For Immediate Release ASX Announcement

23 August 2023

First Half 2023 Financial Report

Australis Oil & Gas Ltd ("Australis" or "Company") is pleased to provide its consolidated financial results for the half year ended 30 June 2023.

Australis continued to generate positive operational cash flow in the first half despite lower oil prices than 2022. Oil prices traded within the US$70 to $80 price range throughout the 1H 2023 compared to the higher oil prices in 2022 which averaged US$97/bbl.

For the 1H 2023, operational results included Adjusted EBITDA of US$0.9 million and earnings before all non-cash items of US$0.8 million.

The Company's hedge losses and book value significantly improved as most of the hedges taken out in the low oil price years of 2020 and 2021 have now been settled. The inflationary pressures on operating costs that occurred during 2022 also began to plateau during 1H 2023, with some elements now showing a downwards trend.

The Company's net loss after tax for the 1H 2023 of US$13.8 million was due largely to two significant non-cash charges made during the period. A non-cash charge of US$9.4 million related to the cost of expired leases being written off in the period. These leases were originally acquired on 5 year terms during the 2017 and 2018 leasing program and over the past 12 months have expired, which has been reported in the previous released quarterly Activities Reports, but the write off has been taken in this half year period. Australis intends to undertake a leasing program to re-lease many of these expired leases once an appropriate leasing budget is available. The second non-cash charge relates to a conservative change in the calculation of depletion of the carrying value of our oil asset resulting in a larger depletion amount than previous periods. The charge for 1H 2023 was US$2.4 million (1H 2022: US$0.8 million) or US$16/bbl (1H 2022: US$5/bbl).

The Company's debt position continues to reduce and as at 30 June 2023 is US$10 million (30 June 2022: US$14 million). The positive operating cash flow continues to service interest obligations and contributed, along with the Company's cash reserves, to reduce this principal. The Company remains in full compliance of all debt covenants.

Australis continued the previously adopted strategy of safeguarding its strategic exposure and control of the large undeveloped reserves and resources in the core area of the TMS. With limited capital budget available a modest but targeted leasing and well permitting program continued throughout the first half of 2023. A total of approximately 4,000 net acres of leases have either been acquired or renewed during 1H 2023 at a capital cost of US$0.5 million.

Australis continues to be patient in its objective to introduce an appropriate partner to recommence activity in the TMS and progress the value creation strategy. Australis engaged with several groups, including public and private oil and gas companies and financially orientated entities, evaluating the potential participation in a work program within the TMS Core that will add to the existing well count and advance the evolution of the play. Many of those parties have completed diligence exercises and concurred with Australis's view of the play and opportunity, however factors such as their internal prioritization on short term returns, focus on existing basins or concerns over external market conditions and perceptions were obstacles in completing a transaction in the first half of 2023.

AUSTRALIS OIL & GAS

Australis remains very confident the underlying oil and gas market conditions will ultimately force potential partners to consider emerging plays for future Tier 1 well inventory and the fundamental asset quality will ensure the TMS, being one of the last undeveloped quality oil plays, is considered. As such Australis has and will continue to be measured in the approach to partnering discussions to ensure any such engagement is on the right terms for the Company in the context of its overall strategy. Although there can be no guarantee that Australis will be able to ultimately complete a partnering transaction on satisfactory terms (or at all), we remain confident in our ability to do so in due course, and we remain patient in our approach and expectations.

Financial and Operating Summary for 1H 2023

Key Metrics	Unit	1H 2023	1H 2022	Change
Core Land Position (Net)	acres	73,300	83,500	(12)%
Core HBP land (Net)	acres	38,800	38,300	1%
Net Oil resource (2P + 2C)	MMbbls	120,000[1]	153,000[2]	(22)%
Sales Volumes (WI)	bbls	149,000	174,500	(15)%
Average Realised Price[A]	US$/bbl	$75	$103	(27)%
Average Achieved Price[B]	US$/bbl	$72	$82	(12)%
Sales Revenue (WI)[A]	US$MM	$11.2	$18.0	(38)%
Sales Revenue (WI)[B]	US$MM	$10.7	$14.4	(26)%
Field Netback	US$MM	$4.1	$5.9	(31)%
Field Netback / bbl (WI)[B]	US$/bbl	$27	$34	(21)%
Field Netback / bbl (Net)[B]	US$/bbl	$34	$42	(19)%
Adjusted EBITDA	US$MM	$0.9	$3.2	(72)%
Interest expense	US$MM	$0.6	$0.5	(20)%
Net (loss) / profit after tax	US$MM	(13.8)	$1.1	(1355)%
Capital Expenditure[D]	US$MM	$0.9	$1.3	(31)%
Cash Balance (Qtr end)	US$MM	$3.7	$8.7	(57)%
Total Debt (Qtr end)[C]	US$MM	$10.0	$14.0	(29)%

[A] excludes effect of hedge contracts settled
[B] includes the loss from the settlement of hedge contracts of US$0.5 million (1H 2022: loss of US$3.6 million)
[C] Macquarie Facility debt
[D] For 1H 2023 total includes leasing costs and the final amounts for the acquisition and frac costs for the Australis 10% WI in the non-operated West Alford and Painter wells and associated unit costs but excludes the increase in the provision for restoration costs of US$0.2 million

The Financial Statements and Appendix 4D for the six-month period ended 30 June 2023 are attached.

This ASX announcement was authorised for release by the Australis Disclosure Committee.
For further information, please contact:

Ian Lusted
Managing Director
Australis Oil & Gas
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Graham Dowland
Finance Director
Australis Oil & Gas
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ABOUT AUSTRALIS

Australis (ASX: ATS) is an ASX listed oil and gas company seeking to provide shareholders value and growth through the strategic development of its quality onshore oil and gas assets in the United States of America.

With approximately 73,300 net acres (53% HBP) within the production delineated core of the proven oil producing TMS, Australis retains significant upside potential with approximately 260 net future drilling locations.

At year end 2022 Ryder Scott independently assessed Australis acreage with 120 MMbbls of 2P + 2C recoverable volume including 2.5 MMbbls producing reserves providing net field cash flow[1]. The contingent oil resource is only contingent on a qualifying development program and Australis will carry out a reassessment of its undeveloped reserve position when a partner and funding is secured.

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

GLOSSARY

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

Term	Definition
TMS Core	The Australis designated productive core area of the TMS delineated by production history
WI	Company beneficial interest before royalties
Royalty	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
Net or NRI	Company beneficial interest after royalties or burdens
C	Contingent Resources (1C/2C/3C equivalent to low/most likely/high)
NPV(10)	Net Present Value (@ discount rate)
EUR	Estimated Ultimate Recovery of a well
WTI	West Texas Intermediate oil benchmark price
LLS	Louisiana Light Sweet oil benchmark price
D, C&T	Drill, Complete and Tie - in
SOFR	Secured Overnight Financing Rate
Opex	Operating Expenditure
G&A	General & Administrative Expenditure
HBP	Held by production – within a formed unit a producing well meets all lease obligations within that unit. Primary term remains valid whilst well is on production.
PRB	Probable Reserves
PDP	Proved Developed Producing Reserves
PDNP	Proved Developed Not Producing Reserves
PUD	Proved Undeveloped Reserves
Net Acres	Working Interest before deduction of royalties or burdens
Field Netback	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains or losses and field-based production expenses but excludes depletion and depreciation
Adjusted EBITDA	represents net income /(loss) for the period before any income tax expense or benefit, finance costs, depletion, depreciation, expired lease write off, and impairment
IP30	The average oil production rate over 30 days of production following clean up
YOY	Year on year
TMS Type Curve	The history matched production performance of 15 wells drilled in the TMS by Encana in 2014. Corresponds to an average treated horizontal length of 7,200ft. Refer to the Appendix of the Australis Corporate Presentation
IDP	Initial drilling program of 6 wells in the TMS by Australis commencing late 2018
DUC	Drilled uncompleted well
OD	Outer Diameter of a tubular

Notes

1. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2022 and generated for the Australis concessions to SPE standards. See ASX announcement released on 9 February 2023 titled “Reserves and Resources Update Year End 2022”. Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. 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. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2021 and generated for the Australis concessions to SPE standards. See ASX announcement released on 7 February 2022 titled “Reserves and Resources Update Year End 2021”. 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.

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 Adjusted EBITDA are Non-IFRS financial measures commonly used in the oil and gas industry. Non-IFRS financial measures used by the Company, including Field Netback and Adjusted EBITDA, may not be comparable with the calculation of similar measures by other companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted EBITDA

Adjusted EBITDA represents net income /(loss) for the period before any income tax expense or benefit, finance costs, depletion, depreciation, expired term leases write off and amortisation charges and impairment provision.

The following table reconciles net loss after tax to Adjusted EBITDA for the 6 months ended 30 June 2023:

	1H 2023	**1H 2022**
	US$’000	**US$’000**
Net (loss) / profit after tax	(13,757)	1,121
Adjustments:		
Depletion	2,425	791
Depreciation	2,293	728
Net finance expenses	538	514
Expired lease write off[1]	9,362	-
Adjusted EBITDA	**861**	**3,154**

1. Relates to the costs of term leases previously capitalised as exploration expenditure but following expiry, without renewal, the capitalised costs have been written off.

FIELD NETBACK

Field Netback represents 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.

Forward Looking Statements

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

23 August 2023

APPENDIX 4D
HALF YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2023

Name of Entity:

AUSTRALIS OIL & GAS LIMTED (ASX: ATS)

ABN or equivalent company reference

34 609 262 937

This information and the Australis Oil & Gas Limited Interim Financial Report for the Half Year Ended 30 June 2023 should be read in conjunction with the Australis Oil & Gas Limited 2022 Annual Report (which contains the 2022 audited Financial Report).

Results for Announcement to the Market

Revenue from ordinary activities	Decreased by 25%(1) from US$14.36 million for the half year ended 30 June 2022 to US$10.75 million for the half year ended 30 June 2023.	
Loss from ordinary activities after tax attributable to members	Increased by 1329%(1) from a profit of US$1.12 million for the half year ended 30 June 2022 to a loss of US$13.76 million for the half year ended 30 June 2023.	
Loss for the period attributable to members	Increased by 1329%(1) from a loss of US$1.12 million for the half year ended 30 June 2022 to a loss of US$13.76 million for the half year ended 30 June 2023.	
An explanation of the results is included in the Interim Financial Report ended 30 June 2023 which can be found on the ASX website or the Australis website at www.australisoil.com (1) Comparisons are made to the financial results for the half year ended 30 June 2022.		
Dividends		
No dividends are proposed (2022:nil).		
Net Tangible Asset per Security	**30 June 2023**	**30 June 2022**
	US$0.04	US$0.05
Changes in controlled entities		
There have been no changes in controlled entities during the half year ended 30 June 2023. This report is based on the consolidated half year financial statements for the half year ended 30 June 2023 which have been reviewed by BDO Audit (WA) Pty Ltd.		

AUSTRALIS OIL & GAS LIMITED

ABN 34 609 262 937

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2023

AUSTRALIS
OIL & GAS

ABN 34 609 262 937

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Corporate directory

Directors

Mr Jonathan Stewart - Chairman
Mr Ian Lusted – Chief Executive Officer
Mr Graham Dowland – Chief Financial Officer
Mr Stephen Scudamore – Non-Executive Director
Mr Alan Watson – Non-Executive Director

Company Secretary

Ms Julie Foster

Registered and Principal Office

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Facsimile: +61 8 9220 8799

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Houston, Texas 77002
Telephone: +1 (346) 229 2525

Share Registry

Computershare Investor Services Pty Ltd
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Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Solicitor

Gilbert & Tobin
Level 16, Brookfield Place Tower 2
123 St Georges Terrace
Perth, Western Australia 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
Level 9, Mia Yellagonga Tower 2,
5 Spring Street
Perth, Western Australia 6000

Website and Email

www.australisoil.com
contact@australisoil.com

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 half-year ended 30 June 2023.

Directors

The names of directors of the Company in office at any time during or since the end of the financial half-year ended 30 June 2023 are:

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

Each director held their office from 1 January 2023 until the date of this report.

Results and review of operations

The principal activity of the Group is oil and gas exploration, development and production. The Company operates one area of interest onshore being leases, wells and facilities in the Tuscaloosa Marine Shale (TMS) in the states of Louisiana and Mississippi in the USA. A summary of the activity of the project during the period is set out in the Operating Review below.

All references to dollars in this report will be US$ unless stated otherwise.

Directors' report

OPERATING REVIEW

During the reporting period Australis produced from 31 operated wells (30 June 2022: 31) and a further 18 non-operated wells all within the Tuscaloosa Marine Shale ("TMS").

A summary of the results and activities for the six months to 30 June 2023 are as follows:

- Total sales volumes (WI) during the period were 149,000 bbls (1H 2022: 174,000 bbls).
- Production from the wells was in line with expectation for production decline and weather-related events other than for minor delays with 2 of the 5 well workovers undertaken.
- The Company received revenue of US$11 million offset by oil price hedge contract settlement losses of US$0.5 million. The contracts were executed in prior periods of low future oil prices in accordance with the Macquarie Facility mandated covenant requirements. These low oil price hedges are now mostly settled.
- Achieved oil sales pricing (LLS) averaged US$75/bbl (not including realised hedge losses) and ranged between $80/bbl at the commencement of 2023 and by June had decreased to US$72/bbl. At the date of this report, LLS pricing was greater than US$80/bbl. Losses from WTI oil price hedges reduced during the 1H 2023 to US$3/bbl (1H 2022: US21/bbl).
- During the 6 month reporting period Australis achieved:
    - Field Netback of US$4.1 million (31% decrease from 1H 2022)
    - Adjusted EBITDA of US$0.9 million (72% decrease from 1H 2022)
    - Earnings excluding non-cash items of US$0.8 million (75% decrease from 1H 2022)
- Total capital expenditure excluding the increase to the provision for future well site restoration of US$0.9 million (1H 2022: US$1.3 million) primarily related to the permitting and strategic land leasing maintenance program as part of managing and safeguarding the TMS asset, well equipment replacement and the remaining costs for completing the Paloma Resources operated West Alford well and associated leaseholds.
- Loss after tax of US$13.8 million (1H 2022: Profit $1.1 million), including non-cash charges of US$14.6 million.
- The Macquarie Credit Facility debt was reduced during the reporting period by US$2 million to US$10 million at 30 June 2023.
- In February 2023, Australis released its independently assessed net reserves and resources estimates[1] for the TMS as at 31 December 2022 and adopted a conservative approach to estimating its oil and gas reserves and resources. Future production from existing wells was assessed in a manner consistent with previous years. However, given the current Company strategy to introduce a partner for the purposes of advancing the development of its TMS asset, the Board determined it would, as it did in the previous year, not be appropriate to propose a development plan as part of the YE2022 reserves evaluation. Therefore, the YE2022 reserve and resource estimate consisted of a proved, probable and possible developed reserve estimate only (i.e. for the existing wells only) and no reserve estimates have been generated for undeveloped acreage. A contingent resource estimate is provided and, as in previous years, the mid case 2C contingent resource is subject to a qualifying development plan to transition volumes to an appropriate reserve category of proved, probable and possible. The Proved Developed Producing reserves net (after royalties) to Australis totaled 2.5 million barrels and the 2C Contingent Resource (mid case) totaled 120 million barrels.

FUTURE DEVELOPMENTS

With the existing cash balance and projected revenue stream including the WTI oil price hedge contracts, Australis is able to service its debt obligations for the next 12 months. Australis believes that market conditions continue to improve and with the decreasing availability of high quality future well inventory as the existing plays mature or are largely controlled by only a few operators, attention has and will increase into areas that are de-risked, can demonstrate high production rates, provide control over development and offer appropriate entry costs. The TMS Core area asset owned by Australis meets all of these requirements. The Company continues to be patient as it engages with potential partners to assist with the TMS value creation and monetisation of this asset.

ABN 34 609 262 937

Directors' report

FINANCIAL AND CAPITAL MANAGEMENT

During the period, the Consolidated Entity made a net loss after tax of US$13.8 million (30 June 2022: Profit US$1.1 million).

As at 30 June 2023, Australis has cash and cash equivalents of US$3.7 million (31 December 2022: US$7.8 million).

During the period ended 30 June 2023, Australis TMS Inc, a wholly owned subsidiary, repaid US$2 million under the Macquarie credit facility, bringing the total amount outstanding at the balance date to US$10 million (31 December 2022: US$12 million).

The operating results for Australis for the period ending 30 June 2023 is as follows:

Summary Financial Results

	30 June 2023 US$ millions	**30 June 2022 US$ millions**
Revenue (including hedging gain/(loss))	$10.74	$14.36
Royalties	($2.17)	($3.45)
Direct operating costs & taxes	($4.52)	($5.04)
Field Netback	**$4.05**	**$5.87**
Other income	$0.01	$0.76
(Loss) / Gain on sale of asset	-	($0.06)
Corporate costs	($2.74)	($2.86)
Exploration costs expensed	-	($0.08)
Unrealised foreign exchange loss	($0.03)	($0.16)
Share based payments	($0.43)	($0.32)
Adjusted EBITDA	**$0.86**	**$3.15**
Net interest expense	($0.54)	($0.51)
Depreciation and depletion	($4.72)	($1.52)
Exploration costs – Expired lease write off	($9.36)	-
(Loss) / profit before taxation	**$(13.76)**	**$1.12**

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 review of operations above and the events after the reporting date below.

Dividends
In respect of the period ended 30 June 2023, 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
No events have occurred since 30 June 2023 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's Financial Statements.

Rounding off of amounts
The Directors' Report and Financial Statements are rounded off to the nearest thousand dollars as permitted under Corporations Instrument 2016/191, unless otherwise indicated.

Auditor's independence declaration
The auditor's independence declaration is included on page 8 of the half-year report.

The Director's Report is signed in accordance with a resolution of Directors made pursuant to section 306(3) of the Corporations Act.

Jonathan Stewart 23 August 2023

Directors' report

FOOTNOTES

[1]All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2022 and generated for the Australis concessions to SPE standards. See ASX announcement released on 9 February 2023 titled "Reserves and Resources Update Year End 2022". Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. 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.

GLOSSARY

Term	Definition
bbl(s)	Barrel(s) of oil
Bopd	Barrel of oil per day
Adjusted EBITDA	represents net income /(loss) for the period before any income tax expense or benefit, finance costs, depletion, depreciation, expired lease write off, and impairment.
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
LLS	Louisiana Light Sweet Oil Benchmark Price
WTI	West Texas Intermediate Oil Benchmark Price
HBP	Held by production – within a formed unit a producing well meets all lease obligations within that unit. Primary term remains valid whilst is on production

Auditors' independence declaration

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AUSTRALIS OIL & GAS LIMITED

As lead auditor for the review of Australis Oil & Gas Limited for the half-year ended 30 June 2023, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth

23 August 2023

Independent review report

BDO

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Directors of Australis Oil & Gas Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australis Oil & Gas Limited and its subsidiaries, which comprises the consolidated statement of financial position as at 30 June 2023, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

BDO

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth

23 August 2023

Directors' declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 12 to 30, are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards and 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 30 June 2023 and of its performance for the half-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.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the *Corporations Act 2001*

Jonathan Stewart
Chairman
Perth, Western Australia

23 August 2023

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2023

	Notes	**Half-year ended 30 June 2023 US$'000**	Half-year ended 30 June 2022 US$'000
Revenue	2.2	**10,745**	14,361
Cost of sales	2.3	**(11,237)**	(9,930)
Gross (loss) / profit		**(492)**	4,431
Other income	2.4	**11**	762
Other expenses	2.5	**(12,738)**	(3,558)
(Loss) / profit from operating activities		**(13,219)**	1,635
Net finance (expenses)	2.6	**(538)**	(514)
(Loss) / profit before income tax		**(13,757)**	1,121
Income tax expense		**-**	-
(Loss) / profit after income tax		**(13,757)**	1,121
Other comprehensive profit / (loss)			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedges		**1,503**	(2,118)
Other comprehensive profit /(loss) for the period net of tax		**1,503**	(2,118)
Total comprehensive (loss) for the period attributable to owners of the Company		**(12,254)**	(997)
(Loss) / profit per share attributable to owners of the Company			
Basic (loss) / profit per share (cents per share)	2.7	**(1.09)**	0.09
Diluted (loss) / profit per share (cents per share)	2.7	**(1.09)**	0.08

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

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Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30 June 2023 US$'000	31 December 2022 US$'000
Current assets			
Cash and cash equivalents		**3,713**	7,848
Trade and other receivables	3.4	**3,193**	3,138
Inventories		**1,152**	1,039
Total current assets		**8,058**	12,025
Non-current assets			
Oil and gas properties	3.2	**59,254**	57,016
Exploration and evaluation	3.1	**-**	13,238
Property, plant and equipment	3.3	**5,726**	7,730
Other receivables	3.4	**376**	374
Total non-current assets		**65,356**	78,358
Total assets		**73,414**	90,383
Current liabilities			
Trade and other payables	5.4	**(5,691)**	(7,637)
Provisions		**(395)**	(344)
Derivative financial instruments hedge	5.3	**(117)**	(1,273)
Borrowings	4.3	**(4,000)**	(4,000)
Lease liability		**(187)**	(158)
Total current liabilities		**(10,390)**	(13,412)
Non-current liabilities			
Provisions	5.1	**(2,795)**	(2,442)
Borrowings	4.3	**(5,897)**	(7,870)
Derivative financial instruments	5.3	**(62)**	(409)
Lease liability		**(138)**	(211)
Total non-current liabilities		**(8,892)**	(10,932)
Total liabilities		**(19,282)**	(24,344)
Net assets		**54,132**	66,039
Equity			
Contributed equity	4.1	**183,624**	183,779
Treasury shares	4.1	**(170)**	(325)
Share based payment reserve	4.2	**13,454**	13,107
Foreign exchange reserve		**(467)**	(467)
Cash flow hedge reserve		**(179)**	(1,682)
Accumulated losses		**(142,130)**	(128,373)
Total equity		**54,132**	66,039

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

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2023

	Contributed Equity US$'000	Treasury Shares US$'000	Other Reserve US$'000	Accumulated (Losses) US$'000	Total US$'000
Balance at 1 January 2022	**184,672**	**(1,215)**	**8,720**	**(130,340)**	**61,837**
Profit for the period	-	-	-	1,121	1,121
Other comprehensive income					
Change in fair value of cash flow hedges	-	-	(2,118)	-	(2,118)
Total comprehensive income for the period	**-**	**-**	**(2,118)**	**1,121**	**(997)**
Transactions with owners, in their capacity as owners					
Purchase of treasury shares	202	(202)	-	-	-
Transfer of treasury shares on rights exercise	(411)	411	-	-	-
Share based payments	-	-	561	-	561
Balance as at 30 June 2022	**184,463**	**(1,006)**	**7,163**	**(129,219)**	**61,401**
Balance at 1 January 2023	**183,779**	**(325)**	**10,958**	**(128,373)**	**66,039**
(Loss) for the period	-	-	-	(13,757)	(13,757)
Other comprehensive income					
Change in fair value of cash flow hedges	-	-	1,503	-	1,503
Total comprehensive loss for the period	**-**	**-**	**1,503**	**(13,757)**	**(12,254)**
Transactions with owners, in their capacity as owners					
Transfer of treasury shares on rights exercise	(155)	155	-	-	-
Share based payments	-	-	347	-	347
Balance as at 30 June 2023	**183,624**	**(170)**	**12,808**	**(142,130)**	**54,132**

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

Consolidated Statement of Cash Flows
For the half-year ended 30 June 2023

	Notes	Half-year ended 30 June 2023 US$'000	Half-year ended 30 June 2022 US$'000
Cash flows from operating activities			
Receipts from customers		**11,005**	13,659
Payments to suppliers and employees		**(10,819)**	(11,060)
Other revenue		**11**	66
Net cash inflow from operating activities		**197**	2,665
Cash flows from investing activities			
Payment for capitalised oil and gas assets		**(1,390)**	(427)
Payment for property, plant and equipment		**(395)**	(102)
Interest received		**125**	1
Net cash (outflow) from investing activities		**(1,660)**	(528)
Cash flows from financing activities			
Repayment of borrowings		**(2,000)**	(2,000)
Debt facility costs		**(645)**	(509)
Net cash (outflow) from financing activities		**(2,645)**	(2,509)
Net (decrease) in cash and cash equivalents		**(4,108)**	(372)
Cash and cash equivalents at the beginning of the financial period		**7,848**	9,253
Effect of exchange rates on cash holdings in foreign currencies		**(27)**	(156)
Cash and cash equivalents at the end of the financial period		**3,713**	8,725

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

Section 1: Basis of Reporting
For the half-year ended 30 June 2023

1.1 Basis of preparation and compliance statement

The consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

This consolidated interim financial report has been prepared under the historical cost convention. The consolidated interim financial statements are presented in US dollars and are rounded to the nearest thousand dollars (US$'000) as permitted under Corporations Instrument 2016/191, unless otherwise stated.

The accounting policies adopted are consistent with those adopted and disclosed in the Company's Annual Report for the year ended 31 December 2022 unless otherwise stated.

Going Concern

The financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. For the period ended 30 June 2023 the Consolidated Entity recorded a loss of US$13.8 million (30 June 2022: Profit US$1.1 million). The loss was largely due to non-cash charges relating to the expired mineral lease write off (US$9.4 million) and a change in the accounting estimate for depletion resulting in a larger charge per bbl produced than in previous periods ($2.5 million). The Group recorded a net cash inflow from operating activities of US$197,000 (30 June 2022: US$2.7 million) and at the balance date cash reserves are US$3.7 million (excluding bank balances held as guarantees of US$376,000 refer to note 3.4).

The financial statements have been prepared on the basis that the Group is a going concern for the following reasons:

- Earnings for the period excluding non-cash items were US$0.8 million;
- Net hedge book position at 30 June 2023 protecting a sales price of >US$59/bbl for approximately 50% of the Groups 12 month forecast net sales of oil;
- At the reporting date the Consolidated Entity recorded a working capital deficit of US$2.3 million however this deficit includes amongst other items the recognition of :
    - Credit facility amortisation payments of $4 million due in the next 12 months, and
    - payments of US$3.4 million of 'suspended' royalties (i.e. uncontactable or disputed / unverified ownership balances) which historically have had less than 10% settled on an annual basis and accordingly Management do not expect these amounts to be settled within the next 12 months.

1.2 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are consistent with those adopted and disclosed in the Company's 2022 Annual Report other than as set out below.

Depletion

Australis uses the units of production (UOP) approach when depleting producing oil and gas assets. Australis compares the actual volumes produced to the reserves to calculate a depletion rate which is applied to producing oil and gas assets. During the reporting period there was a change in the accounting estimate for the calculation of depletion rate as the reserves used for the calculation changed from Proved reserves to Producing reserves which in the absence of an approved development program more accurately matches well depletion.

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Section 2: Results For The Period
For the half-year ended 30 June 2023

2.1 Segment Reporting

Recognition and measurement

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

Oil & Gas Production

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

Exploration

Oil and gas exploration and evaluation in the United States.

Other

Corporate overhead in relation to the Group's management and administration office 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	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
External revenues	**10,745**	14,361	**-**	-	**-**	-	**10,745**	14,361
Direct operating costs	**(6,696)**	(8,550)	**-**	-	**-**	-	**(6,696)**	(8,550)
Corporate	**-**	-	**-**	-	**(2,739)**	(2,863)	**(2,739)**	(2,863)
Unrealised foreign currency gains / (losses)	**-**	-	**-**	-	**(30)**	(160)	**(30)**	(160)
Other income	**-**	-	**-**	-	**11**	762	**11**	762
Share based payments	**-**	-	**-**	-	**(427)**	(319)	**(427)**	(319)
Exploration costs	**(3)**	(14)	**-**	(63)	**-**	-	**(3)**	(77)
Adjusted EBITDA[1]	**4,046**	5,797	**-**	(63)	**(3,185)**	(2,580)	**861**	3,154
Depletion	**(2,425)**	(791)	**-**	-	**-**	-	**(2,425)**	(791)
Depreciation	**(2,116)**	(589)	**-**	-	**(177)**	(139)	**(2,293)**	(728)
Exploration costs -expired lease write-off	**-**	-	**(9,362)**	-	**-**	-	**(9,362)**	-
EBIT[2]	**(495)**	4,417	**(9,362)**	(63)	**(3,362)**	(2,719)	**(13,219)**	1,635
Net finance (costs)	**(538)**	(514)	**-**	-	**-**	-	**(538)**	(514)
Segment (loss) / profit	**(1,033)**	3,903	**(9,362)**	(63)	**(3,362)**	(2,719)	**(13,757)**	1,121

[1] Adjusted EBITDA represents net profit / (loss) for the period including net realised hedging loss of $480,000 (2022: $3,612,000 loss) before any income tax expense or benefit, finance costs, depletion, depreciation, expired lease write off and impairment.

[2]EBIT represents net profit / (loss) for the period before income tax expenses or benefit and finance costs.

Section 2: Results For The Period

For the half-year ended 30 June 2023

2.1 Segment Reporting (continued)

	Oil & Gas Production		Other		Total	
US$'000	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Capital expenditure						
Oil and gas assets	**826**	956	-	-	**826**	956
Other plant and equipment	**221**	362	**68**	2	**289**	364
	1,047	1,318	**68**	2	**1,115**	1,320

	Oil & Gas Production		Exploration		Other		Total	
US$000	**30 June 2023**	31 Dec 2022	**30 June 2023**	31 Dec 2022	**30 June 2023**	31 Dec 2022	**30 June 2023**	31 Dec 2022
Segment assets	**68,073**	67,754	-	13,238	**5,341**	9,391	**73,414**	90,383
Segment liabilities	**(17,740)**	(22,203)	-	-	**(1,542)**	(2,141)	**(19,282)**	(24,344)

Geographical segments

The Group operates in the United States of America and has a 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 oil commodity markets.

	Revenue		Non-current assets	
	Half-year ended	Half-year ended		
US$'000	**30 June 2023**	30 June 2022	**30 June 2023**	31 December 2022
United States of America	**10,745**	14,361	**64,843**	77,794
Australia	**-**	-	**513**	564
	10,745	14,361	**65,356**	78,358

Section 2: Results For The Period
For the half-year ended 30 June 2023

2.2 Revenue

	30 June 2023 US$'000	30 June 2022 US$'000
Revenue:		
Oil sales	**11,225**	17,973
Hedge gain / (loss)	**(480)**	(3,612)
Total Revenue	**10,745**	14,361

Recognition and measurement

Revenue is largely generated from oil sales. Revenue from the sale of produced hydrocarbons is recognised when or as the Group transfer control of goods or services to a customer at the amount to which the Group expects to be entitled. Australis enters into contracts with oil marketing groups 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 Groups working interest in a producing field (the entitlement method).

2.3 Cost of sales

	30 June 2023 US$'000	30 June 2022 US$'000
Cost of production:		
Production costs	**(4,017)**	(4,310)
Royalties	**(2,166)**	(3,451)
Production taxes	**(548)**	(859)
Gain / (loss) on sale of asset	**11**	31
Inventory movements	**24**	39
	(6,696)	(8,550)
Depreciation, depletion and amortisation expense:		
Oil & gas assets	**(4,541)**	(1,380)
Total cost of sales	**(11,237)**	(9,930)

2.4 Other income

	30 June 2023 US$'000	30 June 2022 US$'000
US Government Paycheck Protection Program - Loan Forgiveness	-	696
Other income	**11**	66
	11	762

Section 2: Results For The Period
For the half-year ended 30 June 2023

2.5 Other expenses

	30 June 2023 US$'000	30 June 2022 US$'000
Administrative expenses	**(2,739)**	(2,863)
Exploration Costs	**(3)**	(77)
Exploration costs – Expired lease write off[1]	**(9,362)**	
Depreciation	**(177)**	(139)
Share based payments	**(427)**	(319)
Unrealised foreign exchange loss	**(30)**	(160)
	(12,738)	(3,558)

[1] During the reporting period costs associated with leases that have expired and for which further expenditure on renewals is not currently anticipated, were written off. Refer to note 3.1.

2.6 Net finance costs

	30 June 2023 US$'000	30 June 2022 US$'000
Interest income	**127**	-
Amortised debt finance transaction costs	**(29)**	-
Debt finance interest costs	**(636)**	(514)
	(538)	(514)

2.7 Earnings per share

	30 June 2023 US Cents	30 June 2022 US Cents
(Loss) / profit per share attributable to members of the Company:		
Basic (loss) / profit per share	**(1.09)**	0.09
Diluted (loss) / profit per share	**(1.09)**	0.08
(Loss) / profit used in the calculation of basic / diluted (loss) / profit per share	**US$'000**	US$'000
Net (loss) / profit after tax	**(13,757)**	1,121
	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic (loss) / profit per share	**1,261,196,273**	1,239,458,124
Weighted average number of ordinary shares used as the denominator in calculating diluted (loss) / profit per share	**1,261,196,273**	1,363,738,967

2.8 Dividends

No dividend has been paid or is proposed in respect of the six month period to 30 June 2023 (six months to 30 June 2022: Nil).

Section 3: Invested Capital

For the half-year ended 30 June 2023

3.1 Exploration and evaluation

	30 June 2023 US$'000	31 December 2022 US$'000
At cost	**-**	13,238
Opening balance	**13,238**	13,379
Capitalised expenditure[1]	**(39)**	-
Transferred to oil & gas properties	**(3,837)**	(23)
Disposal – land Portugal[3]	**-**	(118)
Disposal – Expired lease write off[2]	**(9,362)**	-
Closing balance	**-**	13,238

1) Capitalised expenditure represents the costs associated with the acquisition of new leases and the renewal or extension of existing leases and permitting costs in the TMS during the period.

2) During the reporting period costs associated with leases that have expired and for which further expenditure on renewals is not currently anticipated, were written off to the profit and loss.

3) During the year to 31 December 2022 the land held in Portugal was sold for $118k which represented the carrying value of the land.

3.2 Oil and Gas Properties

	Producing Projects US$'000	**Development Projects US$'000**	**Total US$'000**
2023			
Balance at 1 January 2023	**40,674**	**16,342**	**57,016**
Additions	**107**	**520**	**627**
Disposals	**-**	**-**	**-**
Transfer from exploration & evaluation	**-**	**3,837**	**3,837**
Increase in restoration provision	**199**	**-**	**199**
Depletion / Depreciation	**(2,425)**	**-**	**(2,425)**
Balance at 30 June 2023	**38,555**	**20,699**	**59,254**
2022			
Balance at 1 January 2022	40,379	15,143	55,522
Additions	1,916	1,199	3,115
Depletion / Depreciation	(1,621)	-	(1,621)
Balance at 31 December 2022	**40,674**	**16,342**	**57,016**

During the reporting period there was a change in accounting estimate relating to the depletion of producing projects. Please refer to Note 1.2.

Section 3: Invested Capital

For the half-year ended 30 June 2023

3.3 Property, plant and equipment (other than oil and gas properties)

	Office equipment US$'000	Production Equipment US$'000	Motor Vehicles US$'000	Right of Use Asset US$'000	Total US$'000
2023					
Opening net book amount	**145**	**6,962**	**281**	**342**	**7,730**
Additions	**32**	**221**	**-**	**44**	**297**
Disposals	**(8)**	**-**	**-**	**-**	**(8)**
Depreciation charge	**(68)**	**(2,116)**	**(28)**	**(81)**	**(2,293)**
Balance at 30 June 2023	**101**	**5,067**	**253**	**305**	**5,726**
2022					
Opening net book amount	168	7,586	217	508	8,479
Additions	26	529	140	-	695
Disposals	-	-	(22)	-	(22)
Depreciation charge	(49)	(1,153)	(54)	(166)	(1,422)
Balance at 31 December 2022	145	6,962	281	342	7,730

3.4 Trade and Other Receivables

	30 June 2023 US$'000	31 December 2022 US$'000
Current assets		
Trade receivables	**2,432**	2,571
Other receivables	**761**	567
	3,193	3,138
Non-current assets		
Other receivables	**376**	374
	376	374

Section 4: Capital and Debt Structure
For the half-year ended 30 June 2023

4.1 Contributed equity

Share capital	**30 June 2023 Securities**	31 December 2022 Securities	**30 June 2023 US$'000**	31 December 2022 US$'000
Ordinary shares	**1,261,196,273**	1,261,196,273	**183,624**	183,779
Treasury shares	**(1,428,662)**	(7,049,102)	**(170)**	(325)
Total contributed equity	**1,259,767,611**	1,254,147,171	**183,454**	183,454

Movements in contributed equity:

	Date	Number of Securities	Issue Price A$	US$'000
Balance at 1 January 2022		**1,238,463,649**		**184,672**
Issue to Employee Share Trust	25 May 22	5,000,000	0.057	202
Issue to Non-Executive Directors (exercise of Fee Rights)	23 Aug 22	11,732,624	-	-
Issue to Employee Share Trust	27 Oct 22	6,000,000	0.036	137
Share issue costs		-		(3)
Treasury share release(1)		-	Various	(1,229)
Balance at 31 December 2022		**1,261,196,273**		**183,779**
Treasury Share Release(1)		-		(155)
Balance at 30 June 2023		**1,261,196,273**		**183,624**

1. During the reporting periods, employees of the Company exercised their vested performance rights resulting in the release of the treasury shares to the employees.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the 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.

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2023

4.1 Contributed equity (continued)

Treasury shares

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

	Date	Number of Treasury Shares	Purchase Price A$	Cost US$'000
Balance at 1 January 2022		**29,891,288**		**1,215**
Settlement of 2021 Short term incentive (in lieu of cash)(1)	14 Mar 22	(5,221,540)	0.0774	(294)
Performance rights exercised	Various	(28,620,646)	Various	(935)
Australis Oil & Gas Employee Share Trust acquisition	25 May 22	5,000,000	0.057	202
Australis Oil & Gas Employee Share Trust subscription	27 Oct 22	6,000,000	0.036	137
Balance at 31 December 2022		**7,049,102**		**325**
Performance rights exercised	Various	(5,620,440)	Various	(155)
Balance at 30 June 2023		**1,428,662**		**170**

(1) During the period to 31 December 2022 in order to conserve cash, payment of the achieved 2021 STI for all employees was part settled in ordinary shares in lieu of cash.

4.2 Share-based payment reserve

	30 June 2023 US$'000	31 December 2022 US$'000
Balance at beginning of period	**13,107**	11,973
Share based payment expense arising during the period	**347**	1,134
Balance at end of period	**13,454**	13,107

Performance & Fee Rights	**Number of Securities**
Balance at 1 January 2022	**90,596,045**
Granted	42,647,711
Exercised	(42,019,225)
Forfeited	(3,264,101)
Lapsed	(3,841,660)
Balance at 31 December 2022	**84,118,770**
Granted(1)	63,731,277
Forfeited(2)	(10,209,446)
Lapsed(2)	(1,641,552)
Exercised(3)	(8,451,077)
Balance at 30 June 2023	**127,547,972**

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2023

4.2 Share-based payment reserve (continued)

(1) During the half year ended 30 June 2023 Australis issued 58,607,113 performance rights (2022: 39,608,082) to certain employees and executive directors of the Company under the Australis Oil & Gas Limited Employee Equity Incentive Plan. In addition, 5,124,164 fee rights (2022: 3,039,629) were issued to non-executive directors in lieu of forgoing cash fees. The grant of performance and fee rights to directors were approved by Shareholders in general meeting on 2 May 2023.
(2) During the half year ended 30 June 2023 10,209,446 unvested performance rights were forfeited and 1,641,552 unvested performance rights lapsed due to non-achievement of vesting conditions.
(3) During the half year ended 30 June 2023 5,620,440 vested performance rights were exercised by employees and 2,830,637 vested performance rights were forfeited by North American based employees to satisfy their personal tax liabilities arising on vesting of performance rights.

The performance and fee rights granted during the half year ended 30 June 2023 have the following terms and conditions:

Type of grant	Grant date	Tranche	Number	Vesting date	Expiry date	Exercise Price	Value per right at grant date	Vesting condition
Performance Rights 2023 LTI Plan Award(1)	2 May 2023	1	8,372,444	31-Jan 24	31-Jan-26	Nil	A$0.034	Service
							A$0.03	Absolute TSR*
							A$0.04	Relative TSR*
		2	16,744,889	31-Jan 25	31-Jan-27	Nil	A$0.034	Service
							A$0.0224	Absolute TSR*
							A$0.0323	Relative TSR*
		3	33,489,780	31-Jan 26	31-Jan-28	Nil	A$0.034	Service
							A$0.0172	Absolute TSR*
							A$0.0294	Relative TSR*
2023 Fee Rights – A	2 May 2023	1	5,124,164	31-Jan 24	31-Jan-26	Nil	A$0.034	Service

*A continued service condition also applies in addition to the applicable TSR vesting condition.

Options

	Number of Securities
Balance at 1 January 2022	32,700,000
Expired(1)	(32,700,000)
Balance at 31 December 2022	-
Balance at 30 June 2023	-

(1) 31,200,000 unlisted A$0.35 options and 1,500,000 unlisted A$0.285 – A$0.40 options expired unexercised on 31 December 2022.

4.3 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 and loss. Borrowing costs that are not directly attributable are recognised in the profit or loss.

	30 June 2023 US$'000	31 December 2022 US$'000
Interest bearing loans and borrowings		
Borrowings [(1)] Current	**4,000**	4,000
Borrowings[(2)] Non Current	**5,897**	7,870
Balance at 30 June 2023	**9,897**	11,870

(1) Current borrowings relate to the Macquarie Facility. 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. In the event the ratio of value of the Company's producing reserves to the outstanding debt falls below a prescribed threshold, the quarterly payments increase to US$3 million.
(2) Non current borrowings relate to the Macquarie Facility. The Macquarie non current borrowings are net of capitalised transaction costs.

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 30 June 2023 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 leases within units of the Initial Drilling Plan locations.

Under the Facility there are industry standard financial covenants which include minimum liquidity, current asset and liability ratio and PDP reserves ratio.

Australis is in compliance with all required covenants.

Section 5: Other Assets and Liabilities

For the half-year ended 30 June 2023

5.1 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 oil and gas 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 obligation include the costs of removing facilities, abandoning wells and restoring the affected areas.

Provision is made for long service leave estimated to be payable to employees on the basis of statutory and contractual requirements. The liability for long service 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.

	30 June 2023 US$'000	31 December 2022 US$'000
Long Service Leave	**140**	132
Restoration Provision	**2,655**	2,310
	2,795	2,442
Reconciliation of movement in provision		
Balance at the beginning of the financial period	**2,442**	2,403
Arising during the year – Long Service Leave	**8**	39
Arising during the year – Restoration	**345**	-
Balance at 30 June 2023	**2,795**	2,442

5.2 Fair Value of Financial Instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated interim financial statements approximate their fair values.

5.3 Derivative Financial Instruments

	30 June 2023 US$'000	31 December 2022 US$'000
Current	**(117)**	(1,273)
Non-current	**(62)**	(409)
	(179)	(1,682)

The derivative financial instruments represent oil price (WTI) hedge contracts, comprising collars and swaps, held by the Group at 30 June 2023.

Section 5: Other Assets and Liabilities

For the half-year ended 30 June 2023

5.4 Trade and other payables

	30 June 2023 US$'000	31 December 2022 US$'000
Trade payables	**5,231**	6,845
Other payables	**460**	792
	5,691	7,637

Section 6: Other Notes

For the half-year ended 30 June 2023

6.1 Related party disclosures

Transactions with key management personnel

The following performance rights (Rights) have been issued to key management personnel during the half year ended 30 June 2023. The Rights were issued under the Company's employee equity incentive plan. The Rights granted to executive directors were approved by Shareholders at the Annual General Meeting of the Company held on 2 May 2023. The terms and conditions associated with the plan are detailed in the AGM Notice.

	Grant date	Vesting period	Number	Exercise price	Total fair value A$ (1)	Expiry	Vesting condition	Expense recognised at 30 June 2023 US$
Ian Lusted – Executive Director	2 May 2023	31-Jan 24	963,190	Nil	31,665	31-Jan-26	Service Absolute TSR Relative TSR	4,592
	2 May 2023	31-Jan 25	1,926,380	Nil	52,313	31-Jan-27	Service Absolute TSR Relative TSR	3,249
	2 May 2023	31-Jan 26	3,741,761	Nil	91,262	31-Jan-28	Service Absolute TSR Relative TSR	3,604
Graham Dowland – Executive Director	2 May 2023	31-Jan 24	910,000	Nil	29,916	31-Jan-26	Service Absolute TSR Relative TSR	4,338
	2 May 2023	31-Jan 25	1,820,000	Nil	49,424	31-Jan-27	Service Absolute TSR Relative TSR	3,069
	2 May 2023	31-Jan 26	3,640,000	Nil	86,223	31-Jan-28	Service Absolute TSR Relative TSR	3,405
Darren Wasylucha – Chief Corporate Officer	2 May 2023	31-Jan 24	741,656	Nil	24,549	31-Jan-26	Service Absolute TSR Relative TSR	3,552
	2 May 2023	31-Jan 25	1,483,313	Nil	42,312	31-Jan-27	Service Absolute TSR Relative TSR	2,622
	2 May 2023	31-Jan 26	3,966,626	Nil	76,391	31-Jan-28	Service Absolute TSR Relative TSR	3,010
David Greene – Vice President Operations	2 May 2023	31-Jan 24	819,430	Nil	27,246	31-Jan-26	Service Absolute TSR Relative TSR	3,937
	2 May 2023	31-Jan 25	1,638,861	Nil	48,244	31-Jan-27	Service Absolute TSR Relative TSR	2,985
	2 May 2023	31-Jan 26	3,277,721	Nil	88,908	31-Jan-28	Service Absolute TSR Relative TSR	3,499

Section 6: Other Notes

For the half-year ended 30 June 2023

6.1 Related party disclosures (continued)

Transactions with key management personnel (continued)

The following Fee Rights granted to non-executive directors were not issued under the Company's incentive plan. The Rights were approved by Shareholders at the Annual General Meeting of the Company held on 2 May 2023. The terms and conditions associated with the issue of the Rights are detailed in the AGM Notice. The Rights were issued in lieu of cash fees.

	Grant date	Vesting period	Number	Exercise price	Total fair value A$ (1)	Expiry	Vesting condition	Expense recognised at 30 June 2023 US$
Jonathon Stewart – Non-executive Chairman	2 May 2023	31-Jan 24	2,846,758	Nil	96,790	31-Jan-26	Service	15,877
Alan Watson – Non-executive Director	2 May 2023	31-Jan 24	1,138,703	Nil	38,716	31-Jan-26	Service	6,351
Steve Scudamore – Non-executive Director	2 May 2023	31-Jan 24	1,138,703	Nil	38,716	31-Jan-26	Service	6,351

(1) Fair value of the performance rights is in Australian Dollars.

6.2 Commitments

There have been no material changes to the commitments reported at 31 December 2022.

6.3 Contingencies

As at 30 June 2023 the Group had no contingent liabilities (31 December 2022: nil).

6.4 Events after the reporting date

Since 30 June 2023 there has been no event that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

6.5 Rounding of amounts

The Company satisfies the requirements of Corporations Instrument 2016/191 issued by the Australian Investments and Securities Commission relating to "rounding off" of amounts in the directors' report and the financial report to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial report in accordance with that Class Order.