00%	-
10,001 - 100,000	38,423,703	3.90%	858	1,047,132	0.83%	17
100,001 and Over	945,054,748	95.85%	566	125,349,316	99.16%	30
	985,963,678	**100.00%**	**1,908**	**126,407,551**	**100.00%**	**50**
Unmarketable parcels	6,757		321	-	-	-

4. Voting rights

See section 4.2 and 7.3.

5. On-market buy back

There is currently no on-market buy back program for any of Australis's listed securities.

6. Company secretary, registered and principal administrative office and share registry

Details can be found in the Corporate Directory of the Annual Report.

7. List of interests in mining tenements and petroleum leases

Location	Tenement	Net Acres
Louisiana / Mississippi	Tuscaloosa Marine Shale	115,000
US Total		**115,000**
Portugal	Batalha	307,480
Portugal	Pombal	312,886
PORTUGAL Total		**620,366**

Australis holds a 100% working interest in the Batalha and Pombal Concessions, however this interest is subject to a 3% working interest option granted to a former contractor.

Corporate Directory

Directors

Mr Jonathan Stewart
Non-executive Chairman

Mr Alan Watson
Independent non-executive Director

Mr Steve Scudamore
Independent non-executive Director

Mr Ian Lusted
Chief Executive Officer and Managing Director

Mr Graham Dowland
Chief Financial Officer and Finance Director

Company Secretary

Ms Julie Foster

Registered and Principal Office

Level 29, Allendale Square, 77 St Georges Terrace
Perth, Western Australia 6000
Telephone: +61 8 9220 8700
Facsimilie: +61 8 9220 8799

Office in North America

Australis TMS Inc.
333 Clay Street, Suite 3750
Houston, Texas, USA 77002-4107
Telephone: +1 (346) 229 2525
Facsimile: +1 (346) 229 2526

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Solicitor

Gilbert & Tobin
Level 16, Brookfield Place Tower 2
123 St Georges Terrace, Perth, WA 6000

Stock Exchange Listing

The ordinary shares of Australis Oil & Gas Limited are listed on the Australian Securities Exchange (Ticker code: ATS)

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street,
Subiaco, Western Australia 6008

Website and Email

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contact@australisoil.com