AUSTRALIS
OIL & GAS

ANNUAL REPORT

For the year ended 31 December 2016

Australis Oil & Gas Limited
ABN 34 609 262 937

Contents

Highlights

CORPORATE

- Listed on ASX in July 2016
- Appointed Alan Watson and Steve Scudamore as Non-Executive Directors

ASSETS AND OPERATIONS

- Acquired initial 50% WI position in 33,000 core acres in TMS in H1 2016
- Consolidated TMS position to 50% WI in 38,000 core acres and >50% with primary term lease expiry date beyond 2020
- At 250 acre spacing equates to 76 net potential future well locations

FINANCIAL

- Raised A$40 million during the year comprising:
  - Private equity raise of A$10 million at 22 cents per share
  - Successful IPO raising A$30 million at 25 cents per share
- Year-end net cash of A$29 million

CONTINGENT RESOURCES

- TMS net acreage ownership of 19,000 acres at year-end
  - Net 2C Resource estimates increase 104% from mid-year estimates[1]
    - 26.4 mmbbls oil as at 31 December 2016, equivalent to the recovery of 8% of the oil in place
- Portugal concession areas at year-end
  - Net 2C Resource estimates increase by 96% from mid-year estimates[1]
    - 458.5 Bcf gas as at 31 December 2016

TMS ACQUISITION

- Post year-end agreed to acquire the TMS assets owned by Encana for US$80 million
  - Proven Developed Producing (PDP) reserves valued at NPV (10) US$95 million (Ryder Scott 1 Feb 2017, forward strip)[2]
  - Includes 5 mmbbls oil PDP reserves and 80 mmbbls oil of 2C Resource[2]
  - Adds 62,000 net core TMS acres (35% HBP)
- Net field cash flow of US$41 million estimated over period to 31 December 2018 (based on 1 Feb 17 forward strip)[2]
- New shares to be issued to fund the acquisition. 435 million new shares at 23 cents per share to raise A$100 million, subject to shareholder approval
- Anticipated close mid-April 2017

Chairman's Letter

For the year ended 31 December 2016

I am pleased to present this first report for Australis Oil & Gas since listing on the ASX in mid-2016. There has certainly been considerable activity at Australis since that time as we implement the next phases of our strategy.

You will be aware that your Company commenced trading on the ASX in July 2016, following the IPO raising of A$30 million, most of which we had retained on hand at the time of reporting. This fundraising followed pre-listing private raises of A$37 million as we secured our initial asset portfolio and prepared for the IPO. A$11 million of this was contributed by Directors and Management.

In late 2015 we executed an agreement for the staged acquisition of our initial position in the Tuscaloosa Marine Shale ("TMS") in Louisiana and Mississippi. This acquisition was closed in two tranches in January and May 2016. Throughout the year, together with our partner in this position, Paloma Resources, we built our acreage in the core of the TMS from a 50% WI in 33,000 acres to 50% WI of 38,000 acres and refreshed the term of many near term expiry leases.

Most recently we agreed to acquire all the TMS assets of Encana Oil & Gas (USA) Inc. with close expected in mid-April. This transaction will be the transformational acquisition we have been looking for since we formed Australis in late 2014. We've reviewed many opportunities; have remained patient and disciplined in our evaluation of scenarios and in our view, nothing we have seen compares to the fundamental value and considerable upside potential that this transaction will deliver.

We see many parallels to the early days of the Eagle Ford. We believe that our Aurora Oil & Gas experience in the Eagle Ford, from discovery to full development, and then sale in 2014, offers us key learnings to apply to generating significant value for shareholders from our TMS position. Australis will become the largest holder in one of the few remaining undeveloped oil producing shale basins in the United States and our large position is in the production delineated oil rich core of the TMS.

This acquisition also meets the strategic objectives we set at establishment of the Company and reconfirmed at IPO. The assets have existing production, positive cashflow, large undeveloped resources, control over timing and amount of capital expenditure and solid and improving economics. We believe that the transaction, together with our existing TMS position, provides the platform for significant value creation for Australis' shareholders.

We appreciate the considerable support provided by existing and new shareholders in funding the Company's growth to date. We have raised a total of A$167 million since Australis' inception, including the recently announced capital raising of A$100 million. This raising, together with pre-existing cash balances and cash flow, provides management with funding to acquire the new assets and progress plans through 2017 and in to 2018.

Our immediate plan is to consolidate our lease position and further our development planning for the next phase of activity, with a view to selecting locations for a multi-well drilling program, expected to commence in 2018. This may involve partners and existing operators.

Our priority most recently has been in the US, but we are also very pleased with progress in Portugal, where we have taken significant steps to better understand and define the large gas discovery within our concessions.

Within this Annual Report you will find further detail regarding operations undertaken during the year together with current resource estimates for each of our existing assets that have been independently assessed. We consider that the improving resources estimates stated are a function of the quality of the assets owned by the Company. The intended work programs are expected to continue to deliver resource and reserves growth.

I would like to welcome our new shareholders and thank you for your confidence in the team and our strategy. To our shareholders who joined us during our private phase, many of whom also supported our recent fundraising, thank you for your continued support, trust and patience.

At Australis we have a relatively small but effective, hard working group of executives and employees to whom I would like to express the Board's gratitude for a very good initial phase of our listed company journey. Thank you too to our advisors, consultants and partners who have all contributed to this busy and successful start.

Yours sincerely

Jon Stewart
Chairman

Review of Operations

For the year ended 31 December 2016

STRATEGY

Australis was formed in 2014 following the sale of Aurora Oil & Gas ("Aurora") by the former principals and management of that company. The corporate strategy looks to utilise the experience and knowledge of the management team having seen a complete life cycle of a US unconventional shale and to take full advantage of the dramatic drop in oil commodity prices in 2014. The key tenants of the corporate strategy are as follows:-

1. To acquire an oil dominated portfolio in the low oil price environment – the Company's belief is that the oil price will recover with time to a natural price range of $65–75/bbl to sustain investment needed to offset the global decline rate.
2. To remain disciplined – technical evaluation is the key driver and acreage differentiation is imperative in all unconventional plays.
3. To remain patient – macro economic conditions will take time to manifest themselves in vendor expectations, particularly for quality assets.
4. To focus on securing oil in the ground and an inventory of future well locations with well-defined economics that, at a minimum, make positive returns at US$50/bbl with conservative assumptions.
5. To maintain control of the expenditure program, preference is not to develop well inventory into a low oil price environment and generate nominal returns but use the lower oil prices to consolidate and add to inventory on a highly cost-effective basis.

Australis secured its first two assets in Portugal and the Tuscaloosa Marine Shale ("TMS") during 2015 and 2016. They were consistent with the above strategy and were funded through Director and Management contributions and two private placements as the Company remained private until its listing on the Australian Stock Exchange ("ASX") in July 2016.

On 28 February 2017, the Company announced a significant acquisition of a large producing position within the core of the TMS that will potentially transform Australis and provide a platform for significant growth going forward. The transaction is anticipated to close in mid-April 2017.

TUSCALOOSA MARINE SHALE

UNCONVENTIONAL OIL ACREAGE ONSHORE USA

Introduction

The Tuscaloosa Marine Shale is a shallow marine cretaceous 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. It was well known through the 1980s as associated conventional sand horizons were developed through the area with vertical wells. With the advent of unconventional development activity, the TMS was explored from 2010 with localised success.

The play is deep, high pressure and oil weighted. Early results demonstrated variable production performance and relatively high well costs that were driven by operational difficulties encountered whilst drilling and completing the wells. These challenges led to a modest appraisal activity level, with competing plays in the USA offering lower risk development opportunities. However, the activity that did take place delineated a relatively small core area of the play where production results were consistent and very encouraging. The total depositional area, as defined by Louisiana and Mississippi is shown in Figure 1 and is extensive. For comparison the inset map shows the Eagle Ford, Barnett, Haynesville and TMS plays to show relative areal size. The red oblong shows the core area delineated by better producing wells and associated geology. This core area only consists of approximately 650,000 acres or 8% of the known TMS geological setting. Outside that core area there is a rapid decrease in production performance and this left many of the early entrants in the play with little or no exposure to the better performing wells and was discouraging of the play as a whole. The appraisal activity by those participants who had an acreage position in the core during 2013 and 2014 addressed many of the operational challenges so that costs and repeatability were improving, however this coincided with the oil commodity price drop in late 2014. No drilling activity has occurred since the beginning of 2015.

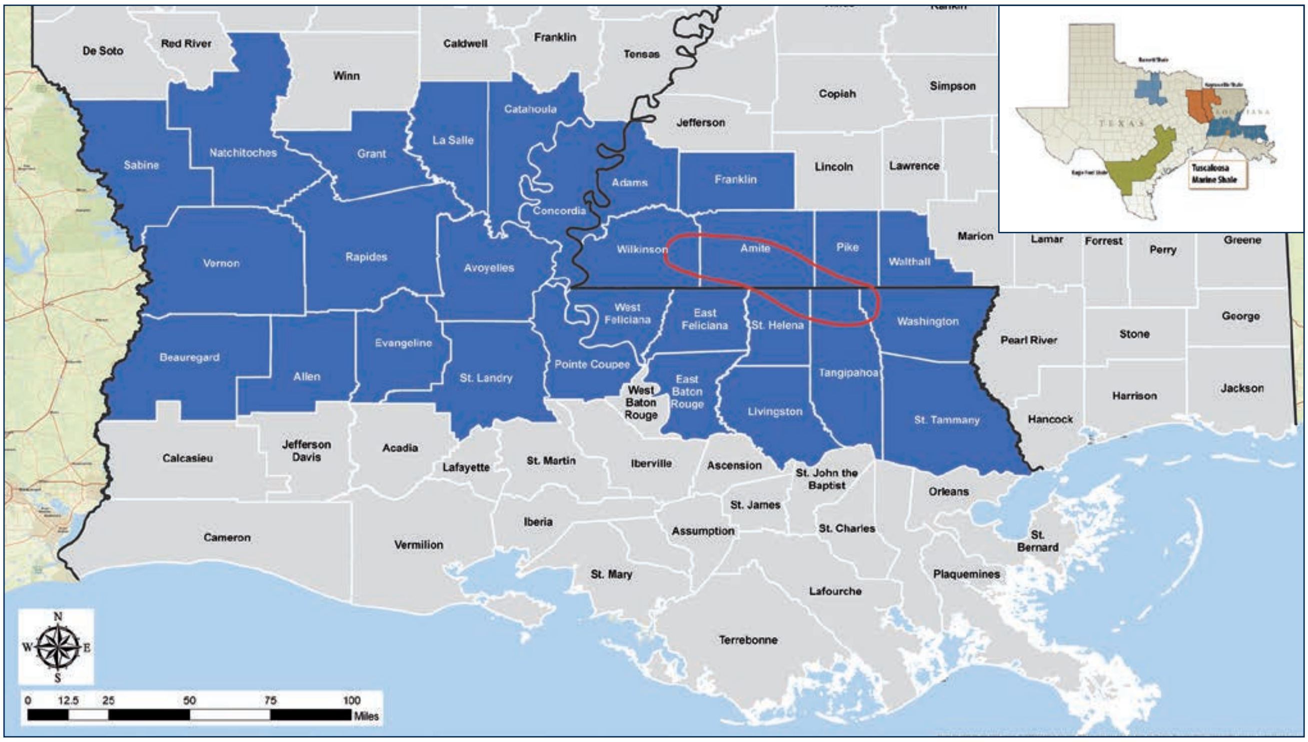


Figure 1: Depositional area of the TMS and the delineated core area with higher productivity (inset map shows the Eagle Ford, Barnett, Haynesville and TMS shale areas for comparison)

The history of the play and the lack of recent operational activity has created a market perception of the TMS which Australis believes is inconsistent with the productivity and evolution in well design successfully implemented during late 2014. Australis views this as an opportunity and the two low entry cost acquisitions made to date have been focused on exploiting the status and perception of the play.

TMS acquisition #1 – January & May 2016

In early 2016 Australis acquired a 50% working interest in 33,000 gross acres from Paloma Resources ("Paloma"), a private equity-backed entity well known and regarded by the management team as the result of previous interactions in the Eagle Ford shale play.

The acreage position was entirely within the delineated core of the play and although there were no producing wells associated with the transaction, the acreage position was 'bookended' by wells drilled by Encana and Goodrich which demonstrated consistent production performance.

Since early 2016, Australis and Paloma have been implementing a lease program targeted to increase the combined TMS land position up to 45,000 gross acres and to extend the term life of these leases. Extending the primary term of the leases allows greater flexibility and optionality for future TMS development activity with the initial focus to hold the leases by production (Held by Production - HBP) and secondly for full in-field development.

Australis' initial net position of 16,500 acres was increased to 19,000 acres by the end of 2016 with average recent lease costs of US$220/acre and further associated brokerage costs of $120/acre. Furthermore lease life has been extended through negotiation and over 50% of the acreage under lease having a primary term extending after 1 January 2020. This lengthened period before primary term expiry relieves any pressure on an HBP program, together with Australis having the right to take operatorship from January 2018, creates the control and flexibility on capital deployment that was a key strategic requirement.

The 2017 budget for the agreed land program with Paloma is approximately US$7 million net to Australis.

TMS acquisition #2 – February 2017

On 28 February 2017 Australis announced the execution of a Purchase and Sales agreement with Encana Oil & Gas (USA) Inc., a subsidiary of Encana Corporation ("Encana"), to purchase all their assets within the Tuscaloosa Marine Shale. At the same time Australis announced commitments for a conditional share placement to raise A$100 million to fund the headline acquisition price of US$80 million. The acquisition is anticipated to close in mid-April 2017.

Figure 2 shows the existing Australis acreage position from the first TMS acquisition and subsequent leasing (50% working interest) in yellow and the Encana position secured in TMS acquisition #2 in blue. Operated Encana wells are shown in red and the non-operated wells within which they have an interest are shown in green.

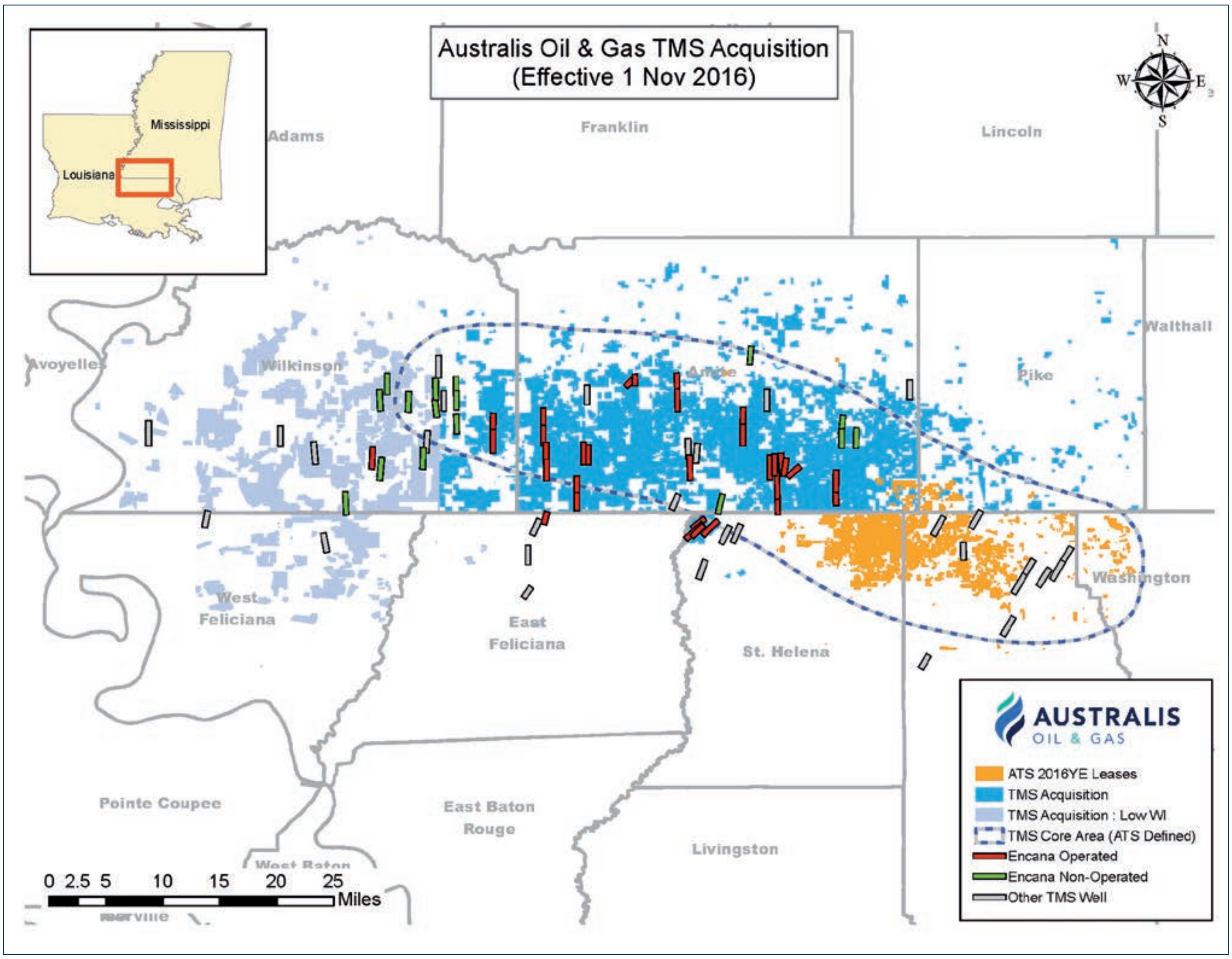


Figure 2: Existing Australis and Encana acreage position relative to the delineated core acreage position

The acquisition is of the largest acreage position within the delineated core of the TMS and comes with existing production, reserves, HBP acreage and a large inventory of future locations. As can be seen in Figure 2 the planned acquisition is contiguous with Australis' existing acreage.

Land holdings

Encana built its acreage position through a combination of leasing and a joint venture with Denbury in 2011. Historically Encana held as much as 350,000 net acres but as the core fairway was delineated acreage was allowed to expire or was traded or sold as they focused their core holding acreage. At the acquisition effective date, Encana retained approximately 175,000 net acres, of which 122,000 net acres is within the core fairway.

At the effective date of the acquisition the Encana acreage can be split into the following categories as shown in Figure 3.

Description	TMS Core	Non-TMS Core	Total
HBP net acres	22,000	5,000	27,000
Undeveloped – Permitted net acreage	40,000	0	40,000
Undeveloped – Unpermitted net acreage	60,000	48,000	108,000
Total Net Acres	122,000	53,000	175,000

Figure 3: Encana acreage summary at the acquisition effective date

There are 22,000 net acres within the core fairway that are within existing producing units and therefore designated HBP status with all lease obligations considered satisfied, providing the associated well remains on production.

There are a further 40,000 net acres located within existing formed and permitted drilling units. Encana has been maintaining title on this acreage and renewing leases as they approach expiry, therefore the average remaining primary term on these acres tends to be longer. Australis has set a budget for 2017 of US$7 million for an ongoing leasing program within the Encana acquired acreage and a further US$3 million in 2018 to continue that process of lease renewal, which is targeting a primary term expiry profile that is beyond 1 January 2020.

There is a further 60,000 net acres within the core area which Australis considers upside. This acreage is outside any formed production or drilling units, has not been subjected to a lease maintenance program and as such has a shorter average primary term remaining than the other two categories. Whilst this acreage has the same geological characteristics and intrinsic value as the rest of the core position, it has not been attributed any resources at this stage. Although no budget has yet to be set for these leases Australis is reviewing the various alternatives to maintain and participate in the upside that exists within this third asset category.

Production

Existing production is from approximately 1,900 bbls per day as at the effective acquisition date of 1 November 2016, from 31 operated wells and a further 16 non-operated wells. Encana carried out a drilling campaign in 2014, with the last well being turned over to production in Q2 2015. The results of this recent drilling campaign demonstrated consistent drilling, completion and production performance.

The impact of that drilling can be seen in Figure 4 with production increasing from approximately 700 bbls per day to 6,400 bbls per day.

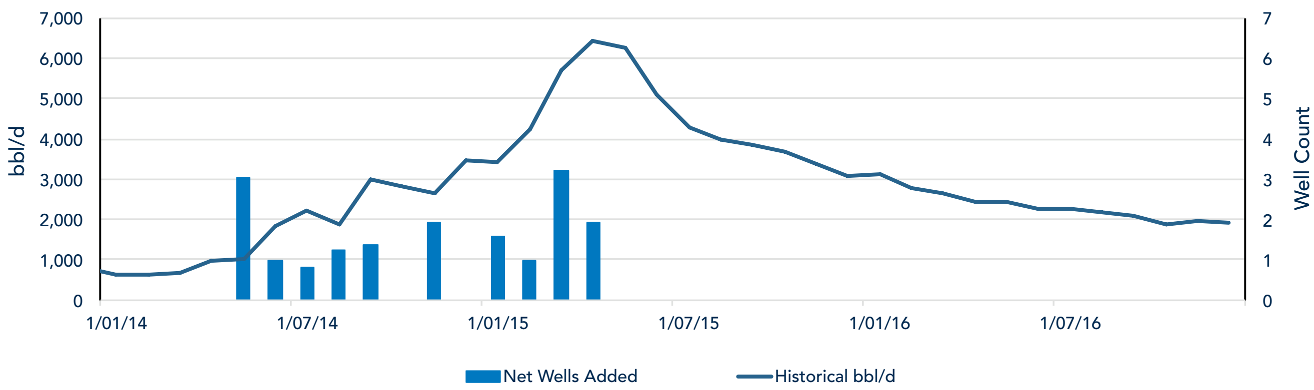


Figure 4: Encana net oil production 2014 - 2016.

The agreed acquisition will also consist of production and storage equipment situated at each well head, drilling pads prepared for future locations and Australis will be seeking to retain the Encana field staff.

TMS Resource estimate.

On 25 January 2017, Australis released a 2016 Year End Resource Update announcement[2] based on the 50% WI acreage held with Paloma. The independent expert, Ryder Scott Inc, estimated that as at 31 December 2016 the most likely 2C contingent resource estimate was 26.4 million barrels of oil net to Australis after royalties. This figure equated an 8% recovery factor on the acreage position held by Australis at year end.

2C Net Contingent Resource as at 31 Decemeber 2016 (50% WI & Post Royalties in 38,000 TMS acres)		
Low Estimate (P90) (Mbbls)	Best Estimate (P50) (Mbbls)	High Estimate (P10) (Mbbls)
8,734	26,447	55,052

In preparation for the acquisition, Australis commissioned Ryder Scott to opine on the Encana asset, the results of that work were included in the acquisition agreement announcement[2].

LUSITANIAN BASIN – CONVENTIONAL GAS & OIL ACREAGE ONSHORE PORTUGAL

In September 2015, Australis was awarded two onshore exploration concessions in the Lusitanian Basin (known as the Batalha and Pombal Concessions). The concessions cover a total area of 620,000 acres, are in the exploration phase, are valid for a further 7 years and have a minimal commitment work program in the first 3 years, with the first year now having been fully met.

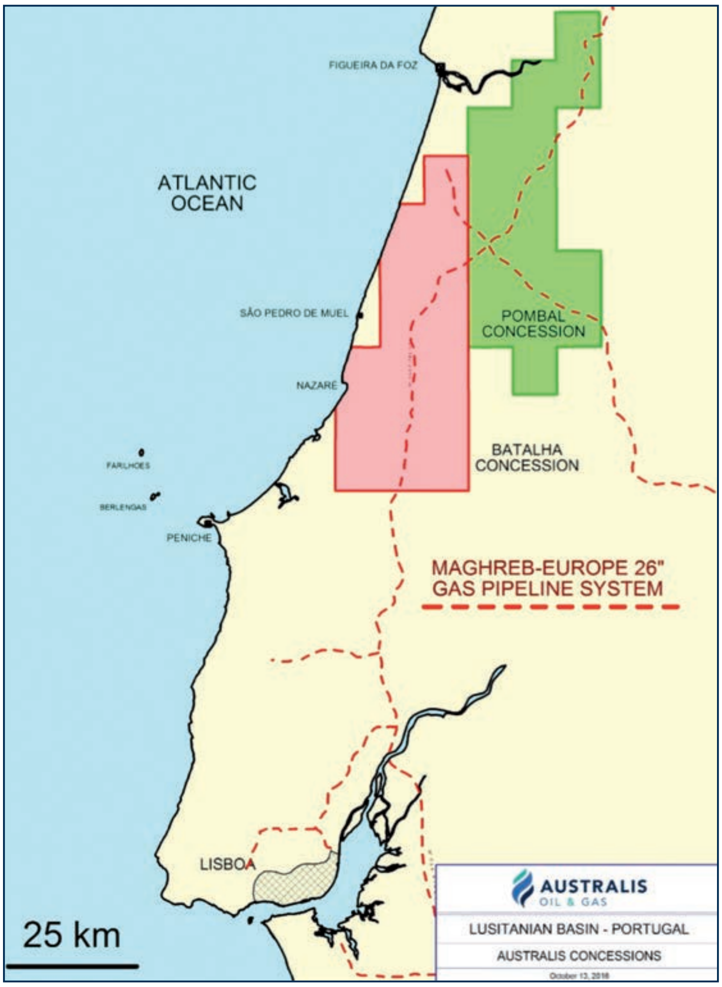


Figure 6: Overview of the Batalha and Pombal Concessions in the Lusitanian Basin

Australis has purchased from the Portuguese government, at nominal cost, aeromagnetic data interpretation study, exploration well logs and 2D seismic lines across both concessions as well as a 3D survey that covers part of the Batalha concession. Australis activity during the first year of the concessions broadly consisted of data review and analysis of the 2D and 3D seismic and other existing information relating to prior wells.

During the reporting quarter, the focus has been on the discovered contingent gas resource in the Aljubarrota region of the Batalha concession. Several key wells, the Aljubarrota #2, #2ST 1, #3 and #4 have been analysed in detail, as has the historical structural interpretation of the Lemede and Brenha horizons from which several of these wells tested gas to surface.

Existing petrophysical data from these wells drilled previously in the Aljubarrota area basin has revealed natural fractures as the most likely production mechanism and has highlighted that there is a locally consistent orientation to those fractures leading to a preferred well trajectory to maximise production. The same data was subjected to specialist unconventional analysis in the USA which confirmed in place volumes.

The structural maps for each horizon have been updated using the available 3D seismic survey data and the resultant maps are shown in Figure 7 and represent an enlarged prospective area.

Resources as at 31 December 2016

Technical work during 2016 in Portugal has focused on the gas discovery in the Aljubarrota area, which was assigned a 2C contingent resource of 234 Bcf in May 2016 by NSAI[3]. In the Australis September 2016 quarterly report, the Company advised that the basis of the May 2016 contingent resource estimates was 2D seismic interpretation. The Aljubarrota area was subjected to a 3D seismic survey in 2010[6] and Australis purchased this survey in 2016, for a nominal value, and updated the structural maps which were reviewed and used by NSAI in the 2016 year end contingent resource estimates. Furthermore, Australis was able to demonstrate that the gas exists on two separate horizons and the combination of these structural and distribution changes generated the updated contingent resource estimates[1]. The updated maps based on the 3D seismic survey for the two evaluated horizons are shown in Figure 7.

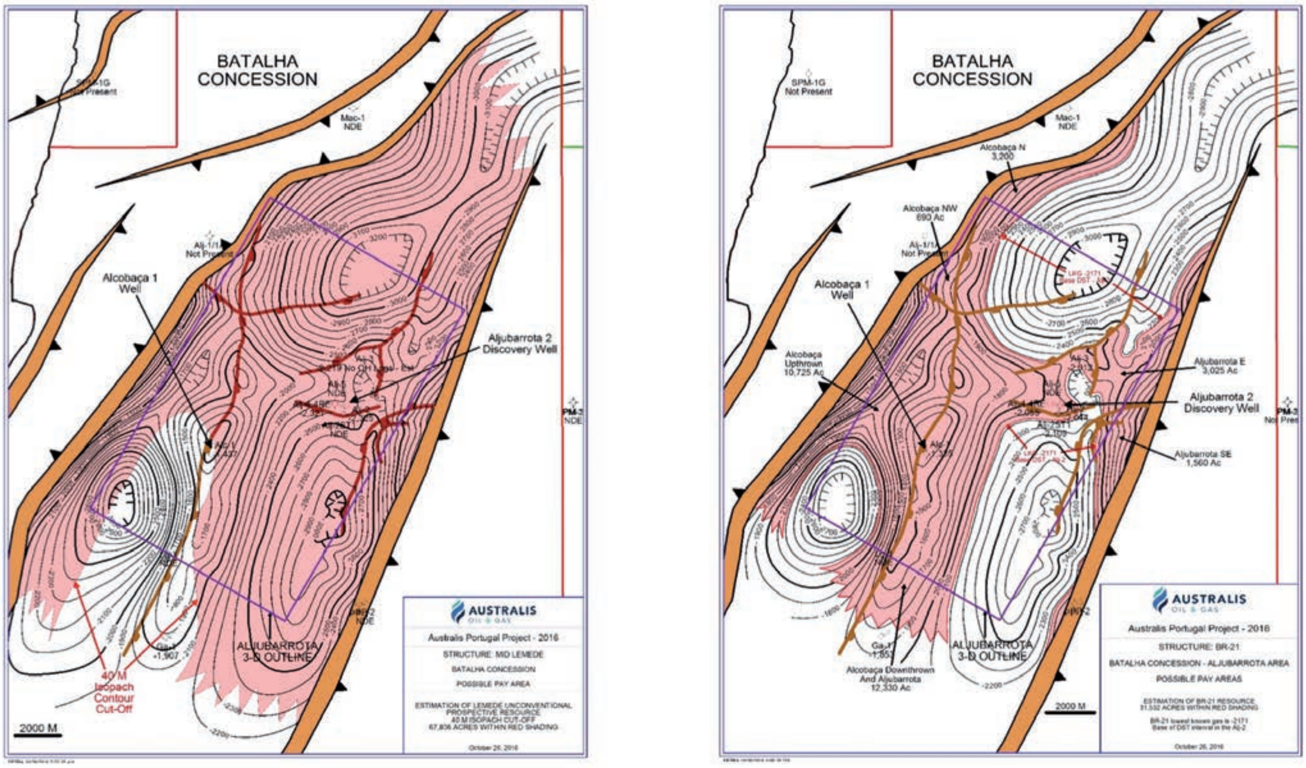


Figure 7: New structural map for the Brenha and Lemede discoveries

NSAI generated their independent contingent resource estimates using a combination of deterministic and probabilistic methods[4,5].

	Net Contingent Resource – Gas (97% WI & Post Royalties)[7]		
	Low Estimate 1C (BCF)	Best Estimate 2C (BCF)	High Estimate 3C (BCF)
NSAI Resource Est – 31 Dec 2016[1]	217.4	458.5	817.7
NSAI Resource Est – 1 May 2016[3]	83.6	234.1	409.6

Additionally, the 31 December 2016 Resource report from NSAI[1] on the Australis Portugal assets provided a prospective resource estimate for 8 leads and prospects within the Australis concession areas. As no material work has been done on these opportunities, the figures remained the same as those provided in the NSAI 1 May 2016 report[3].

The summary of the unrisked and risked net prospective resources is contained within the Operating & Financial Review section of the Directors' Report on page 20.

These Prospective Resources are then risked by NSAI based on a geological risk assessment for each prospect; such risked resources do not incorporate a development risk assessment.

FINANCIAL REVIEW

At the commencement of 2016 Australis was a private company with net cash on hand of A$21 million as a result of the combined A$24 million equity raisings completed in 2015.

A further private equity issue raising of A$10 million was completed in May 2016 ahead of the Company's Initial Public Offering in July 2016, which raised a further A$30 million prior to costs.

During 2016 Australis acquired a 50% working interest in leases over approximately 33,000 acres within the production defined core of the TMS. A total of A$25 million was spent in 2016 acquiring the initial interest, acquiring new leases and extending the term of near expiring leases acquired as part of the original transaction. At year-end, Australis owned a 50% WI in 38,000 TMS core leases, with expiry dates of 2020 or longer for over half of the leases.

Net cash on hand at 31 December 2016 was A$29 million.

Subsequent to year-end, Australis entered into transactions to acquire all the TMS assets from Encana for US$80 million. This acquisition will be funded from existing cash reserves and the conditional A$100 million equity placement of shares at 23 cents per share. The acquisition and capital raising are subject to various conditions precedent including the approval of shareholders for the capital raising. The acquisition and raising is expected to close in April 2017.

Financial Outlook

Following completion of the acquisition and share placement Australis will have net cash reserves of approximately A$23 million. This, together with the net operating cash flow from the newly acquired production, estimated by Ryder Scott, of approximately US$41 million through to 31 December 2018, will be applied to expanding the TMS leasehold position, initial TMS development activities, the Portuguese exploration work programs and general working capital.

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 maximising performance, generating appropriate levels of Shareholder value and financial return and building the growth of success of the Company. In conducting business with these objectives, 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 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 growth 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 Australis website, www.australisoil.com.

Notes

1. Announcement "2016 Year End Resource Update" – 25 January 2017
2. Announcement "US Shale Acquisition and A$100 Million Placement" – 28 February 2017
3. Previous report contained in Section 8 (Technical Expert Reports) of the Company's prospectus dated 29 June 2016.
4. The probabilistic range of uncertainty is represented by a low, best and high estimate such that
    - There should be at least a 90% probability (P90) that the quantities in place or actually recovered will equal or exceed the low estimate.
    - There should be at least a 50% probability (P50) that the quantities in place or actually recovered will equal or exceed the best estimate.
    - There should be at least a 10% probability (P10) that the quantities in place or actually recovered will equal or exceed the high estimate.
5. 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.
6. Aljubarrota 3D Seismic Survey – 160 km^2 acquired December 2010 to March 2011 under permit issued by the Portuguese Divisao para a Pesquisa e Exploracao do Petroleo ("DPEP").
7. 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.

Glossary

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

Abbreviations

Abbreviation	Description
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
C	Contingent Resources – 1C/2C/3C – low/most likely/high
NRI	Net Revenue Interest (after royalty)
BT 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
WTI	West Texas Intermediate Oil Benchmark Price
LLS	Louisiana Light Sweet Oil Benchmark Price
2D / 3D	2 dimensional and 3 dimensional seismic surveys
Opex	Operating Expenditure
PDP	Proved Developed Producing
Capex	Capital costs relating to field development costs, excluding leasing costs
Ryder Scott	Ryder Scott Company
NSAI	Netherland Sewell & Associates, Inc.
PSA	Purchase and Sale Agreement dated 27 February 2017 between Encana & Australis

The directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") (formerly Australis Oil & Gas Holdings Pty Limited) and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 31 December 2016.

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 (**IPO**) to raise A$30 million before costs of issue and was admitted to the Official List of the Australian Securities Exchange (**ASX**) (Ticker code: ATS). The Company commenced trading on 25 July 2016. The IPO Prospectus was dated 29 June 2016 and can be found at www.asx.com.au or on the Company's website at www.australisoil.com.

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 2016 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 (appointed 24 May 2016)
Mr Stephen Scudamore	Non-Executive Director (appointed 30 November 2016)

Unless otherwise stated each director held their office from 1 January 2016 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 held in Australis Oil & Gas Limited	Shares	Options
J Stewart	59,542,859	45,000,000
I Lusted	14,303,572	16,250,000
G Dowland	14,750,000	13,500,000
A Watson	3,810,000	875,000
S Scudamore(1)	97,215	-

(1) It is the intention of the Board to grant 420,000 options to Mr Scudamore. The grant remains subject to shareholder approval at the next general meeting of the Company which it is anticipated will be held in the first half of 2017.

Details of the qualifications, experience, special responsibilities and meeting attendance of each of the directors are set out later in the Directors' Report.

Principal activities

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

No significant change in the nature of these activities occurred during the year.

Consolidated Financial Results

Australis's functional and presentation currency is Australian dollars. All references in this report are to Australian dollars unless otherwise stated.

	Year Ended 31 December 2016 A$'000	Period Ended 31 December 2015 A$'000
Net loss	(9,529)	(2,285)

During the year, the Consolidated Entity made a net loss after tax of A$9,529,000 (31 December 2015: A$2,285,000). This loss for the twelve-month period included a non-recurring item A$813,000 relating to costs associated with the public offering of shares which commenced in June 2016 and costs associated with the listing on the ASX.

The loss for the twelve-month period also includes non-cash expenditure relating to the share based payment expense (being assessed fair value amortised over the period from each options grant date to the future vesting date) relating to the incentive options granted to the founders and management prior to the Company's IPO of A$4,096,000 (31 December 2015: A$1,685,000).

HIGHLIGHTS

- In May 2016 completed the acquisition of a 50% working interest (**WI**) in approximately 33,000 gross contiguous acres within the production defined core fairway of the Tuscaloosa Marine Shale (**TMS**) located in Louisiana and Mississippi onshore USA.
- Our active 2016 leasing activities increased this TMS position to 38,000 gross acres (19,000 net to Australis) at year end and has significantly extended the primary lease term.
- Continued the evaluation of the Company's 100% WI in 620,000 acres across two exploration concession areas in the Lusitanian Basin onshore Portugal which Australis acquired in December 2015[5].
- Listed on the Australian Securities Exchange in July 2016 following an initial public offering that raised A$30 million before costs of issue.

OPERATING REVIEW

A review of Group operations is summarised below.

Tuscaloosa Marine Shale – An onshore USA unconventional oil asset

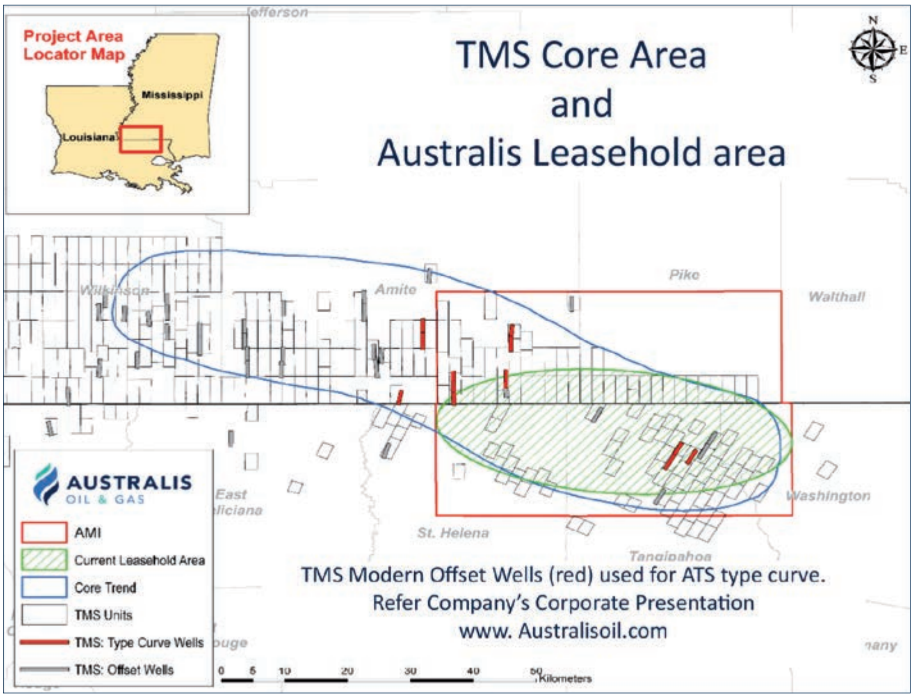
In December 2015, Australis secured the right to purchase a 50% WI in a number of existing oil leases in the defined core fairway of the TMS. In January 2016, Australis completed the acquisition of an initial 20% WI in approximately 33,000 mostly contiguous acres under these leases and in May 2016 acquired the balance to take its WI to 50%. The total acquisition price was US$16 million.

During 2016 Australis with its TMS partner, Paloma Partners IV, LLC (Paloma), agreed to an active leasing program with the aim to:

- Renew existing leases that were nearing expiry; and /or
- Extend the duration of existing leases to secure additional time to meet obligations to drill and produce wells in order to hold leases by production (HBP); and
- take advantage of the prevailing market conditions and lease additional new acres on trend and contiguous with existing acreage.

During 2016 Australis increased its TMS lease position by 2,500 net acres at an average price of approximately US$220 / acre and further associated brokerage costs of US$160 / acre.

At 31 December 2016, the Company had a WI in 38,000 gross acres (19,000 net to Australis). Of this position, approximately 50% now has a primary term expiry after 1 January 2020.



As at 31 December 2016, the contingent resources associated with the Australis position in the TMS were independently estimated by Ryder Scott Company (**RS**) resulting in an increase of 104% of the best estimate 2C Contingent Resource compared to the estimate undertaken for the Company's IPO prospectus with an effective date of 1 May 2016[1].

Using public and proprietary data RS developed three deterministic estimates of discovered petroleum initially-in-place volumes for the gross acreage position that provide a range that captures the risk or uncertainty in these estimates[2]. RS then utilised a range of recovery factors of 5%, 8% and 10% to determine the corresponding gross contingent 2C resource. These figures were adjusted to reflect the economic interest of the Company.

The 31 December 2016 resource report results were released to the ASX on 25 January 2017 and are summarised in the table below.

	2C Net Contingent Resource (50% WI & Post Royalties)	
Low Estimate	Best Estimate	High Estimate
(P90)	(P50)	(P10)
(Mbbls)	(Mbbls)	(Mbbls)
8,734	26,447	55,052

The 2C Best Estimate of 26,447 Mbbls assumes an 8% recovery factor from an in place volume that has been calculated based on mid case reservoir parameters.

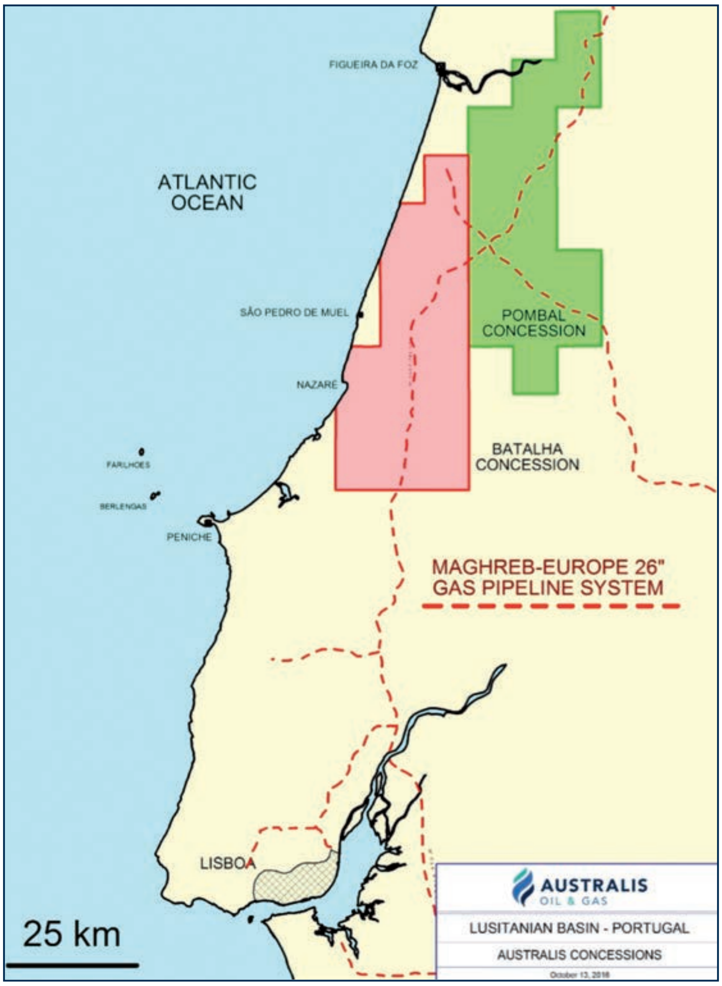
The TMS lease acquisition costs including lease renewals and extensions as at 31 December 2016 of US$18.5 million equates to a cost of US$0.70 /bbl based on Ryder Scott's independent Best Estimate 2C resource for the Company's 19,000 net acreage position.

The material assumptions and technical parameters underpinning the contingent resource estimate is set out in the announcement made to the market on 25 January 2017.

Lusitanian Basin – Conventional oil and gas acreage onshore Portugal

In December 2015 Australis acquired the exclusive rights to two onshore government granted oil & gas concession areas in the Lusitanian Basin Portugal for a period of eight years from 30 September 2015, in a scrip for scrip transaction from Australis Europe Pty Ltd (formerly Australis Oil & Gas Pty Ltd) (**APL**). APL was established in March 2014 by Messrs Jon Stewart, Ian Lusted and Graham Dowland, directors of Australis, to pursue oil and gas opportunities.

The Concessions were awarded to Australis Oil & Gas Portugal, Sociedade Unipessoal LDA (**Australis Portugal**) a wholly owned subsidiary of Australis Oil & Gas UK Limited which in turn is a wholly owned subsidiary of APL. Australis Portugal holds 100% WI in 620,000 acres across the two Concessions subject to a consultant incentive which provides the right, subject to various conditions precedent, to acquire at a nominal cost a 3% WI in each Concession. The Concessions provide the exclusive right to explore, develop and produce oil & gas in two contiguous onshore areas in Portugal, designated as the Batalha Concession and Pombal Concession areas as set out below.



The terms of the Concessions require an annual minimum expenditure commitment. During 2016 Australis undertook the following activities as part of its work program commitment for the Batalha and Pombal Concessions.

- generated a contingent and prospective resource estimate from Netherland, Sewell & Associates, Inc. ("NSAI"), an independent petroleum consultant, effective 1 May 2016 for the IPO and prospectus.(1)
- identified the Aljubarrota gas discovery in the Brenha Limestone and Lias Lemede intervals within the Batalha Concession as the priority target for further work.
- updated structural and stratigraphic mapping of the Brenha and Lemede intervals within the Aljubarrota 3D survey.
- reviewed the petrophysical logs and production data from key wells in the Aljubarrota area and established likely production mechanism for Brenha and Lemede horizons, leading to an optimised future well design.
- commissioned additional petrophysical analysis of the Lias intervals in the Aljubarrota area to ascertain organic shale parameters and in place hydrocarbon volumes
- commissioned an updated contingent and prospective resource study, effective 31 December 2016, by NSAI. A summary of the NSAI report was released to the ASX on 25 January 2017 and showed an increase in the contingent resource allocation to the Brenha and Lias horizons by 96% compared to the similar estimate carried out by NSAI for the Company's IPO with an effective date of 1 May 2016.(1)
- A summary of the NSAI results is shown in the table below. NSAI generated their independent contingent resource estimates using a combination of deterministic and probabilistic methods.(2)

			As at 31 December 2016			As at 1 May 2016		
			Concession		Total	Concession		Total
Australis Portugal Resource Summary (based on 97% WI & Post Royalties)(5)	Resource Category	Oil / Gas	Batalha	Pombal		Batalha	Pombal	
Net Contingent Resources	Low (1C)	Oil (mmbbls)	-	-	-	-	-	-
		Gas (bcf)	217	-	217	84	-	84
	Best (2C)	Oil (mmbbls)	-	-	-	-	-	-
		Gas (bcf)	459	-	459	234	-	234
	High (3C)	Oil (mmbbls)	-	-	-	-	-	-
		Gas (bcf)	818	-	818	410	-	410
Risked Net Prospective Resources *	Low	Oil (mmbbls)	16.5	2.6	19.2	16.5	2.6	19.2
		Gas (bcf)	96	8	104	96	8	104
	Best	Oil (mmbbls)	97.2	29.3	126.4	97.2	29.3	126.4
		Gas (bcf)	388	78	466	388	78	466
	High	Oil (mmbbls)	332.9	115.4	448.4	332.9	115.4	448.4
		Gas (bcf)	1,324	309	1,632	1,324	309	1,632

* *It should be noted that 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 an associated risk of discovery and development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

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

The material assumptions and technical parameters underpinning the contingent resource estimate is set out in the announcement made to the market on 25 January 2017.

Defined Reserves and Resource Terms

- "bbls" means barrels.
- "boe" means barrels of oil equivalent and have been calculated using liquid volumes of oil, condensate and NGLs and treated volumes of gas converted using a ratio of 6 mscf to 1 bbl of liquid equivalent unless otherwise stated.
- "scf" means standard cubic feet.
- "m" or "M" prefix means thousand.
- "mm" or "MM" prefix means million.
- "NGLs" means natural gas liquids
- "b" or "B" prefix means billion.
- "/d" suffix means per day.

Notes

1. Previous report contained in Section 8 (Technical Expert Reports) of the Company's prospectus dated 29 June 2016.
2. The probabilistic range of uncertainty is represented by a low, best and high estimate such that
   a. There should be at least a 90% probability (P90) that the quantities in place or actually recovered will equal or exceed the low estimate.
   b. There should be at least a 50% probability (P50) that the quantities in place or actually receovered will equal or exceed the best estimate.
   c. There should be at least a 10% probability (P10) that the quantities in place or actually receovered will equal or exceed the best estimate.

   The deterministic method is based on qualitative assessment of relative uncertainly using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk-based) approach estimates the quantities at each level of uncertainty discretely and separately.
3. The petroleum initially-in-place (PIIP) and contingent resources volumes were estimated using 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 Evaluation Engineers (SPEE) Petroleum Resources Management System (SPE-PRMS).
4. Aljubarrota 3D Seismic Survey – 60 km2 acquired December 2010 to March 2011 under permit issued by the Portuguese Divisao para a Pesquisa e Exploracao do Petroleo ("DPEP").
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.

Resource Estimates

The resource estimates contained in this report are taken from the ATS announcement dated 25/1/17 and titled "2016 Year End Resource Update". 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.

FINANCIAL REVIEW

A review of Group results is summarised below.

1. SUMMARY OF FINANCIAL POSITION

	As at		% Change
	31 December 2016	31 December 2015	Favourable/ (Unfavourable)
	A$'000	A$'000	%
Current assets	29,970	22,156	35%
Non-current assets	38,080	12,954	194%
Current liabilities	(1,186)	(1,200)	(1%)
Equity	(66,864)	(33,910)	97%

Current assets

Current assets increased by A$7.8 million, (35%) primarily due to an increase in cash balances as a result of:

- a private placement in May 2016 which raised A$9.6 million after costs of issue;
- an initial public offering in July 2016 which raised A$28.6 million after costs of issue.

which were offset by cost of:

- acquisition of TMS of A$22 million (US$16 million);
- TMS lease work program of A$4 million;
- Evaluation of opportunities and general and administration expenses of A$5 million.

Non - current assets

Increased by A$25 million (194%) and represents the capital expenditure on the acquisition of the TMS asset and the 2016 work program expenditure for the TMS and Portuguese assets.

Equity

Increased by A$33 million (97%) as a result of:

- The private placement of 45,681,863 ordinary shares at A$0.22 per share in May 2016 to raise approximately A$9.6 million after payment of issue costs of A$438,000.
- The issue of 120 million ordinary shares at $0.25 per share as part of an initial public offering in July 2016. The IPO raised approximately A$28.6 million after payment of issue costs of A$1.36 million.

2. SUMMARY OF FINANCIAL PERFORMANCE

			% Change
	Year ended 31 Dec 2016	Period 12 November to 31 December 2015	Favourable/ (Unfavourable)
	A$'000	A$'000	%
Total income	1,133	2	56,650%
Exploration expenditure	(1,340)	-	n/a
Administrative expenses	(5,201)	(396)	(1,213%)
Foreign exchange loss	-	(205)	n/a
Share based payment expense	(4,096)	(1,685)	(143%)

Total income and foreign exchange loss

The amount of total income includes A$1,049,000 of foreign exchange gain (2015: loss of A$205,000) from the revaluation of cash balances held in non-AUD currencies (predominantly USD). The amount for 2016 includes interest received of A$83,000 (2015: A$2,000).

Exploration expenditure

The exploration expenditure of A$1,340,000 (2015: nil) mostly consisted of:

- Employee benefits allocation in respect to business development of A$647,000;
- The write off of Portuguese exploration expenditure of A$450,000; and
- Business development costs for opportunity investigation of A$164,000.

There was no exploration expenditure in 2015.

Administrative expenses

The administrative expenses increased to A$5.2 million in 2016 from A$396,000 in 2015 (increase of 1,213%) mostly due to an increase in employee benefits costs to A$2,551,000 (2015: A$197,000) as additional key personnel were engaged and the costs associated with the initial public offering in July 2016 together with the costs of listing the Company on the Australian Securities Exchange of A$813,000 (2015: nil).

Share based payments

Increased by 143% to A$4,096,000 compared to A$1,685,000 in 2015. Further detailed breakdown of the share based payments is shown in Note 7.4 of the financial statements.

FUTURE DEVELOPMENTS

Strategy

Australis seeks to take advantage of the prevailing conditions within the upstream oil and gas industry and use the Directors' and key management's knowledge and experience to acquire and accumulate high quality, oil-weighted onshore assets, at attractive pricing, that will have a range of risk and reward attributes with an underlying base value, whilst providing exposure to exploration and appraisal upside as well as upside exposure to any modest increase in the oil price.

The Board and management are utilising their skills and knowledge gained from industry experience to identify, evaluate and secure assets with a focus on North America and are prudently patient in the process.

The Company will focus on growth in value per share in preference to other metrics such as market capitalisation, production or reserves. A selective focus on asset quality should ensure the potential for value accretion and this may necessitate a patient but entrepreneurial and proactive approach. The Company will adopt a disciplined approach to development capital such that it will minimise expenditure until the oil price improves.

Whilst competition exists for asset opportunities in North America, the Board and management have a successful track record and there are limited barriers to entry together with available services and infrastructure needed to maximise shareholder value.

2017 Outlook

Australis will, together with its partner in the existing TMS acreage, continue in 2017 to focus on securing and extending the lease term in the core area of the TMS. Additionally, Australis will be preparing during 2017 to assume operatorship of the TMS lease position at the commencement of 2018.

A work program and budget has been established for the Portuguese Concession areas which will focus identifying locations for a well program that may be undertaken in the next two years.

Australis will also continue to evaluate opportunities that are consistent with it's strategy above.

FUNDING AND CAPITAL MANAGEMENT

As at 31 December 2016, Australis has cash and cash equivalents of A$30 million and no debt.

The following securities were issued during the year:

- In May 2016 45,681,863 ordinary shares at A$0.22 per share were issued in a private placement to raise approximately $10.1 million before costs of issued. With each two shares issued, one free attaching option exercisable at A$0.275 was granted.
- In July 2016 120,000,000 ordinary shares at A$0.25 per share were issued in an initial public offering to raise approximately A$30 million before the costs of issue.

Australis anticipates that its current funding is adequate for the forecast 2017 capital and operational expenditure.

The existing assets do not presently produce income and there is no guarantee that they will do so in the future. To date Australis has been funded through the issue of equity securities including private placements which raised approximately A$34 million before costs of issues and an initial public offering in July 2016 which raised A$30 million before costs of issue.

As and when other funds are required, either for the existing assets or for acquisitions, the Company will consider raising additional capital from both issue of equity securities and/or debt finance. The application of material debt by the Company will only be undertaken when the Board considers it appropriate and, depending on the type of debt and its covenants, will generally require the Company to have sustainable revenue from any future production.

MATERIAL BUSINESS RISKS

The key risk factors affecting the Company is 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 seeks to acquire and accumulate a high quality, oil weighted assets, at attractive pricing, that will aim to provide potential leveraged upside to any modest recovery in the oil price.

There is no guarantee the oil price will recover, or that appropriate assets in each of the categories can be identified, and if they are, acquired at an attractive price or at all.

(b) Title risk – TMS Leases

Australis has acquired and will continue to acquire Working Interests in leaseholds from mineral rights owners in Louisiana and Mississippi, USA. As existing lease terms expire, Australis and its operator and co-owner in the TMS have agreed the maximum terms to be offered to mineral rights owners in the negotiation for new leases. 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 determined, it may have a financial impact on the value of that lease.

(c) Commodity price

The prices of oil and gas are outside the control of Australis and fluctuate; the prices impact the availability and costs of opportunities for Australis, and any future revenue and profitability from the sale of oil and gas.

(d) Exploration and development

Oil and gas exploration is a speculative investment and involves a high degree of risk. There is no guarantee that the exploration and development of any oil and gas assets acquired by the Company can be profitably exploited.

(e) 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.

(f) Funding

The Company may require capital to continue exploring and appraising its existing assets following the completion of the existing work program budgets . As and when further funds are required, either for the existing assets or for acquisitions, the Company will consider raising additional capital from both issue of equity securities and/or debt finance if appropriate. There is no assurance that the Company will be able to access and secure additional funding on reasonable terms or at all.

(g) Liquidity

There is no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few buyers or sellers of Shares on the ASX at any particular time. In addition, a significant portion of the Company's Shares and Options are Restricted Securities, which may impact the liquidity of the market for the Company Securities.

(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 countries (and in the USA, each States) different environmental laws and regulatory requirements.

Whilst Portugal and the USA are considered to be politically stable the Concessions and TMS Leases held by the Company may be effected 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, field work on the Concessions requires the approval of the Portuguese authority that regulates oil and gas activity, which is not guaranteed.

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

There exists public debate regarding the potential sub surface and surface impact of hydraulic fracturing used in unconventional oil and gas drilling. In addition, there are many regulatory requirements to be adhered to. Any modification or addition to the current requirements may adversely impact the value of the Company's assets and future financial performance

(j) Resource Estimation

There are inherent risks in the estimation of prospective and contingent resources. There is a risk that such estimations will not convert into reserves or any actual production may significantly vary from such estimates.

(k) Exchange rate

The Company operates in multiple currencies and exchange rates are constantly fluctuating. The Company does not hedge currencies but the current policy is to convert the majority of its cash balances to USD.

(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.

(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 exploratory drilling.

(o) Contract

The Company is a party to various contracts. Whilst the Company will have various contractual rights in the event of non-compliance by a contracting party, no assurance can be given that all contracts to which the Company is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provision, the Company will be successful in enforcing compliance. There is also bankruptcy, credit and operational risk attached to counterparties.

Contracts to which the Company and its subsidiaries are party, including the Concessions, contain various termination rights that could be triggered in the event that either party does not fulfil their obligations under the applicable contract.

Further, the Concessions contain various conditions and requirements, which if not satisfied could result in the applicable Concession being terminated or could require Australis to relinquish all or part of its interest.

MATERIAL PREJUDICE

As permitted by sections 299(3) and 299A(3) of the *Corporations Act 2001*, Australis has omitted certain information from the above 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.

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 financial 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 financial 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 financial 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.

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 helped establish a number of oil and gas ventures, particularly in the former Soviet Union, including two new oil and gas companies listed on the London Stock Exchange. He has been involved in raising significant capital from international equity markets to enable the successful development of these 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

Aurora Oil & Gas Limited (Resigned 11 June 2014)

Special responsibilities

Chairman of the Board

Member of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Management 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 Philippines 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 on 22 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 on 11 June 2014. He has over 25 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 oil & gas 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

Aurora Oil & Gas Limited (Resigned 11 June 2014)

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. Mr Watson 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. Mr Watson is a Sydney-based investment banker with 35 years of experience within various global equity markets. Over this period he has established, directed and been 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 has 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. Mr Watson is currently 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

Aurora Oil & Gas Limited (Resigned 28 May, 2014)
Elixir Petroleum (Resigned 12 May, 2014)

Special responsibilities

Chairman of the Remuneration and Nomination Committee

Member of the Audit and 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.

Since 2012, Mr Scudamore has been a non-executive Director and Chairman of MDA National Insurance Pty Ltd, the insurance arm of a mutual medical defence organisation founded in Perth in 1925. He was previously Non-Executive Director of Aquila Resources and is currently a non-executive Director of Altona Mining and Pilbara Minerals Limited.

His involvement in community organisations includes roles as Chairman of Amana Living, Member of Council and Chairman of the Audit and Risk Committee at Curtin University and Trustee 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

Altona Mining Limited
Pilbara Minerals Limited

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

Aquila Resources (Resigned June 2016)

Special responsibilities

Chairman of the Audit and Risk Management Committee

Member of the Remuneration and 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 on 11 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 executive 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(1)		Meetings of committees			
			Audit		Remuneration	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Jonathan Stewart	26	26	2	2	1	1
Ian Lusted	26	26	-	-	-	-
Graham Dowland	26	26	-	-	-	-
Alan Watson(2)	15	13	2	2	1	1
Stephen Scudamore(3)	1	1	-	-	1	1

(1) Includes circular resolutions
(2) Appointed to the Board 24 May 2016
(3) Appointed to the Board 30 November 2016

Share options

At the date of this report the following unlisted options have been granted over unissued capital:

Grant Date	Year Ended 31 December 2016		Year Ended 31 December 2015		Expiry
	Number	Exercise Price	Number	Exercise Price	
13-Nov-15	19,675,000	A$0.25	19,675,000	A$0.25	31-Dec-20
13-Nov-15	27,775,000	A$0.30	27,775,000	A$0.30	31-Dec-20
28-Apr-16	1,000,000	A$0.30	-	-	31-Dec-20
13-Nov-15	27,600,000	A$0.35	27,775,000	A$0.35	31-Dec-22
13-Nov-15	1,600,000	A$0.35	1,775,000	A$0.35	31-Dec-22
28-Apr-16	1,000,000	A$0.35	-	-	31-Dec-22
28-Apr-16	1,000,000	A$0.35	-	-	31-Dec-22
16-May-16	22,840,933	A$0.275	-	-	30-Jun-19
24-May-16	420,000	A$0.275	-	-	24-May-21
Total	102,910,933		77,000,000		

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 2016.

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 Australian dollars unless otherwise stated. Quoted share prices and volume weighted average price of shares are expressed in Australian Dollars.

CONTENTS OF THE REMUNERATION REPORT:

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

Dear Shareholders

The Board is pleased to present to you the 2016 Remuneration Report.

As this is our inaugural report we are taking this opportunity to provide a summary of the Boards remuneration philosophy for key executive remuneration and to highlight some particular remuneration matters that might be of interest to shareholders.

Remuneration Philosophy

The Company's remuneration philosophy for key executives seeks to align compensation with shareholder value and the implementation of a corporate strategy that the Board believes will increase that value. The corporate goals set at the end of 2015 to achieve the Company's strategy included asset identification, assessment and acquisition, the establishment of a presence in the USA and securing appropriate financing and a structure for efficient future financings. Many of these strategic goals were achieved in 2016 (and are listed within the Remuneration Report) with the outcome that the Executive team were entitled to approximately two thirds of their "at risk" remuneration. The "at risk" components of executive remuneration are a key mechanism for aligning executive interests with shareholders.

Establishing the Remuneration Plan and Structure

The Australis founding Board of Messrs Stewart, Lusted and Dowland privately funded the establishment of the Australis assets through to the end of 2015.

In establishing the Australis remuneration plan consideration was given to the composition of the Board and key executives and their experience relative to the implementation of the corporate strategy. It is considered the Board and executive team have significant relevant experience and a demonstrated track record in delivering shareholder value in the oil & gas industry.

The 2016 remuneration plan and structure was established in late 2015 when Australis was a private company and these arrangements did not change during 2016 with the transition mid-year to an ASX listed company. The Plan included fixed and at risk remuneration for the 2016 year.

At risk remuneration comprised:

a) short term awards payable in cash upon achievement of specific goals. Non-executive directors do not participate in any short term incentive arrangements, and
b) longer term awards being options granted mostly prior to 2016, at varying exercise prices and terms including vesting conditions. Options were granted for the longer term incentivisation for the founding Board and executive team and alignment with shareholders interests. At the time of grant the exercise prices of all options were established in excess of the market value of the Company and require value accretion to drive share price performance above minimum thresholds prior to the holder deriving any benefit. Additionally, in order to obtain that benefit, the option holder is required to contribute to the Company, in cash, the exercise price that ranges between 25 cents and 35 cents per option. If all 2015 granted incentive options are exercised, the Board will contribute A$21 million in new capital to Australis.

To address future Long Term Incentives considered appropriate for a public listed company, in mid 2016, the Board established and shareholders approved the Australis Oil & Gas Limited Employee Equity Incentive Plan. No awards were made in 2016. As stated in the IPO Prospectus, LTI awards will not be granted to executive directors under the Plan until 2018 at the earliest.

Further details of each component of the remuneration structure is contained within this report.

2016 Remuneration Outcome for Executive Directors

When considering the result for 2016 the executive directors achieved 64% of their short term targets. These 2016 key performance targets are detailed in section 5.2.2 of this report and were aligned to the short term goals and ambitions of the Company at the commencement of 2016. The goals not achieved included share price performance and hydrocarbon production and reserves.

In a further demonstration of the alignment of executive remuneration with shareholder interests, the two executive directors, voluntarily amended the terms for 50% of their achieved 2016 short term incentive bonus to add a further performance hurdle relating to share price performance that will need to be achieved in the 2017 calendar year in order for this amount to be re-earned. Although much of the corporate strategy was successfully implemented in 2016, this has not yet manifested itself in shareholder value and therefore the executive directors consider it appropriate to add this further performance hurdle to their at risk remuneration. The payment of these awards will be added to the 2017 bonus arrangements and will only be earned in the event the Australis share price trade above a 30% increase to the IPO price.

Option Valuations: non-cash expense charged to the Statement of Profit or Loss.

The accounting standards require that the long term incentive options granted to the founding Board and executive team be valued and treated as a share based payment. Accordingly, the assumed value of each option tranche is required to be expensed within the Statement of profit or loss for the Company over the vesting period for each tranche. The vast majority (95%) of these incentive options were granted as described above and immediately prior to the Company's December 2015 private share placements which raised A$24 million at 20 cents per share. The options were granted with exercise prices 25% - 75% higher than this placement price. The measures and assumptions used for valuing these options were based on the Company as it existed at the time of grant. These accounting based valuations and resultant non-cash charges to the Statement of Profit or Loss are fixed and apportioned over the option vesting periods irrespective of whether they lapse or are exercised. As a result, the share based payment non-cash expense relating to the incentive options granted prior to becoming a public company is A$4.1 million for 2016 and will be A$1.6 million for 2017.

2017 Remuneration Plan

The remuneration Plan for the 2017 calendar year was recently finalised and whilst not detailed in this report we provide the following summary:

- No increases to the remuneration components for KMP other than the addition to the executive directors 2017 bonus arrangements for the amended component of the 2016 bonus which is now subject to an additional performance hurdle related to an increase in the Australis share price.
- No increases in fixed remuneration for any executive or senior management.
- Targets for executive director short term at risk remuneration have an increased weighting toward company strategy achievement and shareholder value and less towards personal measures.

The Company's remuneration processes will be regularly updated to ensure continued alignment with the evolution of the Australis strategy and growth of our business.

We hope you find this year's report to be useful.

ALAN WATSON

Remuneration and Nomination Committee Chairman
6 February 2017

2. 2016 REMUNERATION OVERVIEW

During 2016 the Company transitioned from a private company to a publically listed company which commenced trading on the Australian Securities Exchange on 25 July 2016 after the completion of an initial public offering.

The Board, together with the Remuneration and Nomination Committee, have established a remuneration structure appropriate for the current stage of the Company's development and business and which is aligned with the achievement of the Company's strategic objectives. With the evolution of the Company business, the remuneration structure will be regularly reviewed and where necessary updated to ensure continued suitability. The components of Australis remuneration will assist in attracting and retaining high calibre executives with appropriate experience, management and employees both in Australia and North America. Accordingly, the remuneration structure will evolve to meet the differing requirements of employees in each jurisdiction.

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 and encourage both individual and corporate growth and advancement through the offering of:

- fixed remuneration that aligns roles and responsibilities with market practice and economic conditions;
- short term incentives 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, 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 tool

As a result, the Board has and will continue to offer annual short and long term incentives to all employees. In 2015 whilst an unlisted private company incentive options were granted to secure and incentivise for the longer term the founding Board and executives. During 2016 the Australis Oil & Gas Limited Employee Equity Incentive Plan (LTI Plan) was approved by shareholders. The LTI Plan is now the structure under which long term incentives will be offered to employees. Whilst no awards have been made to date it is intended awards will be made under the LTI Plan in 2017. As previously advised and as stated in the IPO Prospectus, KMP will not be entitled to an award under the LTI Plan until 2018 at the earliest.

The Board considers its current composition of executive and non-executive directors sufficient for its current activities. However, it is recognised that the appointment of additional independent directors with appropriate experience will be beneficial as the Company develops.

3. KEY MANAGEMENT PERSONNEL

The following acted as directors and other KMP of the Group. Except as noted, the named persons held their current position for the whole of and since the end of the financial year:

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(1)
Stephen Scudamore	Independent Non-Executive director(2)

(1) Appointed as a director on 24 May 2016.
(2) Appointed as a director on 30 November 2016

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.

Australis completed an IPO in the third quarter of 2016 and commenced trading on the Australian Securities Exchange on 25 July 2016. Since listing the RNC comprised independent non-executive director: Mr Alan Watson (Chair), Mr Jonathan Stewart and Mr Stephen Scudamore (appointed 1 December 2016) whose qualifications are set out within the Directors Report.

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 practices 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, and other recruitment, 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 the outcomes of incentive plans and approve (or recommend to the Board in the case of Executive directors) proposed payments under those plans;
- Review all executive compensation disclosure before the Company publicly discloses this information, including in the annual Remuneration Report and in the 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;
- Determine CEO Key Performance Indicators (KPIs) and recommend them to the Board;
- Evaluate the performance by the CEO in light of those KPIs;
- Consider and provide feedback on the CEO's recommendations in relation to other senior executive remuneration matters;
- Review the remuneration of non-executive directors on a regular basis and recommend any changes in remuneration to the Board; and
- Review the adequacy of the Claw Back Policy.

Remuneration Consultants

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.

Remuneration consultants were not appointed during 2016.

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 long term 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 for 2016 was limited to short term incentives and benefits.

The remuneration framework is designed to attract, motivate and retain high calibre Executive KMP. Although the current Executive KMP both reside in Australia, the remuneration framework has been established with the aim of being appropriate both within Australia and in 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 director's contribution and effort to the achievement of the Company's ongoing performance defined by pre set key performance targets and longer term strategy which includes incentives that also allow for individual outperformance to be measured;
- "at risk" long term incentives with shareholder objectives through 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 have been provided to Executive KMP in 2016. Future long term incentives will be granted pursuant to the LTI Plan. It is likely that future long term incentives offered to Existing and new Executive KMP will include performance hurdles that include minimum absolute shareholder return that may, 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 or events for a period of one year from the date of determination of such award or from individual executives including Executive KMP in situations involving fraud or dishonesty.

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.
Post-employment benefits	• Superannuation Guarantee contributions are made for Executive KMP. • Termination benefits are payable to Executive KMP as part of their contractual agreements as set out in section 13. These termination benefits were approved by shareholders on 27 June 2016.
Other benefits	• For the year ended 31 December 2016, no benefits or allowances were made available to Executive KMP other than the provision of car parking at the Company's head office.

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 corporate and individual goals and targets for 2016. • The maximum amount of STI payable to Executive KMP is expressed as a percentage of their Base Remuneration. • The STI percentage for individual Executive KMP is pre-approved by the Remuneration and Nomination Committee. • The Board retains the right to grant STI's in recognition of, however is not restricted to, additional workload and ad hoc assignments.
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 2016 Company performance is assessed based on weighted components that include: CORPORATE KPIs Achievement of ASX Listing — 7% Secure Funding — 6% Finalise TMS acquisition — 4% Business development — 5% Establish US office — 3% Increase in share price — 8% Increase in production — 5% Increase in reserves and resources — 12% Total weighting for company performance (% of available STI) — 50% • At the end of the financial year the RNC assess achievement of each component of company performance • 50% 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.
Assessment of performance conditions	• For Executive KMP, the amount of STI paid is approved by the Board after receiving recommendations from the RNC. • The assessment of the achievement of KPIs occurs at the end of the financial year and once draft financial and other preliminary operating results for the year are available to the Board and RNC. • Payment of STI's to Executive KMP will occur after the approval of the Financial Report by the Board.

Awards

- The STI Targets and achieved awards for the year ended 31 December 2016 were as follows:

KMP	Maximum Available STI		STI Achieved (excluding amount voluntarily forfeited)		STI Achieved and voluntarily forfeited		STI Not Achieved	
	% of Salary	A$	% of Maximum Available STI	A$ (1,2)	% of Maximum Available STI	A$ (1,2)	% of Maximum Available STI	A$
Lusted	60%	$255,000	32%	$81,600	32%	$81,600	36%	$91,800
Dowland	50%	$175,000	32%	$56,000	32%	$56,000	36%	$63,000

(1) Inclusive of superannuation where applicable

(2) Executive KMP each achieved 64% of the pre-set KPI's in 2016, however, post year end the Executive KMP voluntarily offered, and the Board subsequently agreed, to amend the terms of 50% of the achieved STI Award. Accordingly, the amounts of A$81,600 and A$56,000 for Mr Lusted and Mr Dowland respectively were not payable for 2016 and the terms relating to these amounts were amended and deferred to 2017. The 2017 STI program will provide for these amounts to be paid to Mr Lusted and Mr Dowland (and will be an addition to the 2017 STI plan) subject to the ATS ordinary share price, as traded on the ASX achieving a 15 day VWAP of greater than 32.5c (a 30% increase from the IPO price) at any time prior to 31 December 2017.

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. LTI awards under the LTI Plan can include options, performance rights and shares.
- During 2015 the Company granted 29,200,000 options to Executive KMP prior to the establishment of the LTI Plan to further align the Executive KMP interests with those of the Company. The options granted were all at an exercise price at least 25% above the first private placement of shares which raised A$24 million at a price of 20 cents per share from sophisticated investors. The options are exercisable at a price of between 25 cents and 35 cents each. These options have been valued and treated as a share based payment and as such expensed within the Statement of profit or loss for the Company over the vesting period for each option tranche. This expense is a non-cash charge and further details are provided in 11.2.

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.

Awards

- No LTI's have been granted to Executive KMP under the LTI Plan during 2016.
- In accordance with the commitment made to investors by the two Executive KMP during the IPO in 2016 Messrs Lusted & Dowland, stated they will not participate in awards under the LTI Plan until 2018 at the earliest .
- No LTI's were granted under the LTI Plan in 2016 however, it is intended that awards in the form of performance rights, subject to various vesting conditions, will be made to eligible employees, other than Executive KMP, in 2017. Further details will be provided in the 2017 Remuneration Report.

6. REMUNERATION STRUCTURE - NON-EXECUTIVE DIRECTORS

6.1 Remuneration Principles

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

The Company's policy is to remunerate non-executive directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is set with regard to market rates, the particular circumstances of the Company and the expected workloads of the non-executive directors. Remuneration is not linked to individual performance, however to align directors' interests with shareholders' interests, non-executive directors are encouraged to hold shares in the Company.

Non-executive directors are permitted to participate in the LTI Plan, but there is no proposal that they do so. The Options proposed to be granted to recently appointed nonexecutive directors Steve Scudamore are subject to shareholder approval and will be granted separately from the LTI Plan.

During the 2016 year the following options were granted to Mr Alan Watson in accordance with the Company practice to grant options to non-executive directors upon appointment to the Board to attract high calibre, experienced directors and to facilitate the alignment of directors interests with that of shareholders.

Table 2: Grant of options to non-executive director

Name	Date of grant	Term	Exercise Price	Number of options granted	
				2016	2015
Alan Watson[(1)]	24 May 2016	5 years (expiry 24 May 2021)	$0.275	420,000	-
Total				**420,000**	-

[(1)] The grant of options was ratified at a General Meeting of Shareholders on 27 June 2016.

The terms and conditions of the options affecting remuneration in the current and future years are set out in Section 7 of the Remuneration Report.

Mr Stephen Scudamore was appointed as a non-executive director on 30 November 2016. It is the intention of the Board to grant 420,000 options to Mr Scudamore on the following terms:

Table 3: Proposed grant of options to non-executive director

Name	Term	Exercise Price	Number of options proposed
Stephen Scudamore	5 years (expiry 30 November 2021)	$0.3125	420,000
Total			**420,000**

The options will be subject to approval of shareholders and it is anticipated that this will be sought at a General Meeting of the Company in the first half of 2017. The effective date of grant of these options for the purposes of calculating the fair value using the Black Scholes option pricing model will be the date of approval by shareholders and vesting will commence from this date. The fair value of the options granted will be expensed over the period from the effective date of grant to the date of vesting.

No other options or equity based instrument has been granted to Board members during the 2016 year.

6.2 Remuneration Components

Table 4: Non-executive directors' remuneration components

Base remuneration	• Base fee – Chair of the Board of A$219,000 • Base fee of A$76,650 for other non-executive directors • Additional fees: A$8,212 - Chair of the Remuneration and Nomination Committee A$8,212 – Chair of the Audit and Risk Management Committee A$5,000 – Fee to recognise extra commitment required during the IPO process paid to Alan Watson. • Where applicable, superannuation contributions which comply with the superannuation guarantee legislation are included in the above fees. • Maximum aggregate fees payable to non-executive directors as approved by shareholders on 27 June 2016 are set at A$600,000.

7. TERMS AND CONDITIONS OF SHARE-BASED COMPENSATION

7.1 Options

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

Table 5: 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)(3)]	Vesting condition	Achieved	Vested
$0.25 Options	13 Nov 2015	30 Nov 2015	31 Dec 2020	$0.25	0.0573	Immediate vesting upon grant	100%	100%
$0.275 (Series B) Options	24 May 2016	24 May 2017	24 May 2021	$0.275	0.1095	Continued engagement as director at 24 May 2017	N/A	N/A
$0.275 (Series C) Options	24 May 2016	24 May 2018	24 May 2021	$0.275	0.1184	Continued engagement as director at 24 May 2018	N/A	N/A
$0.275 (Series D) Options	24 May 2016	24 May 2019	24 May 2021	$0.275	0.1261	Continued engagement as director at 24 May 2019	N/A	N/A
$0.30 (Series A) Options	13 Nov 2015	13 Nov 2016	31 Dec 2020	$0.30	0.0944	Continued employment at 13 Nov 2016	100%	100%
$0.35 (Series A) Options	13 Nov 2015	13 Nov 2017	31 Dec 2022	$0.35	0.1114	Continued employment at 13 Nov 2017	N/A	N/A

(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 of options granted during the year are calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.4 of the Financial Report for details of the assumptions used in calculating the value of each option as at their effective grant date.

(3) Options granted to directors prior to the admission of the Company to the Australian Securities Exchange have an effective grant date as determined by the date that the Board approved the grant of the options. The grant of these options were subsequently ratified by the Company in General Meeting on 27 June 2016.

(4) Options carry no dividend or voting rights.

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

(6) The Board proposes to grant 420,000 options with an exercise price of $0.3125 and an expiry date of 30 November 2021 to Mr Stephen Scudamore. The grant of the options will be subject to shareholder approval in General Meeting which is anticipated to be held in the first half of 2017. The effective grant date will therefore be the date of the approval by shareholders and the Black & Scholes value of the options will be calculated at that effective date in accordance with AASB 2 Share-Based Payments. The options will vest in three equal instalments on the anniversary of Mr Scudamore's appointment (being 30 November 2016) subject to Mr Scudamore's continued appointment as a director. Vesting will commence upon approval by shareholders.

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

During the year ended 31 December 2016 the following options were granted and / or vested to KMP:

Table 6: KMP options granted or vested during 2016

	Award	Grant date[1]	Grant value[2] (A$)	Number of options granted[3]	Number of options vested during year	Number of options lapsed during year
Non-executive directors						
Jonathan Stewart	$0.30 (Series A) options	13 Nov 2015	-	-	15,000,000	-
Alan Watson	$0.275 (Series B.C and D) options	24 May 2016	$49,560	420,000	-	-
Executive directors						
Ian Lusted	$0.30 (Series A) options	13 Nov 2015	-	-	6,000,000	-
Graham Dowland	$0.30 (Series A) options	13 Nov 2015	-	-	5,000,000	-

(1) The options were granted to Mr Watson prior to the admission of the Company to the Australian Securities Exchange and as such the effective date of grant is the date of appointment. The grant of options was subsequently ratified by the shareholders in general meeting on 27 June 2016.

(2) Grant value of options awarded is calculated using the Black Scholes option pricing model that takes into account the exercise price, the term of the options, the share price at grant date, expected price volatility of the underlying shares, the expected dividend yield and the risk free interest rate for the term of the option as set out in Note 7.4 of the Financial Report. The assessed fair value of the options at grant date is allocated to remuneration equally over the period from effective grant date to vesting date.

(3) The number of options granted were determined by the Board as at the date of commencement of appointment.

9. SHARE-BASED AWARDS EXERCISED DURING THE YEAR

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

10. CONSOLIDATED ENTITY PERFORMANCE

The performance of the Company depends upon the quality of its directors and executives. In order to deliver on its strategy, the Company will need to attract, motivate and retain highly skilled directors and executives.

The Company was incorporated on 12 November 2015 to acquire in a scrip for scrip transaction 100% of the issued capital of Australis Europe Pty Ltd group (formerly Australis Oil & Gas Pty Ltd). Australis Europe was founded and funded solely by the Chair and Executive KMP of the Company from the commencement in March 2014 through to November 2015. The Founders received no salary during this period.

Following an initial public offering of shares raising A$30 million, before costs of the issue, the Company was admitted to the Official List of the Australian Securities Exchange in July 2016. The Company's strategy is take advantage of the prevailing conditions within the upstream oil and gas industry and use the KMP knowledge and experience to acquire and accumulate a high quality, oil-weighted portfolio of onshore assets, at attractive pricing, that have an underlying base value, whilst ensuring exposure to exploration and appraisal upside as well as upside exposure to any increase in oil price. The Board believes that the TMS and Portuguese assets achieve these objectives.

During 2016 the Company continued to increase its acreage position and knowledge of the subsurface environment in the TMS and undertook evaluation work, including the utilisation of 3D seismic, to better define the contingent resource structure and volumetrics within its Portuguese concession areas.

There are limited financial measures against which to measure performance for 2016 due to the current stage of development of the Company. It is the intention of the Board to continue to include corporate and personal objectives for STI and LTI rewards based on oil and gas reserves and resources, production and absolute and relative total shareholder return.

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 7: KMP total remuneration per Corporations Act

	Short term benefits			Post-employment benefit	Total Cash		Share-based	Total	
Name	Cash salary & fees	STI[2]	Other benefits [3]	Super-annuation	Remuner-ation	Annual leave provision	Options [4]	Remuner-ation	Performance related
Non-executive directors									
Jonathan Stewart									
31 Dec 2016	200,000	-	3,325	19,000	222,325	-	2,065,286	2,287,611	-
31 Dec 2015	16,667	-	275	1,583	18,525	-	869,088	887,613	-
Alan Watson[1]									
31 Dec 2016[5]	51,441	-	-	4,887	56,328	-	17,863	74,191	-
31 Dec 2015	-	-	-	-	-	-	-	-	-
Stephen Scudamore[6]									
31 Dec 2016	6,458	-	-	614	7,072	-	-	7,072	-
31 Dec 2015	-	-	-	-	-	-	-	-	-
Executive directors									
Ian Lusted									
31 Dec 2016	425,000	74,521	3,325	47,454	550,300	82,336	826,115	1,458,751	6%
31 Dec 2015	35,417	-	275	3,365	39,057	31,323	347,635	418,015	-
Graham Dowland									
31 Dec 2016	347,980	51,142	3,325	37,916	440,363	-	688,429	1,128,792	5%
31 Dec 2015	29,167	-	275	2,771	32,213	-	282,056	314,269	-
Total 2016	1,030,879	125,663	9,975	109,916	1,276,388	82,336	3,597,693	4,956,417	-
Total 2015	81,251	-	825	7,719	89,795	31,323	1,498,779	1,619,897	-

(1) Alan Watson appointed 24th May 2016.
(2) STI's represent the amount earned in relation to 2016 (excluding Superannuation) which will be paid in 2017 after release of the 2016 Annual Financial Statements.
(3) Other benefits include the provision of car parking at the Company's Perth office in Subiaco.
(4) With exception of Alan Watson, no options were granted to directors during 2016. AASB 2 – Share Based Payments requires the Black & Scholes fair value at grant date of the options granted be expensed over the vesting periods.
(5) 2016 fees paid to Mr Watson include a one off fee of $5,000 inclusive of superannuation) to recognise the extra commitment required during the IPO process.
(6) Stephen Scudamore appointed 30 November 2016.

The table below sets out the cash remuneration paid to KMP during 2016.

Table 8: 2016 cash payments to KMP

Name	Base Salary & Fees A$	Superannuation A$	STI Paid[1] A$	Other benefits[3] A$	Total cash A$
Non-executive directors					
Jonathan Stewart	200,000	19,000	-	3,325	222,325
Alan Watson[2]	51,441	4,887	-	-	56,328
Stephen Scudamore	6,458	614	-	-	7,072
Executive directors					
Ian Lusted	425,000	40,375	-	3,325	468,700
Graham Dowland	347,980	33,058	-	3,325	384,363

(1) No STI paid in the year. 2016 STI to be paid after release of Annual Financial Statements.
(2) The 2016 fees include a one-off payment of A$5,000 (inclusive of superannuation) to reflect the extra commitment required during the IPO process.
(3) Other Benefits relates to car parking at the Company's Head Office and, accordingly, were not paid directly to KMP. Car parking was made available to KMP and other Perth based management and employees.

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 total value at grant date attributed to incentive based options granted to KMP and other employees under *AASB 2- Share-Based Payments* is set out below together with the reporting periods over which the calculated value will be allocated to remuneration.

Table 9: Annual share-based payment expense for existing options on issue as at 31 December 2016.

	Number of options granted	Share Based Payment (non cash) expensed during the year ended					Total expense over vesting periods
		31/12/15 A$	31/12/16 A$	31/12/17 A$	31/12/18 A$	31/12/19 A$	A$
Non-executive directors							
Jon Stewart	40,000,000	869,088	2,065,286	725,626	-	-	3,660,000
Alan Watson	420,000	-	17,863	20,221	9,154	2,322	49,560
Executive directors							
Ian Lusted	16,000,000	347,635	826,115	290,250	-	-	1,464,000
Graham Dowland	13,200,000	282,056	688,429	241,875	-	-	1,212,360
Other employees	10,800,000	186,028	498,658	272,018	103,581	-	1,060,285
Total	80,420,000	1,684,807	4,096,351	1,549,990	112,735	2,322	7,446,205

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

In order to exercise the options granted to KMP the following cash payments will be made to the Company by KMP.

Table 10: Cash payments for exercise of options

Type	Expiry	Exercise Price	Jonathan Stewart A$	Ian Lusted A$	Graham Dowland A$	Alan Watson A$
$0.25 Options	31/12/20	A$0.25	$2,500,000	$1,000,000	$800,000	-
$0.275 (Series B, C & D) Options	24/05/21	A$0.275	-	-	-	$115,500
$0.30 (Series A) Options	31/12/20	A$0.30	$4,500,000	$1,800,000	$1,500,000	-
$0.35 (Series A) Options	31/12/22	A$0.35	$5,250,000	$2,100,000	$1,750,000	-
Total Cost of Exercising all Options			**$12,250,000**	**$4,900,000**	**$4,050,000**	**$115,500**

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

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

Table 11: Summary of option vesting

Name	Type of grant	Year granted	Vested %	Forfeited %	Financial year in which benefits 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	-	-	31 Dec 2017	1,671,000
Alan Watson	$0.275 (Series B) options	2016	-	-	31 Dec 2017	15,330
	$0.275 (Series C) options	2016	-	-	31 Dec 2018	16,576
	$0.275 (Series D) options	2016	-	-	31 Dec 2019	17,654
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	-	-	31 Dec 2017	668,400
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	-	-	31 Dec 2017	557,000

12. KMP INTERESTS IN SHARES AND OPTIONS

12.1 Shareholdings

The number of shares 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 2016 (Nil, 31 December 2015) as compensation.

Table 12: 2016 KMP shareholding reconciliation

	For year ended 31 December 2016			
	Balance at start of year	Exercise of options	Net other changes	Balance at end of year
Non-executive directors				
Jonathan Stewart[1]	49,542,859	-	10,000,000	59,542,859
Alan Watson[2,3]	-	-	3,810,000	3,810,000
Stephen Scudamore[4]	-	-	97,215	97,215
Executive directors				
Ian Lusted[1]	13,803,572	-	500,000	14,303,572
Graham Dowland[1,2]	13,803,572	-	946,428	14,750,000

(1) On 16 May 2016, KMP, other than Mr Scudamore, participated in the Company's private placement at A$0.22 per share. With each two new shares issued, one option exercisable at A$0.275 cents each before 30 June 2019 was granted to all placees.
(2) In July 2016, Messrs Dowland and Watson participated in the Company's IPO at A$0.25 per share.
(3) Mr Alan Watson was appointed non-executive director of Australis on 24 May 2016. At the date of appointment Mr Watson held 2,500,000 ordinary shares in the Company.
(4) Mr Stephen Scudamore was appointed non-executive director of Australis on 30 November 2016. At the date of appointment Mr Scudamore held 97,215 ordinary shares in the Company.

Table 13: 2015 KMP shareholding reconciliation

	For year ended 31 December 2015			
	Balance at start of period	Exercise of options	Net other changes	Balance at end of period
Non-executive directors				
Jonathan Stewart	-	-	49,542,859	49,542,859
Executive directors				
Ian Lusted	1	-	13,803,571	13,803,572
Graham Dowland	-	-	13,803,572	13,803,572

On 9 December 2015, Messrs Stewart, Dowland and Lusted participated in the Company's private placement at A$0.20 per share. On 31 December 2015, Australis acquired all the shares in Australis Europe Pty Limited (formerly Australis Oil & Gas Pty Limited) for A$11 million by way of the issue of 55 million shares in Australis. Messrs Stewart, Dowland and Lusted, including their personally related parties were the shareholders of Australis Europe Pty Limited.

12.2 Option holdings

The number of options over ordinary shares in the Company held during the financial year ended 31 December 2016 by KMP, including their personally related parties, are set out below:

Table 14: 2016 KMP option holding reconciliation

	For year ended 31 December 2016						
	Balance at start of year	Granted	Exercised	Net other changes(1)	Balance at end of year	Vested and exercisable	Unvested
Non-executive directors							
Jonathan Stewart							
Options	40,000,000	-	-	5,000,000	45,000,000	30,000,000	15,000,000
	40,000,000	-	-	5,000,000	45,000,000	30,000,000	15,000,000
Alan Watson							
Options	-	420,000	-	455,000	875,000	455,000	420,000
	-	420,000	-	455,000	875,000	455,000	420,000
Stephen Scudamore(2)							
Options	-	-	-	-	-	-	-
Executive directors							
Ian Lusted							
Options	16,000,000	-	-	250,000	16,250,000	10,250,000	6,000,000
	16,000,000	-	-	250,000	16,250,000	10,250,000	6,000,000
Graham Dowland							
Options	13,200,000	-	-	300,000	13,500,000	8,500,000	5,000,000
	13,200,000	-	-	300,000	13,500,000	8,500,000	5,000,000

(1) On 16 May 2016 the KMP participated in the Company's private share placement at A$0.22 per share raising A$10.05 million, on the same terms as other placees. One free attaching option was granted to all placees for every two shares allotted under the offer. Options are exercisable pursuant to the terms and conditions from the date the Company was admitted to the ASX at an exercise price of A$0.275 per option and expire on 30 June 2019.

(2) The Board proposes to grant 420,000 options with an exercise price of A$0.3125 and an expiry date of 30 November 2021 to Mr Stephen Scudamore. The grant of the options will be subject to shareholder approval in General Meeting which is anticipated to be held in the first half of 2017. The effective grant date will therefore be the date of the approval by shareholders and the value of the options will be calculated at that effective date in accordance with AASB 2 Share-Based Payments. The options will vest in three equal instalments on the anniversary of Mr Scudamore's appointment (being 30 November 2016) subject to Mr Scudamore's continued appointment as a director. Vesting will commence upon approval by shareholders.

Table 15: 2015 KMP option holding reconciliation

	For year ended 31 December 2015						
	Balance at start of period	Granted	Exercised	Net other changes	Balance at end of period	Vested and exercisable	Unvested
Non-executive directors							
Jonathan Stewart							
Options	-	40,000,000	-	-	40,000,000	10,000,000	30,000,000
	-	40,000,000	-	-	40,000,000	10,000,000	30,000,000
Executive directors							
Ian Lusted							
Options	-	16,000,000	-	-	16,000,000	4,000,000	12,000,000
	-	16,000,000	-	-	16,000,000	4,000,000	12,000,000
Graham Dowland							
Options	-	13,200,000	-	-	13,200,000	3,200,000	10,000,000
	-	13,200,000	-	-	13,200,000	3,200,000	10,000,000

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:

Table 16: Executive KMP employment agreement summary

Name	Ian Lusted	Graham Dowland
Position	Chief Executive Officer	Chief Financial Officer
Remuneration	A$465,375 per annum inclusive of superannuation	A$383,250 per annum inclusive of superannuation
STI	Maximum 60% of base salary of A$425,000	Maximum 50% of base salary of A$350,000
LTI	Eligible to participate in LTI Plan from 1 January 2018	Eligible to participate in LTI Plan from 1 January 2018
Termination – Material Diminution[(1)]	KMP may give 1 month's notice of termination within 3 months of a Fundamental Change[(2)] and be entitled to 12 month's remuneration plus all statutory or contractual entitlements on termination	KMP may give 1 month's notice of termination within 3 months of a Fundamental Change[(2)] and be entitled to 12 month's remuneration plus all statutory or contractual entitlements on termination
Termination by Company[(1)]	For period to 1 December 2016: 6 months' notice of termination. Thereafter 12 months' notice. The Company may terminate without notice for serious misconduct including serious or persistent breach of duty, failure to perform obligations under agreement.	For period to 1 December 2016: 6 months' notice of termination. Thereafter 12 months' notice. The Company may terminate without notice for serious misconduct including serious or persistent breach of duty, failure to perform obligations under agreement.
Termination by KMP	For period to 1 December 2016: 6 months' notice of termination. Thereafter 12 months' notice.	For period to 1 December 2016: 6 months' notice of termination. Thereafter 12 months' notice.
Post-employment restraints	Non-compete and non-solicitation provisions apply for 12 months from notification of termination	Non-compete and non-solicitation provisions apply for 12 months from notification of termination

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

(2) Fundamental Change represents certain changes to a KMP's terms and conditions of employment, such as where the KMP ceases to hold their position, or suffers a material diminution in their responsibilities or authority except where (i) the employment is terminated by the employer with notice (or payment in lieu of notice) and the Board is not on notice of any such changes; (ii) the employer terminates the employment without notice for serious misconduct and other grounds; (iii) the executive is suspended; or (iv) the parties consent to the change.

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.

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 year ended 31 December 2016, (31 December 2015: 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

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company other than those disclosed in this report.

Likely developments

Australis is seeking to take advantage of the prevailing depressed conditions within the upstream oil and gas industry and use the directors' and key management's knowledge and experience to acquire and accumulate a high quality, oil-weighted onshore assets, at attractive pricing, that will aim to provide potential upside with any modest increase in the oil price.

The strategy aims to provide shareholders with of assets that will have a range of risk and reward attributes with an underlying base value, whilst ensuring exposure to exploration and appraisal upside as well as upside exposure to any increase in the oil price.

The directors and management are continuing to evaluate oil and gas opportunities that are consistent with this strategy.

Environmental developments

The Group is subject to environmental regulations under State and Federal laws in the jurisdictions where it holds exploration leases and concessions being the United States and Portugal.

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 Directors' 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 the Australis may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the 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 a 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 7.7 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 84.

The Director's 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

Non-Executive Chairman
6 February, 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Income			
Revenue	2.1	83	2
Other income	2.2	1,050	-
Total income		1,133	2
Expenses			
Exploration expenditure	2.4	(1,340)	-
Depreciation expense		(25)	(1)
Administrative expenses	2.5	(5,201)	(396)
Share based payments	7.4	(4,096)	(1,685)
Unrealised foreign exchange		-	(205)
Loss from continuing operations before income tax expense		(9,529)	(2,285)
Income tax expense	2.8	-	-
Net loss attributable to owners of the Company		(9,529)	(2,285)
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss:		-	-
Foreign currency translation differences		139	-
Other comprehensive income for the period net of tax		139	-
Total comprehensive (loss) for the period attributable to the owners of the Company		(9,390)	(2,285)
(Loss) per share attributable to owners of the Company			
Basic loss per share (cents per share)	2.9	(3.69)	(4.00)
Diluted loss per share (cents per share)	2.9	(3.69)	(4.00)

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 2016

	Notes	31 December 2016 A$'000	31 December 2015 A$'000
Current assets			
Cash and cash equivalents	4.1	29,711	21,969
Trade and other receivables	5.1	259	187
Total current assets		29,970	22,156
Non-current assets			
Exploration and evaluation	3.1	38,005	10,997
Property, plant and equipment	3.2	67	29
Other – Deposit exploration and evaluation asset	5.1	8	1,928
Total non-current assets		38,080	12,954
Total assets		68,050	35,110
Current liabilities			
Trade and other payables	5.2	(1,017)	(1,150)
Provisions	5.3	(169)	(50)
Total current liabilities		(1,186)	(1,200)
Total liabilities		(1,186)	(1,200)
Net assets		66,864	33,910
Equity			
Contributed equity	4.2	72,758	34,510
Share based payment reserve	4.3	5,781	1,685
Foreign exchange reserve	4.3	139	-
Accumulated losses	4.3	(11,814)	(2,285)
Total equity		66,864	33,910

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 2016

	Contributed Equity A$'000	Other Reserve A$'000	Accumulated Losses A$'000	Total A$'000
Balance at incorporation 12 November 2015	-	-	-	-
Loss for the period	-	-	(2,285)	(2,285)
Other comprehensive income	-	-	-	-
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	34,510	-	-	34,510
Option expense recognised during the year	-	1,685	-	1,685
Balance as at 31 December 2015	34,510	1,685	(2,285)	33,910
Loss for the year	-	-	(9,529)	(9,529)
Other comprehensive income				
Exchange differences on translation of foreign operations	-	139	-	139
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	38,248	-	-	38,248
Options expense recognised during the year	-	4,096	-	4,096
Balance as at 31 December 2016	72,758	5,920	(11,814)	66,864

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 2016

	Notes	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Cash flows from operating activities			
Payments to suppliers and employees		(6,072)	(200)
Net cash (outflow) from operating activities	2.11	(6,072)	(200)
Cash flows from investing activities			
Payments for acquisition of exploration interests		(25,375)	(1,120)
Payment for property, plant and equipment		(64)	(29)
Interest Received		83	2
Net cash (outflow) from investing activities		(25,356)	(1,147)
Cash flows from financing activities			
Proceeds from share applications		40,050	24,175
Share issue costs		(1,905)	(559)
Net cash inflow from financing activities		38,145	23,616
Net increase in cash and cash equivalents		6,717	22,269
Cash and cash equivalents at the beginning of the financial period		22,063	-
Effect of exchange rates on cash holdings in foreign currencies		1,049	(206)
Cash and cash equivalents at the end of the financial period	4.1	29,829	22,063

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

Contents
Notes to the Financial Statements

For the year ended 31 December 2016

1.1 Corporate information

The consolidated financial report for the period ended 31 December 2016 comprises the financial statements for 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 commenced trading on 25 July 2016.

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

1.2 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 Period – sets out the performance of the Group and highlights the significant accounting policies impacting on the results for the period.
3. Invested Capital – sets out expenditure during the period on exploration and evaluation 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

1.3 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 periods presented.

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

The comparative period to the year ended 31 December 2016 for the Statement of Profit or loss and Other Comprehensive Income and the Statement of Cashflows and relevant notes is for the period from incorporation on 12 November 2015 to 31 December 2015.

1.4 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, 2016 and the financial performance of the Company and its controlled entities for the period 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.

(a) Principles of consolidation (continued)

(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.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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 7.2.

1.5 Foreign currency

(i) Functional and presentational currency
The functional currency of the Company and its subsidiaries, other than the subsidiaries incorporated in the United States and Portugal is Australian dollars. The United States and Portuguese subsidiaries have a functional currency of US dollars. The presentational currency of the Company and its subsidiaries is Australian 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.

(iii) Group Companies

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- exchange differences arising on translation of intercompany payable and /or receivables of foreign operations, in a currency that is not the same as the parent's functional currency, are recognised in the foreign currency translation reserve, as a separate component of equity.
- these differences are only recognised in the profit and loss upon disposal of the foreign operations.

1.6 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 disclosed in the following notes:

Exploration and evaluation assets – Note 3.1
Share based payments – Note 7.4

1.7 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 period

Or

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

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 period

Or

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

The Group classifies all other liabilities as non-current.

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

1.8 Fair Value Measurement

The Group measures financial and non-financial assets at fair value at each balance sheet 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.

1.9 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 credit risk and liquidity risk (see Notes 4.1, 5.1, 5.2) 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. As the Group does not have producing oil and gas properties as at 31 December 2016, it is deemed that the market risk in the form of commodity price fluctuation does not represent a material risk to the company at this reporting date.

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.

1.10 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendments that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations

AASB 2014-3 amends AASB 11 Joint Arrangements to clarify the accounting for an acquisition of an interest in a joint operation that constitutes a business, occurring on or after the beginning of the first annual period that begins on or after 1 January 2016. The Group has not purchased an interest in a joint operation that would constitute a business thus the amendment to the standard has no effect.

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

AASB 2014-4 clarifies that revenue-based methods for calculating depreciation and amortisation are not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of economic benefits embodied in the asset. No effect is anticipated as the Company is not utilising revenue based system for calculating depreciation or amortisation.

AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements

The amendments provide the option to account for investments in subsidiaries, associates and joint ventures in separate financial statements using the equity method as described in AASB 128 Investments in Associates and Joint Ventures. The Group does not anticipate that the application of these amendments to the standard will affect its financial reporting.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The amendments to AASB 101 Presentation of Financial Statements are part of a major initiative to improve disclosure requirements in IFRS financial statements under the IASB's Disclosure Initiative. The financial statements of the Company for the year ended 2016 have been prepared in accordance with the amendments to AASB101.

AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception

AASB 10, paragraph 4(a) provides an exemption from the preparation of consolidated financial statements to intermediate parent entities provided the ultimate parent entity prepares IFRS compliant consolidated financial statements that are available for public use and available. Application of this standard will not affect Group reporting.

There are several other 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.

1.11 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 9 Financial Instruments (2014) - (Effective 1 January 2018)
- AASB 15 Revenue from Contracts with Customers - (Effective 1 January 2018)
- AASB 16 Leases - (Effective 1 January 2019)
- AASB 2016-1 Amendments to AAS - Recognition of Deferred Tax for Unrealised Losses - (Effective 1 January 2017)
- AASB 2016-2 Amendments to AAS- Disclosure Initiative: Amendments to AASB 107 - (Effective 1 January 2017)
- AASB 2016-3 Amendments to AAS- Classifications to AASB 15 - (Effective 1 January 2018)
- AASB 2016-5 Amendments to AAS- Classification and Measurement of Share-based Payment Transactions - (Effective 1 January 2018)

2.1 Revenue

Recognition and measurement

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Revenue from the provision of services is recognised when an entity has a legally enforceable right to receive payment for services rendered.

	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Revenue		
Interest received	83	2
Total revenue	83	2

2.2 Other income

Recognition and measurement

Policies on the accounting treatment of foreign exchange are detailed in Note 1.5.

	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Other Income		
Foreign exchange gain	1,050	-
Total other income	1,050	-

2.3 Expenses

Recognition and measurement

Policies on the accounting for expenditure are set out in the notes throughout the financial statements.

	Notes	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Expenses			
Exploration expenditure	2.4	(1,340)	-
Depreciation expense		(25)	(1)
Administrative expenses	2.5	(5,201)	(396)
Share based payments	7.4	(4,096)	(1,685)
Unrealised foreign exchange		-	(205)
Total Expenses		(10,662)	(2,287)

Material expenses for the year ended 31 December 2016, relate to the following;

Employee benefits expensed – Note 2.6.

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, other than the subsidiaries incorporated in the United States and Portugal, is Australian dollars (AUD), however the Group operates internationally and is exposed to various currencies including the US Dollar (USD), Euro (EUR) and Pound Sterling (GBP). The Group is primarily exposed to foreign exchange risk arising from fluctuations in AUD and USD and fluctuations in the AUD and EUR.

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 and 5.2.

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.

2.4 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 3.1. 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 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Exploration expenditure			
Business development (employee benefit allocation)	2.6	647	-
Portuguese exploration expenditure write off		450	-
Business development (opportunity investigation costs)		164	-
Other expenses		79	-
		1,340	-

2.5 Administrative expenses

Administrative expenses of the Group include the following:

	Notes	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Administrative expenses			
Personnel expenses (employee benefit allocation)	2.6	2,555	197
IPO costs and listing fees		813	-
Other expenses		1,833	199
		5,201	396

2.6 Employee benefits expensed

Recognition and measurement

The Group's accounting policy for employee benefits other than superannuation is set out in Note 5.3. The policy for share based payments is set out in Note 7.4.

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 2016, contributions were matched up to a maximum of 6% of the base salary of each employee.

Expensed employee benefits of the Group are as follows:

	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Employee benefits		
Salaries and fees	2,324	184
Short term incentive accrual	515	-
Superannuation / 401k	186	-
Other Payroll Expenses	177	13
	3,202	197
Share based payments	4,096	1,685
	7,298	1,882

2.7 Segment Reporting

Recognition and measurement

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

The CEO reviews the information within the internal management reports on a monthly basis which is consistent with the information provided in the consolidated financial statements. As a result, no reconciliation is required, because the information as presented is used by the CEO to make strategic decisions.

Management has determined, based on the reports reviewed by the CEO and used to make strategic decisions, that the Group has two reportable segment being oil and gas exploration in the United States of America and oil and gas exploration in Portugal. The Group's management and administration office is located in Australia. There has been no other impact on the measurement of the company's assets and liabilities.

	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Reportable segment revenue		
Revenue, including interest income, is disclosed below based on the reportable segment:		
Revenue from other corporate activities	83	2
Other income from other corporate activities	1,050	-
	1,133	2

	31 December 2016 A$'000	31 December 2015 A$'000
Reportable segment assets		
Assets are disclosed below based on the reportable segment:		
Assets from oil and gas exploration in the United States of America	26,917	1,928
Assets from oil and gas exploration in Portugal	11,088	10,997
Assets from corporate activities:		
Cash and cash equivalents	29,711	21,969
Other corporate assets	334	216
	68,050	35,110
Reportable segment liabilities		
Liabilities are disclosed below based on the reportable segment:		
Liabilities from oil and gas exploration in the United States of America	320	440
Liabilities from oil and gas exploration in Portugal	52	62
Liabilities from corporate activities	814	698
	1,186	1,200

	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Reportable segment profit		
Profit / (loss) is disclosed below based on the reportable segment:		
(Loss) for oil and gas exploration in Portugal	(1,241)	-
(Loss) for oil and gas exploration in USA	(749)	-
(Loss) from other corporate activities	(7,539)	(2,285)
	(9,529)	(2,285)

2.8 Income tax expense

Recognition and measurement

The income tax benefit/(expense) for the period is the tax payable on the current period's 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 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(9,529)	(2,285)
Prima facie tax benefit at the Australian statutory tax rate of 30% (31 December, 2015: 30%)	(2,859)	(685)
Tax effect of amounts that are not deductible / (taxable) in calculating taxable income		
Share-based payment expense	1,229	505
Other non-allowable deductions	502	-
Income tax rate difference	22	
	(1,106)	(180)
Movements in unrecognised temporary differences	(294)	(395)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	(1,400)	(575)
Income tax expense / (benefit)	-	-
(c) Tax affect relating to each component of other comprehensive income		

	31 December 2016 A$'000	31 December 2015 A$'000
(d) Deferred tax asset		
Other provisions and accruals	122	205
Unrealised foreign exchange loss	-	62
Tax losses in Australia	1,037	575
Tax losses in USA	579	-
Tax losses in Portugal	296	-
Tax losses in UK	19	-
Deferred tax assets not recognised	2,053	842
(e) Deferred tax liability		
Unrealised foreign exchange gain	(376)	-
Deferred tax liablity not recognised	(376)	-

Potential deferred tax assets have not been brought to account at 31 December 2016 (31 December 2015: 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 2016, 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.

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 2016	Period from 12 November 2015 to 31 December 2015
	A$ Cents	A$ Cents
Loss per share attributable to members of the Company		
Basic earnings per share	(3.69)	(4.00)
Diluted earnings per share	(3.69)	(4.00)
Loss used in calculation of basic / diluted loss per share	A$'000	A$'000
Net (Loss) after tax	(9,529)	(2,285)
Weighted average number of ordinary shares used as the denominator in calculating:	Shares	Shares
Basic and diluted loss per share	258,227,863	57,185,003

2.10 Dividends

No dividend has been paid or is proposed in respect of the year ended 31 December 2016 (31 December 2015: Nil).

2.11 Reconciliation of (loss) after income tax to net cash from operating activities

	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Net Loss for the period	(9,529)	(2,285)
(i) Add / (less) non-cash items		
Depreciation, depletion and amortisation	25	1
Share based payment expense	4,096	1,685
Net foreign exchange (gain) /losses	(1,050)	205
(ii) Add / (less) items classified as investment / financing activities:		
Net interest received	(83)	(2)
(iii) Change in assets and liabilities during the financial year		
(Increase) in receivables	(53)	(92)
(Increase) in payables	403	238
Increase in employee provisions	119	50
Net (outflow) on operating activities	(6,072)	(200)

3.1 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 profit and loss in the period 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 period 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 efforts 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.

Once a well commences producing commercial quantities of oil and gas, capitalised exploration and evaluation costs are transferred to Oil and Gas Properties – Producing Projects.

In the year ended 31 December 2016, no exploration and evaluation expenditure was capitalised as Oil and Gas Properties.

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.

Capitalised costs relating to Oil & Gas Properties are assessed for impairment at each reporting date. In the year ended 31 December 2016 no exploration and evaluation expenditure was capitalised as Oil and Gas Properties.

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.

Exploration and evaluation assets	31 December 2016 A$'000	31 December 2015 A$'000
Opening balance	10,997	-
Acquisition of Australis Europe Pty Ltd	-	10,997
Acquisition of Tuscaloosa Marine Shale (1)	22,434	-
Capitalised expenditure(2)	3,816	-
Foreign exchange movement	758	-
Closing balance	38,005	10,997

(1) Acquisition of Tuscaloosa Marine Shale

Australis TMS Inc, a wholly owned subsidiary, entered into a Purchase and Sale Agreement (PSA) on 1 December 2015 with Paloma Partners IV, LLC (Paloma), a US private equity funded oil and gas company, to purchase a 50% working interest in approximately 33,000 mostly contiguous net acres under leases in the TMS. The TMS leases are located mostly in Louisiana with approximately 2% in Mississippi.

During January 2016, Australis completed the acquisition of an initial 20% working interest in the TMS leases, and in May 2016 acquired the balance to take its working interest to 50%. The total acquisition price of the 50% working interest in the TMS leases was US$16 million.

(2) Capitalised expenditure

Capitalised expenditure represents the costs associated with the acquisition of new leases and the renewal and extension of existing leases in the TMS during the year in accordance with the Joint Development Agreement and associated budget agreed with the Company's TMS partner.

Exploration commitments

The Company has exploration expenditure obligations which are contracted for, but not provided for in the financial report. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company.

	31 December 2016 A$'000	31 December 2015 A$'000
Oil and gas exploration		
Payable:		
Within one year [1]	10,203	187
After one year, not more than five years[2]	292	454
Total exploration commitments	10,495	641

[1] **Payable within one year**
This figure is made up of the 2017 Annual Work Program and Budget of the 50% working interest in Tuscaloosa Marine Shale and the 2017 Concession obligations in Portugal. The TMS budget has been agreed with the Company's partner within the TMS. The Company's share is US$7.22 million (A$9.99 million) and is primarily for acquisition of new leases and the renewal and extension of existing leases as well as associated brokerage costs and accordingly this expenditure will be dependent upon the success of the leasing activity currently underway in the US. The 2017 Portuguese Concession obligations make up the balance in the amount of 150,000 Euros (A$218,684).

[2] **After one year, not more than five years**
Represents the 2018 Concession obligations in Portugal of 200,000 Euros.

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

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 period.

The estimated useful lives of fixtures and fittings used in the calculation of depreciation is 3 to 10 years.

	31 December 2016 A$'000	31 December 2015 A$'000
Office equipment		
Office equipment at cost	93	30
Office equipment accumulated depreciation	(26)	(1)
Total office equipment	67	29
Reconciliation of movement in office equipment		
Balance at the beginning of the financial period	29	-
Additions	63	30
Depreciation expense	(25)	(1)
Total office equipment	67	29
Total property, plant and equipment	67	29

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:

	31 December 2016 A$'000	31 December 2015 A$'000
Held with Australian banks and financial institutions		
Cash at bank and in hand	16,371	5,575
Deposits at call	12,513	16,376
Held with Portuguese banks and financial institutions		
Cash at bank and in hand	106	18
Held with UK banks and financial institutions		
Cash at bank and in hand	2	-
Held with US banks and financial institutions		
Cash at bank and in hand	719	-
	29,711	21,969

Cash and cash equivalents in the Cash Flow Statement comprises the following Balance Sheet amounts:

	31 December 2016 A$'000	31 December 2015 A$'000
Cash on hand and balances at bank	17,198	5,593
Short term deposits	12,513	16,376
Cash and cash equivalents as previously stated	29,711	21,969
Other financial assets		
Financial guarantee	118	-
Term deposit	-	94
Cash and cash equivalents as restated	29,829	22,063

Cash and cash equivalents as restated at the end of the period include bank guarantee held at Bank Inter SA which matures on 31 December 2017 and which is not freely available for use by the Company as it forms a bond for the 2017 proposed Portuguese Concessions work programs. The counterparties have an obligation to return the securities to the group upon successful completion of the work programs. At 31 December 2016, the fair value of the guarantees pledged was A$118,000 (80,500 Euros) (2015: A$94,000 (63,000 Euros)).

	31 December 2016 Amount in Currency $'000	31 December 2016 Amount in AUD $'000	31 December 2015 Amount in Currency $'000	31 December 2015 Amount in AUD A$'000
Cash & cash equivalents				
US Dollars	17,290	23,922	12,005	16,470
Euro	73	106	21	31
UK Pounds	1	2	-	-
		24,030		16,501

The following table demonstrates the effect on the Group's equity and loss for the period of a 10% increase / decrease in the Australian / US dollar exchange rate.

	31 December 2016 Amount in AUD A$'000	31 December 2015 Amount in AUD A$'000
Impact on (loss) / equity		
AUD / USD -10%	2,658	1,830
AUD / USD +10%	(2,175)	(1,497)

Foreign exchange risk

The Group held A$24.03 million of cash and cash equivalents at 31 December 2016 (31 December 2015: A$16.5 million) in currencies other than Australian dollars (predominantly US dollars).

A reasonable possible change in the exchange rate of the Australian dollar to the US dollar (+ 10%/-10%), with all other variables held constant, would have a material impact on the Group's equity or the profit or loss in the current period of +10% (A$2,175,000) and -10% A$2,658,000 with the previous period +10% (A$1,497,000) and -10% A$1,830,000. A reasonable possible change in the exchange rate of the Australian 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.

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 period 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 with Bank Inter, 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 period ended 31 December 2016, 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 2.88% floating rate (31 December 2015: 2.80%). 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. At 31 December 2016, the Group has no interest-bearing loans or borrowings, and is not exposed to any externally imposed capital requirements.

4.2 Contributed equity

In July 2016, the Company undertook an initial public offering to raise approximately $28.6 million after costs of issue. This followed a private placement in May 2016 that raised $9.6 million after costs of issue

The Company was admitted to the Official List of the Australian Securities Exchange (Ticker code: ATS) and commenced trading on 25 July 2016.

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 2016 Securities	31 December 2015 Securities	31 December 2016 A$'000	31 December 2015 A$'000
Share capital				
Ordinary shares	**341,556,866**	175,875,003	**72,758**	34,510
Total contributed equity	**341,556,866**	175,875,003	**72,758**	34,510

Movements in contributed equity:

	Number of Securities	Issue Price A$	A$'000
Balance at formation	-		-
Initial share capital	3	0.20	-
Issued on 1 December 2015	25,000,000	0.20	5,000
Issued on 9 December 2015	95,875,000	0.20	19,175
Issued on 31 December 2015	55,000,000	0.20	11,000
Share issue costs	-	-	(665)
Balance at 31 December 2015	**175,875,003**		**34,510**
Issued on 16 May 2016	45,681,863	0.22	10,050
Issued on 20 July 2016	120,000,000	0.25	30,000
Share issue costs	-	-	(1,802)
Balance at 31 December 2016	**341,556,866**		**72,758**

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.

4.3 Reserves and Accumulated Losses

	31 December 2016 A$'000	31 December 2015 A$'000
(a) Share based payment reserve		
Balance at the beginning of the financial period	1,685	-
Share based payment expense arising during the year/period	4,096	1,685
Closing balance	5,781	1,685
(b) Foreign exchange reserve		
Balance at the beginning of the financial period	-	-
Currency translations differences arising during the year/period	139	-
Closing balance	139	-
(c) Accumulated losses		
Balance at the beginning of the financial period	(2,285)	-
Net (loss) for the year/period	(9,529)	(2,285)
Closing balance	(11,814)	(2,285)

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.

	31 December 2016 A$'000	31 December 2015 A$'000
Current assets		
Other receivables	259	187
	259	187
Non-current assets		
Deposit exploration and evaluation asset	-	1,928
Deposit US office bond	8	-
	8	1,928

	31 December 2016 Amount in Currency $'000	31 December 2016 Amount in AUD A$'000	31 December 2015 Amount in Currency $'000	31 December 2015 Amount in AUD A$'000
Trade and other receivables				
US Dollars	6	8	-	-
Euro	81	118	63	94
		126		94

Fair value

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

Risks

Credit Risk

Trade and other receivables are generally due for settlement within 30 days and therefore classified as current. No Group receivables were past due or impaired as at 31 December 2016 and there is no indication that amounts recognised as other receivables will not be recoverable in the normal course of business

At 31 December 2016, other receivables consisted of 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 2016 is considered immaterial.

Foreign exchange risk

The Group held A$212,000 of other receivables at 31 December 2016 in Euro's (31 December 2015: A$94,000). A reasonable possible change in the exchange rate of the Australian dollar to the Euro's (+ 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.

5.2 Trade and other payables

Recognition and measurement

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

	31 December 2016 A$'000	31 December 2015 A$'000
Trade payables	103	1,028
Other payables	914	122
	1,017	1,150

	31 December 2016 Amount in Currency $'000	31 December 2016 Amount in AUD A$'000	31 December 2015 Amount in Currency $'000	31 December 2015 Amount in AUD A$'000
Trade and other payables				
US Dollars	282	391	426	584
Euro	1	2	5	8
UK Pounds	5	9	-	-
		402		592

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 normally settled within 30 days from receipt of invoice. All amounts recognised as trade and other payables, but not yet invoiced, are non-interest bearing and are expected to be settled within the next 12 months.

Foreign exchange risk

The Group held A$401,000 of trade and other payables at 31 December 2016 in currencies other than Australian dollars (being US dollars, Euros and British pounds). A reasonable possible change in the exchange rate of the Australian dollar to the US 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 Australian 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 Australian dollar / Sterling exchange rate is not considered significant.

5.3 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 period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period 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 period 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 period. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Employee benefit provisions	31 December 2016 A$'000	31 December 2015 A$'000
Opening balance	50	-
Transfer of Australis Europe Pty Ltd employees' benefits	-	32
Arising during the period	204	24
Utilisation	(85)	(6)
Closing balance	169	50
Comprising		
Current	169	50
Non-current	-	-
	169	50

A breakdown of employee benefits and charges included in the income statement can be found in Note 2.6

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 2016
Australis Oil & Gas Limited	Oil & gas exploration	Australia	100%
Australis Europe Pty Limited (formerly Australis Oil & Gas Pty Limited)	Oil & gas exploration	Australia	100%
Australis USA 1 Pty Limited (formerly Australis North America 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.(1)	Oil & gas exploration	United States	100%

(1) On 17 February 2016, Australis Services, Inc, was incorporated in the United States for the purpose of providing management and administrative services in the United States. Australis holds a 100% equity interest.

6.2 Transactions with controlled entities

Australis Oil and Gas Limited provides working capital to its controlled entities. Transactions between Australis and other controlled entities in the wholly owned Group during the year ended 31 December 2016 consisted of:

- Working capital advanced by Australis Oil and Gas Limited;
- Provision of services by Australis Oil and Gas Limited;
- Expenses paid by Australis Oil and Gas Limited on behalf of its controlled entities.

The above transactions were made interest free with no fixed terms for the repayment of principal on amounts advanced by Australis Oil and Gas Limited.

During the financial period:

- Australis Oil & Gas Limited resolved to convert the total indebtedness of its wholly owned subsidiary Australis Services Inc in the amount of A$1.33 million to equity by way of a contribution to equity in exchange for an extinguishment of the liability relating to the indebtedness.
- Australis USA 1 Pty Limited resolved to convert the total indebtedness of its wholly owned subsidiary Australis TMS Inc in the amount of A$27.38 million to equity by way of a contribution to equity in exchange for an extinguishment of the liability relating to the indebtedness.
- Australis Oil & Gas Limited resolved to convert the total indebtedness of its wholly owned subsidiary Australis USA 1 Pty Limited in the amount of A$27.38 million into ordinary shares in the capital of Australis USA 1 Pty Limited, having a fair market value equal to the face value of the total indebtedness, and Australis USA 1 Pty Limited agreed to issue such ordinary shares to Australis Oil & Gas Limited in exchange for the extinguishment of all liability relating to the indebtedness.
- There was no conversion of debt to equity in any of the other subsidiaries other than those mentioned above.

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

	31 December 2016 A$'000	31 December 2015 A$'000
Sales of goods and services		
Management fees and expense recharges to subsidiaries	1,185	-
Advances to subsidiaries		
Balance at beginning of financial period	1,487	-
Advanced during year/period	28,840	1,487
Converted to equity	(28,711)	-
Closing Balance	1,616	1,487

6.3 Parent entity information

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

	31 December 2016 A$'000	31 December 2015 A$'000
Summary financial information		
Current assets	28,860	21,832
Non-current assets	41,364	12,516
Total assets	70,224	34,348
Current liabilities	(759)	(438)
Total liabilities	(759)	(438)
	69,465	33,910
Contributed equity	72,758	34,510
Share-based payment reserve	5,781	1,685
Accumulated losses	(9,074)	(2,285)
Total equity	69,465	33,910
(Loss) for the year	(6,789)	(2,285)
Total comprehensive (loss) for the year	(6,789)	(2,285)

7.1 Operating leases

	31 December 2016 A$'000	31 December 2015 A$'000
Operating lease commitments – Group as Lessee		
Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:		
Rent		
Payable:		
Within one year	204	191
After one year, not more than five years	-	144
	204	335

7.2 Jointly controlled operation

Australis TMS Inc, a wholly owned subsidiary, entered into a Purchase and Sale Agreement (PSA) on 1 December 2015 with Paloma Partners IV, LLC (Paloma), a US private equity funded oil and gas company, to purchase a 50% working interest in approximately 33,000 mostly contiguous net acres under leases in the Tuscaloosa Marine Shale (TMS). The TMS leases are located mostly in Louisiana with approximately 2% in Mississippi.

During January 2016, Australis completed the acquisition of an initial 20% working interest in the TMS leases and in May 2016 acquired the balance to take its working interest to 50%. The total acquisition price of the 50% working interest in the TMS leases was US$16 million.

A detailed summary of the jointly controlled operations held can be found on page 17 (in the Operating and Financial Review).

7.3 Oil and gas concessions

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. The two 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.

A detailed summary of the concessions held can be found on page 19 (in the Operating and Financial Review).

7.4 Share based payments

At 31 December 2016, the Group has the following share based payment arrangements.

Options

As at reporting date the Group has the following options on issue:

Grant Date	Type	31 Dec 2016 Number	Exercise Price	Expiry Date
13-Nov-15	A$0.25 Options	19,675,000	A$0.25	31-Dec-20
13-Nov-15	A$0.30 (Series A) Options	27,775,000	A$0.30	31-Dec-20
28-Apr-16	A$0.30 (Series B) Options	1,000,000	A$0.30	31-Dec-20
13-Nov-15	A$0.35 (Series A) Options	27,600,000	A$0.35	31-Dec-22
13-Nov-15	A$0.35 (Series B) Options	1,600,000	A$0.35	31-Dec-22
28-Apr-16	A$0.35 (Series C) Options	1,000,000	A$0.35	31-Dec-22
28-Apr-16	A$0.35 (Series D) Options	1,000,000	A$0.35	31-Dec-22
16-May-16	A$0.275 (Series A) Options	22,840,933	A$0.275	30-Jun-19
24-May-16	A$0.275 (Series B, C and D) Options	420,000	A$0.275	24-May-21
		102,910,933		

Options over ordinary shares that were granted to directors', with shareholder approval where required, are set out in the Remuneration Report.

The fair value of options granted during the year was calculated using the Black Scholes options pricing model. The expense is apportioned pro-rata to reporting periods where vesting periods apply. Key inputs to the Black Scholes options pricing model used in the calculation of each grant of options during the year ended 31 December 2016 were as follows:

Grant date:	Expected price volatility (1)	Exercise Price	Vest Date	Expiry Date	Share price at grant date	Risk free interest rate (2)	Fair value per option
13 Nov 2015							
$0.25 Options	85%	A$0.25	Vested	31-Dec-20	A$0.20	2.28%	A$0.06
$0.30 (Series A) Options	85%	A$0.30	Vested	31-Dec-20	A$0.20	2.28%	A$0.09
$0.35 (Series A) Options	85%	A$0.35	13-Nov-17	31-Dec-22	A$0.20	2.56%	A$0.11
$0.35 (Series B) Options	85%	A$0.35	13-Nov-18	31-Dec-22	A$0.20	2.56%	A$0.12
28 Apr 16							
$0.30 (Series B) Options	85%	A$0.30	13-Nov-16	31-Dec-20	A$0.20	1.88%	A$0.10
$0.35 (Series C) Options	85%	A$0.35	13-Nov-17	31-Dec-22	A$0.20	2.08%	A$0.12
$0.35 (Series D) Options	85%	A$0.35	13-Nov-18	31-Dec-22	A$0.20	2.08%	A$0.13
24 May 16							
$0.275 (Series B) Options	85%	A$0.275	See note (3)	24-May-21	A$0.20	1.64%	A$0.11
$0.275 (Series C) Options	85%	A$0.275	See note (3)	24-May-21	A$0.20	1.64%	A$0.12
$0.275 (Series D) Options	85%	A$0.275	See note (3)	24-May-21	A$0.20	1.64%	A$0.13

(1) Expected price volatility is based on the historical volatility adjusted for any expected changes to future validity due to publicly available information.
(2) Risk free rate of securities with comparable terms to maturity.
(3) Independent director options vest 33.3% on each anniversary from the date of grant of 24 May 2016, subject to the grantee remaining a director of the Company.
(4) It is the intention of the Board to grant 420,000 options to Mr Steve Scudamore who was appointed as a director on 30 November 2016. The grant of options are subject to approval of the shareholders in a general meeting which is anticipated to be held in the first half of 2017.

Expense arising from share based payment transactions

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

	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Options issued	4,096	1,685
	4,096	1,685

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

7.5 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.

On 15 November 2015 Australis entered into a Share Purchase Agreement (SPA) with the shareholders of Australis Oil & Gas Pty Ltd (APL) who are also the current Directors of Australis, being Mr Jonathan Stewart, Mr Ian Lusted and Mr Graham Dowland, to acquire all the shares of APL for $11 million by way of the issue of 55 million Shares in Australis. APL holds the exclusive rights to exploration, development and production in two prospective oil and gas concession areas in Portugal, Batalha and Pombal.

The issue price of A$0.20 per share attributable to the transaction represents the issue price paid by willing, knowledgeable third parties in the private placement undertaken in December 2015 and hence is considered to represent fair market value.

Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report section.

	Year ended 31 December 2016 A$'000	Period from 12 December 2015 to 31 December 2015 A$'000
Short-term benefits (includes annual leave provision)	1,249	113
Post-employment benefits	110	8
Share-based payments	3,,598	1,499
	4,957	1,620

Subsidiaries

Interests in subsidiaries are set out in Note 6.1.

Transactions with wholly-owned controlled entities

Australis advanced funds to wholly owned controlled entities interest free and with no fixed repayment terms. In addition to these advances, Australis paid expenses on behalf of its controlled entities and provided support services to Australis USA 1 Pty Ltd and Australis Europe Pty Ltd on commercial terms.

Transactions with other related parties

No transactions with other related parties have been entered into in respect of the year ended 31 December 2016.

7.6 Contingencies

The company had no contingent liabilities as at 31 December 2016.

7.7 Auditor's Remuneration

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

	Year ended 31 December 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
BDO Audit (WA) Pty Ltd for		
Audit and assurance services:		
Audit and review of financial statements	69	15
Total remuneration of BDO Audit (WA) Pty Ltd	69	15
BDO LLP (UK) for		
Audit and assurance services:		
Audit and review of financial statements	9	-
Total remuneration of BDO LLP (UK)	9	-
BDO Corporate Finance (WA) Pty Ltd for:		
Other services		
Due Diligence services	7	-
Investigating accountants report	26	-
Total remuneration of BDO Corporate Finance (WA) Pty Ltd	33	-
Total auditor's remuneration	111	15

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 principally due diligence reporting on acquisitions. It is the Group's policy to seek competitive tenders for all major consulting projects.

7.8 Events after the reporting date

No event has occurred since 31 December 2016 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.

In the Director's opinion:

a. The financial statements and accompanying notes set out on pages 50 to 82, 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 2016 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 2016.

For and on behalf of the Board

JONATHAN STEWART

Non-Executive Chairman
6 February, 2017

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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 2016, 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, 6 February 2017

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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 2016, 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 2016 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.

BDO

Recoverability of Oil and Gas Exploration and Evaluation Assets

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2016 the carrying value of Oil and Gas Exploration and Evaluation Assets was A$38.005 million (2015: A10.997million), as disclosed in Note 3.1. As the carrying value of these Exploration and Evaluation Assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, the asset was required to be assessed for impairment indicators in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources.	For exploration assets we have critically evaluated management's assessment of each impairment trigger per AASB 6 Exploration for and Evaluation of Mineral Resources, including but not limited to: • We assessed that the Group had the rights to explore in the relevant exploration area which included obtaining supporting documentation such as licence agreements. Our testing included a sample of leases and concessions held to determine that the Group had the rights to tenure and maintains the leases and concessions in good standing. • We enquired that management had the intention to carry out exploration and evaluation activity in the relevant exploration area. We also assessed management's cash-flow forecast models to assess the level of the budgeted spend on exploration projects. • We considered whether the Group has the ability to finance any planned future exploration and evaluation activity. • We critically assessed whether any data exists to suggest that the carrying value of these exploration and evaluation assets is unlikely to be recovered through development or sale.

Other information

The directors are responsible for the other information. The other information comprises the unaudited information contained in the directors' report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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_files/ar2.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 on pages 31 to 47 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Australis Oil & Gas Limited, for the year ended 31 December 2016, 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

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 6 February 2017

The shareholder information set out below was applicable as at 13 March, 2017.

1. Twenty largest shareholders

Ordinary shares	Number	Percentage
JP Morgan Nominees Australia Limited	35,143,456	10.29%
JK Stewart Investments Pty Ltd <The Stewart Investment A/C>	33,392,858	9.78%
Zero Nominees Pty Ltd	31,265,000	9.15%
Epicure Superannuation Pty Ltd <Epicure Superannuation A/C>	26,150,001	7.66%
National Nominees Limited	12,488,840	3.66%
HSBC Custody Nominees (Australia) Limited	11,049,045	3.23%
Everzen Holdings Pty Ltd <Lusted Family A/C>	10,803,572	3.16%
Ms Treffina Joyce Dowland	10,803,571	3.16%
Citicorp Nominees Pty Limited	10,688,418	3.13%
Seneschal (WA) Pty Ltd <Winston Scotney Fam S/F A/C>	7,000,000	2.05%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	6,706,891	1.96%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	6,673,638	1.95%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	4,847,426	1.42%
Varedi Pty Ltd	4,100,000	1.20%
HSBC Custody Nominees (Australis) Limited A/C 2	3,200,800	0.94%
Elltom Pty Ltd <Ungar Family Fund A/C>	3,000,000	0.88%
Goldmantra Corporation Pty Ltd	3,000,000	0.88%
Mr Michael Lloyd Verm	3,000,000	0.88%
Mr Peter James Fluor	2,500,000	0.73%
Mr Kane Christopher Weiner	2,500,000	0.73%
BNP Paribas Noms Pty Ltd < DRP>	2,300,115	0.67%
Total top 20	225,766,205	66.10%
Other	115,790,661	33.90%
Total ordinary shares on issue as at 13 March, 2017	341,556,866	100.00%

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:

Shareholder	Date lodged	Number of shares	Percentage
Australis Oil & Gas Limited [(1)]	21 July 2016	61,971,203	18.14%
Jon Stewart, Carolyn Stewart, Epicure Superannuation Pty Ltd and JK Stewart Holdings Pty Ltd	20 July 2016	59,542,859	17.43%
Eley Griffiths Group Pty Ltd	20 July 2016	27,920,180	8.17%
Westoz Funds Management Pty Ltd	26 August 2016	25,525,000	7.47%
Kinetic Investment Partners Ltd	20 July 2016	18,000,000	5.27%

[(1)] Australis Oil & Gas Limited was required to submit a substantial shareholder notice in relation to the shares under restriction agreements.

3. Distribution of equity securities

	Ordinary shares	%	No of Holders	%
1 – 1,000	1,805	0.00%	13	2.81%
1,001 – 10,000	276,219	0.08%	47	10.15%
10,001 – 100,000	10,444,129	3.06%	184	39.74%
100,001 and Over	330,834,713	96.86%	219	47.30%
	341,556,866	100.00%	463	100.00%
Unmarketable parcels	1,805	-	13	-

4. Voting rights

All ordinary shares carry one vote per share without restriction.

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	Gross Acres	Net Acres	Percentage Held / Earning
Louisiana	Tuscaloosa Marine Shale	35,500	17,750	50%
Mississippi	Tuscaloosa Marine Shale	2,500	1,250	50%
US Total		**38,000**	**19,000**	
Portugal	Batalha	307,480		100%
Portugal	Pombal	312,886		100%
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 contractor.

Corporate Directory

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

Company Secretary
Ms Julie Foster

Registered and Principal Office
Suite 20, Level 2, 22 Railway Road,
Subiaco, Western Australia 6008
Telephone: +61 8 9380 2750
Facsimilie: +61 8 9380 2799

Office in North America
Australis Services Inc.
1201 Louisiana, Suite 730
Houston, Texas, USA 77002
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
1202 Hay Street,
West Perth, Western Australia 6005

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
www.australisoil.com
admin@australisoil.com