AUSTRALIS OIL & GAS

Operating the largest acreage position within the TMS
One of the few emerging oil shale basins onshore USA

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Half Year Achievements

The TMS acquisition delivered on Australis' initial stated strategy

- In April, Australis became the largest operator within the Core of the Tuscaloosa Marine Shale (TMS)
- The TMS acquisition, completed in 1H 2017, delivered a number of our initial strategic aims

	Strategic aims:	2017 Asset acquisition delivered:
1	**High Quality Tier 1 Core position**	100,000 largely contiguous net acres in the TMS Core incl 22,000 net acres "held by production"
2	**Proven Production History**	Interests in 48 producing wells (32 wells operated)
3	**Reserves**	5 million (net) bbls of PDP reserves (value US$95 million NPV 10)[1]
4	**Upside**	107 million (net) bbls of 2C Contingent Resource[1] (an estimated 8% oil recovery)

- Portugal exploration areas upgraded with increased Resource allocation
  - 2C Net Contingent Resource increased by 96% to 458 Bscf[2]

Financial Highlights for 1H 2017

Primary focus on disciplined capital management

1	**Transformational TMS Acquisition**	▪ Acquisition price after adjustments of US$68.3 million ▪ Financed by existing cash and A$100 million share issue at A$0.23 per share
2	**TMS Asset is Cash Flow Positive**	▪ Operating netback of $3.64 million - US$24/bbl (gross) or US$30/bbl (net of royalties) ▪ US$1 million positive cash earnings in 1H 2017 - Average sales price of US$47.21/bbl - Before exploration expenses, non recurring and non cash expenses - Operations for only 79 of the 181 days in 1H 2017 (Acquisition completed in mid-April) ▪ 150,000 bbls hedged at US$51/bbl (LLS) though to January 2018
3	**Strong Liquidity**	▪ 30 June 2017 net working capital of US$19 million
4	**Fully Funded Capital Program**	▪ Funded from operational cash flow and existing cash reserves ▪ Within Australis control – flexible and discretionary ▪ 2017 focus on increasing TMS leasehold position within Core area ▪ Extending lease life and acquiring new leases

Operational Highlights 1H 2017

TMS oil production on budget

Production and Sales 13 April to 30 June 2017	Barrels (bbls)	Barrels per day (bbls/d)[A]
Gross Production (WI)	153,300	1,940
Net (after royalties) Production (NRI)	123,300	1,560
Gross Sales (WI)	148,900	1,885
Net (after royalties) Sales (NRI)	120,870	1,530

A: Operations relate to the 79 day period from date of close of the acquisition, 13 April 2017, to 30 June 2017.

Earnings Summary

Operational positive cashflow at current oil price

Netback From Operations 1st Half 2017[A]	US$ million	US$/bbl
Revenue (Gross Sales)	$7.03	$47.21
Royalties	$1.32	$8.87
Production Taxes	$0.19	$1.28
Field Direct Operating Costs (incl Inventory)	$1.88	$12.63
Operating Netback	**$3.64**	**$24.43**

- During the 1H 2017, oil sales of 1,885 bbls/d contributed an average of US$46,000 per day positive cashflow from the field
- Positive cash flow from Operations is contributing to fund the Australis capital expenditure program

A. The Operating Netback relates to the 79 day period from date of close of the acquisition, 13 April 2017 to 30 June 2017.
B. The profit and loss for the 1 H 2017 is summarised in the Appendix

Outlook – remainder 2017 and 2018

A disciplined capital program adding to the platform for shareholder value

- Continue active leasing program within the Core of the TMS, objectives are to
  - Secure rights to significant oil in the ground during current low oil price environment
  - Provide timing flexibility for development activity and future Capex spend
- 2H 2017 Capital Expenditure program funded from operational cashflow and cash on hand, remain fiscally and technically disciplined.
- Will seek partners to participate in next stages of development in 2018 for:

1. TMS

- Moderate drilling activity to demonstrate repeatability of production and well costs – will prove value of the large acreage position held and the significant future drilling inventory

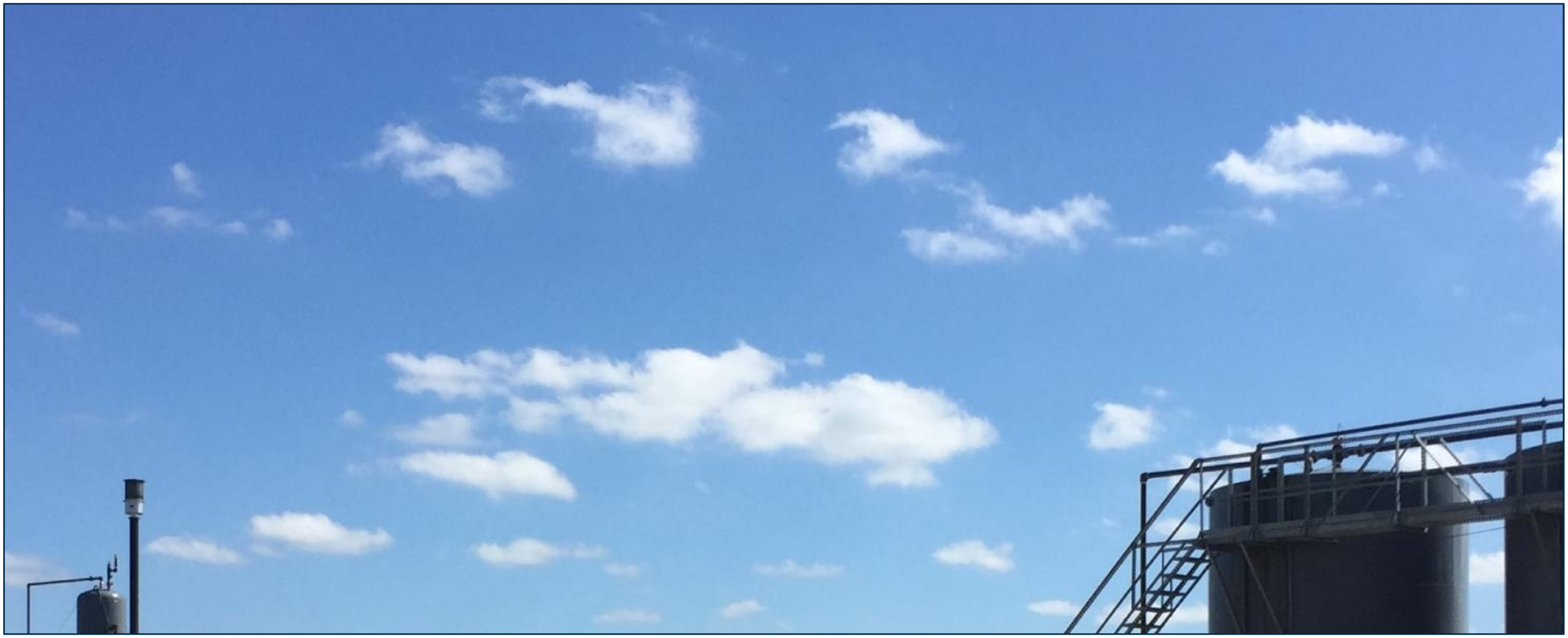
2. Portugal

- Farm-in for appraisal and exploration drilling

Corporate Summary

Positioned for significant value accretion

Operator of Quality Assets	▪ Largest acreage holder in the 'core' of the Tuscaloosa Marine Shale (TMS) ▪ Average TMS oil production per well similar to the best areas within US shale such as Eagle Ford ▪ Large acreage holder onshore Portugal, licensed for 6 years
Significant Upside	▪ 5 million bbls (valued at US$95MM NPV10[1]) of Proved Developed Producing Reserves[1] in TMS ▪ 2C Contingent Resource: TMS of 107 million bbls oil[1] and Portugal of 458 Bscf[2] ▪ 291 future economic net TMS well locations @ 250 acre well spacing ▪ Resource base upside – current well spacing means only an 8% oil recovery
Disciplined Capital Management	▪ Operatorship provides control and flexibility over capital deployment ▪ Primary focus on strong liquidity and balance sheet ▪ Current net working capital of US$19 million and positive field cashflow ▪ Development optionality - use large leasehold position to entrepreneurially fund early development
Pathway to Shareholder Value	▪ TMS is a proven oil shale, ATS owns a large strategic acreage in the core of the TMS with >100 million bbls of oil in the ground which is economic to develop at the current oil price ▪ Portugal acreage contains a large discovered and tested gas accumulation in a country importing 100% of its oil and gas needs
Proven Execution Capability	▪ Board and management were the founders and key executives of Aurora Oil & Gas ▪ Experienced in identifying, developing, funding and monetising oil & gas assets ▪ Proven track record in building shareholder value (Aurora: A$0.20/share to A$4.20/share)



Appendix

Profit & Loss

Financial Results 1st Half 2017[A]	US$ million	US$/bbl
Revenue (Gross Sales)	$7.03	$47.21
Royalties	$1.32	$8.87
Production Taxes	$0.19	$1.28
Field Direct Operating Costs (incl Inventory)	$1.88	$12.63
Operating Netback	**$3.64**	**$24.43**
Indirect Operating Costs	$0.93	
Corporate Costs (net of other income)	$1.70	
Exploration Costs	$0.47	
Earnings (excl. non–recurring costs & non cash expenses)	**$0.54**	
Non cash expenditure (incl. depletion)	$1.35	
Non re-occurring expenses relating to the TMS Acquisition	$1.50	
Profit (Loss)	**($2.31)**	

A: Operations relate to the 79 day period from date of close of the acquisition, 13 April 2017 to 30 June 2017.

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		

Abbreviation	Description
TMS Core	The Australis designated productive core area of the TMS delineated by production history
WI	Working Interest
C	Contingent Resources – 1C/2C/3C – low/most likely/high
NRI	Net Revenue Interest (after royalty)
NPV (10)	Net Present Value (discount rate), before income tax
HBP	Held by Production (lease obligations met)
EUR	Estimated Ultimate Recovery
WTI	West Texas Intermediate Oil Benchmark Price
LLS	Louisiana Light Sweet Oil Benchmark Price
PDP	Proved Developed Producing

Footnotes

1. All estimates and risk factors taken from Ryder Scott, report prepared as at 1 February 2017 and generated for the Australis concessions to SPE standards. See ASX announcement titled "US Shale Acquisition and A$100 Million Placement' dated 28 February 2017. Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Ryder Scott generated their independent reserve and contingent resource estimates using a combination of deterministic and probabilistic methods.
2. All estimates and risk factors taken from Netherland, Sewell & Associates, report prepared as at 31 December 2016 and generated for the Australis concessions to SPE standards. See announcement titled "2016 Year End Resource Update' dated 25 January 2015. Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. The contingent resource estimates are located in the Batalha Concession. NSAI generated their independent contingent resource estimates using a combination of deterministic and probabilistic methods
3. Operating Netback is calculated based on revenue, after royalties, from oil and gas sales and expenses incurred at the field level of field operating costs, transport and all revenue and production related taxes.
4. Hedge program – LLS Swaps at US$51.05/bbl
    1. August 2017 31,000 bbls
    2. September 2017 30,000 bbls
    3. October 2017 30,000 bbls
    4. November 2017 20,000 bbls
    5. December 2017 20,000 bbls
    6. January 2018 19,000 bbls

AUSTRALIS OIL & GAS LIMITED

ABN 34 609 262 937

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2017

ABN 34 609 262 937

Corporate directory

Directors

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

Company Secretary

Ms Julie Foster

Registered and Principal Office

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Share Registry

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

Solicitor

Gilbert & Tobin
Level 16, Brookfield Place Tower 2
123 St Georges Terrace
Perth, Western Australia 6000

Stock Exchange Listing

The ordinary shares of Australis Oil & Gas Limited are
listed on the Australian Securities Exchange (Ticker code: ATS)

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street,
Subiaco, Western Australia 6008

Website and Email

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ABN 34 609 262 937

Directors' report

The Directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the financial half-year ended 30 June 2017.

Directors
The names of directors of the Company in office at any time during or since the end of the financial half-year ended 30 June 2017 are:

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

Each director held their office from 1 January 2017 until the date of this report.

Results and review of operations
The principal activity of the Group is oil and gas exploration, development and production. The Company has acquired two initial assets being leases, wells and facilities in the Tuscaloosa Marine Shale (TMS) in the states of Louisiana and Mississippi in the USA and onshore oil and gas exploration and production concessions in Portugal. A summary of the activity in each of these projects during the period is set out below.

HIGHLIGHTS

- In April 2017, Australis TMS Inc., a wholly owned subsidiary of Australis completed the acquisition of all the Tuscaloosa Marine Shale ("TMS") assets of Encana Oil & Gas (USA) Inc, a subsidiary of Encana Corporation ("Encana") for US$68.3 million, which was funded by the placement of 434.8 million new shares at A$0.23 per share raising A$100 million (US$75 million) before costs of the issue (US$3 million).
- The Encana assets comprised operated and non-operated producing wells and associated facilities within the TMS in Mississippi, USA containing Proved, Developed and Producing ("PDP") reserves of approximately 5 million bbls[1] and lease interests covering a focus area in excess of 60,000 net acres within the production defined core fairway of the TMS.
- At 30 June 2017 the Group's combined leasehold interests in the focus area within the TMS totaled 81,000 net acres of which 22,000 acres are "held by production" (HBP) and were independently allocated 2C net Contingent resources of 107 million bbls[1].
- Gross sales for the period from 13 April (date of completion of the Encana acquisition) to 30 June 2017 were 148,900 bbls (1,885 bbls/d) at an average sales price of US$47.21/bbl with gross revenue of US$7.0 million.
- Continued the evaluation of the Group's 100% WI in 620,000 acres across two exploration concession areas in the Lusitanian Basin onshore Portugal resulting in a 96% increase in the independently assessed 2C Contingent Resources to 458.5 Bcf.[2]
- Cash at 31 August 2017 – US$ 20 million (30 June 2017 – US$17 million)

CORPORATE

Australis has elected to change its presentational currency from Australian dollars to US dollars effective 1 January 2017. The operational activities of the Group are conducted through US and Portuguese subsidiaries, with the expenditure from these activities contributing to the majority of the groups' expenditure, being denominated in US dollars. As a result, the Board considered that the change in presentational currency provided shareholders with a more consistent and meaningful reflection of the Group's underlying performance.

Effective 1 January 2017 the functional currency of Australis, the parent company, and subsidiaries incorporated in Australia and the United Kingdom has changed from Australian dollars to US dollars as the trend in the source currency of the majority of revenue and costs of the parent and subsidiary companies from Australian dollars to US dollars was not considered temporary.

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

Directors' report

OPERATING REVIEW

Tuscaloosa Marine Shale – An onshore USA unconventional oil asset
The Tuscaloosa Marine Shale is a Cretaceous shallow marine unconventional shale that is present across central Louisiana and southwest Mississippi. The play is the same geological age as the Eagle Ford Shale in South Texas and the Woodbine Shale in East Texas.

In early 2016 Australis acquired a 50% working interest in 33,000 gross (16,500 net) acres in the core of the TMS from a private equity backed entity well known and highly regarded by the Australis management team as a result of previous interactions in the Eagle Ford shale play. Since early 2016, Australis have worked to increase their TMS land position and to extend the term life of the 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 and secondly for full in-field development. Australis' net position in this area of focus has now increased to approximately 18,000 net acres by the end of the reporting period and with 77% of the leases having a primary term beyond 2020 when HBP activity is required in order to retain these leases.

On 28 February 2017, Australis announced its second acquisition transaction in the TMS by purchasing interests in 48 producing wells (of which 31 are operated) and over 100,000 net acres within the delineated core fairway of the play within Mississippi from Encana. On 13 April 2017, Australis completed the acquisition for US$68.3 million.

Australis is now concentrating its TMS leasing activities within a focus area of 81,000 net acres, including 22,000 net acres associated with the existing producing wells, deemed HBP with lease obligations met. The balance of the focus net acreage also lies within the core fairway, is largely contiguous and generally has longer existing lease life remaining.

As part of the acquisition the focus area was assessed by independent experts and allocated 107 mmbbls of 2C Contingent Resource[1]. Additionally they evaluated the producing wells and allocated 5 million bbls of Proved, Developed and Producing (PDP) Reserves[1].

Lusitanian Basin – Conventional oil and gas acreage onshore Portugal
Two exploration concessions were awarded to Australis Oil & Gas Portugal, Sociedade Unipessoal LDA (Australis Portugal) a wholly owned subsidiary of Australis in September 2015.

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. The concessions are in the exploration phase and are presently in the 2nd of an 8 year valid term. They have a modest minimal commitment work program in the first 3 years.

Based upon work carried out by Australis in 2016 an update to the contingent resource associated with the concessions was carried out by an independent expert leading to a 96% increase in the independent estimate of the recoverable 2C Contingent Resource to 458.5 Bcf[2].

During 2017 further work was carried out on exploration targets within the two concessions, seeking to improve subsurface resolution and correlation between the limited well data set that penetrates these deeper horizons.

FUTURE DEVELOPMENTS

The recently completed TMS acquisition delivered the type of opportunity for which Australis was established; proven production history, size of position, reserves, production, considerable upside and leverage to improving commodity prices and industry development practices. The position acquired adds to the existing asset position within the TMS and is a dominant high quality asset within the TMS "core" or highest quality area based on actual production performance.

Australis has an active leasing program in the TMS as it extends its leasehold position and prepares for appraisal drilling activity. Significant value can be derived from acreage that has flexibility in the timing of development. Australis seeks to ensure that a significant proportion of its acreage position has long lead times before any requirement for development although at the Company's discretion this can be accelerated. Accordingly, a leasing program is underway within the newly acquired position with the aim to increase non HBP acreage lease life within the focus area on favourable commercial terms.

Subsurface and engineering workscope continues to interrogate and interpret information received from Encana as part of the acquisition, with the goal of ensuring that the historical learning curve is fully integrated into Australis' plans going forward.

Directors' report

The Portuguese Concessions continue to be evaluated with the objective of preparing for one or more wells to be drilled in the concessions. Australis will introduce partners to assist with the drilling of such wells.

Australis is likely to seek partners to assist in the funding of the next development stage within the TMS.

The Company will continue its focus on growth in value per share in preference to other metrics such as market capitalization, production or reserves and adopts a disciplined approach to development capital such that it will minimise expenditure until a modest improvement in the oil price.

FINANCIAL AND CAPITAL MANAGEMENT

During the period, the Consolidated Entity made a net loss after tax of US$2,310,000 (30 June 2016: (US$3,590,000)). This loss for the six-month period included certain non-recurring items as follows:

(i) US$1,497,000 relating to costs associated with acquisition of all of the TMS assets of Encana.

The loss for the six-month period also includes non-cash expenditure relating to:

(i) share based payments (fair value amortised over vesting period) of US$640,000 (30 June 2016: US$1,466,000);
(ii) depletion and depreciation of US$710,000 (30 June 2016: US$7,000).

Share based payments expense for the period relates to the:

(i) existing options on issue,
(ii) new issue of options to a non-executive director (refer note 7.2), and
(iii) grant of 2017 performance rights to employees as previously announced.

Other than the issue and grant referred to above, no equity based awards have been granted during the period.

As at 30 June 2017, Australis has cash and cash equivalents of US$16.9 million and no debt.

During the period ended 30 June 2017, Australis issued 434.8 million new shares at A$0.23 per share raising A$100 million before costs of the issue to assist with the US$68.3 million TMS asset acquisition.

The TMS acquisition was completed on 13 April 2017 and accordingly, Australis received revenue from the sales of oil from that date. For this half yearly report, revenue was earned for 79 days to 30 June 2017. The operating results for Australis therefore represented field revenue and costs for this period.

Summary Financial Results

	US$ millions
Revenue	$7.03
Royalties	($1.32)
Direct Operating Costs & taxes	($2.07)
Field Netback	**$3.64**
Indirect Operating Costs	($0.93)
Corporate Costs (net of other income)	($1.70)
Exploration costs expensed	($0.47)
Earnings before non-recurring and non cash items	**$0.54**
Share based payments	($0.64)
Depreciation and depletion	($0.71)
Acquisition costs – Encana transaction	($1.50)
(Loss) before taxation	**($2.31)**

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.

ABN 34 609 262 937

Directors' report

Dividends
In respect of the period ended 30 June 2017, 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 matters or circumstances have arisen since the end of the financial half-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.

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

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

The Director's Report is signed in accordance with a resolution of Directors made pursuant to s306(3) of the Corporations Act.

Jon Stewart
Chairman

13 September 2017

[1] Estimates taken from Ryder Scott report prepared as at 1 February 2017 and generated to SPE PRMS standards (see ASX announcement titled "US Shale Acquisition and A$100 Million Placement" dated 28 February 2017). Australis is not aware of any new information or data that materially affects the information included in the reference announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Ryder Scott generated their independent reserve and contingent resource estimates using a combination of deterministic and probabilistic methods.

[2] Estimates taken from Netherland, Sewell & Associates, report prepared as at 31 December 2016 and generated to SPE-PRMS standards (see announcement titled "2016 Year End Resource Updated" dated 25 January 2017). Australis is not aware of any new information or data that materially affects the information included in the reference announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. The contingent resources are located in the Batalha concession. NSAI generated their independent reserve and contingent resource estimates using a combination of deterministic and probabilistic methods.

Auditors' independence declaration

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Australia

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

As lead auditor for the review of Australis Oil & Gas Limited for the half-year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 13 September 2017

Independent review report

BDO

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australis Oil & Gas Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australis Oil & Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australis Oil & Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australis Oil & Gas Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australis Oil & Gas Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

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

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 13 September 2017

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Directors' declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 12 to 28, are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date.

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

This declaration has been made after receiving the declarations from the Chief Executive Officer and the Chief Financial Officer that are consistent with the requirements of section 295A of the *Corporations Act 2001* for the period ended 30 June 2017.

Jonathan Stewart
Chairman
Perth, Western Australia

13 September 2017

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2017

	Notes	**Half-year ended 30 June 2017 US$'000**	Half-year ended 30 June 2016 US$'000
Revenue	2.2	**7,030**	-
Cost of sales	2.3	**(5,003)**	-
Gross profit		**2,027**	-
Other income	2.2	**356**	222
Other expenses	2.4	**(4,754)**	(3,835)
Loss from operating activities		**(2,371)**	(3,613)
Net finance income/(costs)	2.5	**61**	23
Loss before income tax		**(2,310)**	(3,590)
Income tax expense	2.7	**-**	-
Net loss after income tax		**(2,310)**	(3,590)
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		**-**	(729)
Other comprehensive (loss) for the period net of tax		**(2,310)**	(4,319)
Total comprehensive (loss) for the period attributable to owners of the Company		**(2,310)**	(4,319)
(Loss) per share attributable to owners of the Company			
Basic loss per share (cents per share)	2.6	**(0.44)**	(1.92)
Diluted loss per share (cents per share)	2.6	**(0.44)**	(1.92)

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

ABN 34 609 262 937

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 US$'000	31 December 2016 US$'000	1 January 2016 US$'000
Current assets				
Cash and cash equivalents		**16,870**	21,474	16,010
Trade and other receivables		**7,722**	187	136
Inventories		**338**	-	-
Total current assets		**24,930**	21,661	16,146
Non-current assets				
Oil and gas properties	3.2	**61,620**	-	-
Exploration and evaluation	3.1	**32,670**	27,468	8,014
Property, plant and equipment	3.3	**5,995**	49	21
Other receivables		**703**	6	1,405
Total non-current assets		**100,988**	27,523	9,440
Total assets		**125,918**	49,184	25,586
Current liabilities				
Trade and other payables		**(5,456)**	(735)	(838)
Provisions		**(171)**	(122)	(36)
Total current liabilities		**(5,627)**	(857)	(874)
Non-current liabilities				
Provision	5.1	**(1,600)**	-	-
Total non-current liabilities		**(1,600)**	-	-
Total liabilities		**(7,227)**	(857)	(874)
Net assets		**118,691**	48,327	24,712
Equity				
Contributed equity	4.1	**125,253**	53,219	25,149
Share based payment reserve		**4,874**	4,234	1,228
Foreign currency translation reserve		**(467)**	(467)	-
Accumulated losses		**(10,969)**	(8,659)	(1,665)
Total equity		**118,691**	48,327	24,712

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

ABN 34 609 262 937

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2017

	Contributed Equity US$'000	Other Reserve US$'000	Accumulated (Losses) US$'000	Total US$'000
Balance at 1 January 2016	25,149	1,228	(1,665)	24,712
Loss for the period	-	-	(3,590)	(3,590)
Other comprehensive income				
Exchange differences on translation of foreign operations	-	(729)	-	(729)
Total comprehensive income for the period	-	(729)	(3,590)	(4,319)
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	7,130	-	-	7,130
Option expense recognised during the period	-	1,481	-	1,481
Balance as at 30 June 2016	32,279	1,980	(5,255)	29,004
Balance at 1 January 2017	**53,219**	**3,767**	**(8,659)**	**48,327**
Loss for the period	**-**	**-**	**(2,310)**	**(2,310)**
Other comprehensive income				
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**(2,310)**	**(2,310)**
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	**72,034**	**-**	**-**	**72,034**
Option expense recognised during the period	**-**	**640**	**-**	**640**
Balance as at 30 June 2017	**125,253**	**4,407**	**(10,969)**	**118,691**

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

ABN 34 609 262 937

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2017

	Notes	**Half-year ended 30 June 2017 US$'000**	Half-year ended 30 June 2016 US$'000
Cash flows from operating activities			
Payments to suppliers and employees		**(4,284)**	(1,818)
Net cash (outflow) from operating activities		**(4,284)**	(1,818)
Cash flows from investing activities			
Payment for exploration and evaluation activities		**(2,476)**	-
Payment for capitalised oil and gas assets		**(237)**	(17,522)
Payment for property, plant and equipment		**(257)**	(23)
Payment for business combination acquisition		**(68,298)**	-
Transaction costs		**(1,497)**	-
Interest received		**61**	23
Net cash (outflow) from investing activities		**(72,704)**	(17,522)
Cash flows from financing activities			
Proceeds from share issue		**74,995**	7,375
Share issue costs		**(2,961)**	(335)
Net cash inflow from financing activities		**72,034**	7,040
Net decrease in cash and cash equivalents		**(4,954)**	(12,299)
Cash and cash equivalents at the beginning of the financial period		**21,474**	16,078
Effect of exchange rates on cash holdings in foreign currencies		**350**	380
Cash and cash equivalents at the end of the financial period		**16,870**	4,159

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

Section 1: Basis of Reporting

For the half-year ended 30 June 2017

1.1 Basis of preparation and compliance statement

The consolidated interim financial report for the half-year reporting period ended 30 June 2017 has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous discourse requirements of the ASX Listing Rules.

This consolidated interim financial report has been prepared under the historical cost convention. The consolidated interim financial statements are presented in US dollars and are rounded to the nearest thousand dollars (US$1,000) as permitted under Corporations Instrument 2016/191, unless otherwise stated.

The accounting policies adopted are consistent with those of previous financial periods, other than as follows.

Changes in disclosures
Australis has elected to change its presentational currency from Australian dollars to US dollars effective 1 January 2017. The operational activities of the Group are conducted through US and Portuguese subsidiaries, with the expenditure from these activities contributing to the majority of the groups' expenditure, being denominated in US dollars. As a result, the Board considered that the change in presentational currency provided shareholders with a more consistent and meaningful reflection of the Group's underlying performance.

Effective 1 January 2017 the functional currency of Australis, the parent company, and subsidiaries incorporated in Australia and the United Kingdom has changed from Australian dollars to US dollars as the trend in the source currency of the majority of costs of the parent and subsidiary companies from Australian dollars to US dollars was not considered temporary.

Australis has followed the recommendations set out in AASB 121 *The Effects of Changes in Foreign Exchange Rates.* In accordance with AASB 121 the financial statement for all years and periods presented have been translated into the new presentation currency using the current rate method. Under this method, the consolidated statement of profit and loss and consolidated cash flow statement items for each year and period have been translated into the presentation currency using the average exchange rate prevailing during each report period. All assets and liabilities have been translated using the exchange rate prevailing at the consolidated reporting dates. Shareholders equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transaction, while the Shareholders equity balances from the translation are included as a separate component of other comprehensive income. All resulting differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Group's results as if they had been historically reported in US dollars.

1.2 Foreign currency

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

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

1.3 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. 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:

- Oil and gas properties – Note 3.2

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Section 2: Results For The Period

For the half-year ended 30 June 2017

2.1 Segment Reporting

Recognition and measurement

During the half-year period the Group revised its reportable segments following the acquisition of all the Tuscaloosa Marine Shale ("TMS") assets from Encana Oil & Gas (USA), a subsidiary of Encana Corporation ("Encana"). Management has determined, based on the reports reviewed by the executive management group (the chief operating decision makers) and used to make strategic decisions, that the Group has the following reportable segments:

Oil & Gas Production

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

Exploration

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

Other

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

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

US$000	**Oil & Gas Production** **30 June 2017**	30 June 2016	**Exploration** **30 June 2017**	30 June 2016	**Other** **30 June 2017**	30 June 2016	**Total** **30 June 2017**	30 June 2016
External revenues	**7,030**	-	**-**	-	**-**	-	**7,030**	-
Direct operating costs	**(3,389)**	-	**-**	-	**-**	-	**(3,389)**	-
Indirect operating costs	**(930)**	-	**-**	-	**-**	-	**(930)**	-
Corporate	**-**	-	**-**	-	**(2,706)**	(2,248)	**(2,706)**	(2,248)
Foreign currency gains	**-**	-	**-**	-	**356**	222	**356**	222
Share based payments	**-**	-	**-**	-	**(640)**	(1,466)	**(640)**	(1,466)
EBITDAX	**2,711**	-	**-**	-	**(2,990)**	(3,492)	**(279)**	(3,492)
Depreciation	**(684)**	-			**(26)**	(7)	**(710)**	(7)
Exploration costs expensed	**-**	-	**(470)**	(114)	**(912)**	-	**(1,382)**	(114)
EBIT	**2,027**	-	**(470)**	(114)	**(3,928)**	(3,499)	**(2,371)**	(3,613)
Net finance income/ (costs)	**-**	-	**-**	-	**61**	23	**61**	23
Segment profit / (loss)	**2,027**	-	**(470)**	(114)	**(3,867)**	(3,476)	**(2,310)**	(3,590)
Capital expenditure								
Exploration and evaluation assets	**-**	-	**5,202**	18,353	**-**	-	**5,202**	18,353
Oil and gas assets – development and production	**60,464**	-	**-**	-	**-**	-	**60,464**	-
Other plant and equipment	**5,627**	-	**-**	-	**566**	28	**6,193**	28
	66,091	-	**5,202**	18,353	**566**	28	**71,859**	18,381

US$000	**Oil & Gas Production** **30 June 2017**	31 Dec 2016	**Exploration** **30 June 2017**	31 Dec 2016	**Other** **30 June 2017**	31 Dec 2016	**Total** **30 June 2017**	31 Dec 2016
Segment assets	**69,601**	-	**32,812**	27,468	**23,505**	21,716	**125,918**	49,184
Segment liabilities	**(6,783)**	-	**(1)**	-	**(443)**	(857)	**(7,227)**	(857)

Section 2: Results For The Period

For the half-year ended 30 June 2017

Geographical segments

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

Production from the designated segments is sold on commodity markets.

	Revenue		Non-current assets	
	Half-year ended	Half-year ended		
US$'000	**30 June 2017**	30 June 2017	**30 June 2017**	31 December 2016
United States of America	**7,030**	-	**100,338**	27,368
Portugal	**-**	-	**141**	100
Australia	**-**	-	**509**	55
	7,030	-	**100,988**	27,523

	30 June 2017 US$'000	30 June 2016 US$'000
2.2 Revenue & Other Income		
Revenue:		
Oil sales	**7,030**	-
Total Revenue	**7,030**	-
Other Income:		
Unrealised foreign exchange gain	**356**	222
Total Other Income	**356**	222

Recognition and measurement

Revenue from oil sales is recognised when Australis transfers to the buyer the significant risk and reward of ownership. This occurs upon transfer of product to the purchasers transportation mode, currently via truck.

2.3 Cost of sales

Cost of production:		
Production costs	**(1,921)**	-
Royalties	**(1,321)**	-
Inventory movements	**(147)**	-
	(3,389)	-
Indirect operating costs	**(930)**	-
Depreciation, depletion and amortisation expense:		
Oil & gas assets	**(684)**	-
Total cost of sales	**(5,003)**	-

2.4 Other expenses

Administrative expenses	**(2,706)**	(2,248)
Exploration costs expensed (1)	**(1,382)**	(114)
Depreciation	**(26)**	(7)
Share based payments	**(640)**	(1,466)
	(4,754)	(3,835)

(1) includes evaluation costs associated with the acquisition of the Encana assets – US$912,000.

Section 2: Results For The Period

For the half-year ended 30 June 2017

2.5 Net finance income/(costs)

Interest income	**61**	23

2.6 Earnings per share

	30 June 2017 US Cents	30 June 2016 US Cents
Loss per share attributable to members of the Company:		
Basic loss per share	**(0.44)**	(1.92)
Diluted loss per share	**(0.44)**	(1.92)
Loss used in the calculation of basic / diluted loss per share	**US$'000**	US$'000
Net (loss) after tax	**(2,310)**	(3,590)
	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**528,921,747**	187,232,372

2.7 Income tax

	30 June 2017 US$'000	30 June 2016 US$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	**(2,310)**	(3,590)
Prima facie tax benefit at the Australian statutory tax rate of 30% (30 June 2016: 30%)	**(693)**	(1,077)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Share-based payment expense	**192**	440
Other non-allowable deductions	**1**	-
Income tax rate difference	**(27)**	-
	(527)	(637)
Movements in unrecognised temporary differences	**(736)**	(4,968)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**1,263**	5,605
Income tax expense / (benefit)	**-**	-

(c) Tax affect relating to each component of other comprehensive income

	30 June 2016 US$'000	31 December 2016 US$'000
(d) Deferred tax asset		
Other provisions and accruals	**1,377**	88
Unrealised foreign exchange loss	**-**	-
Tax losses in Australia	**1,188**	749
Tax losses in USA	**1,228**	418
Tax losses in Portugal	**269**	214
Tax losses in UK	**20**	14
Deferred tax assets not recognised	**4,082**	1,483
(e) Deferred tax liability		
Other accruals	**(2,210)**	-
Unrealised foreign exchange gain	**(107)**	(272)
Deferred tax liabilities not recognised	**(2,317)**	(272)

Potential deferred tax assets have not been brought to account at 30 June 2017 (31 December 2016: 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 Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to realised;
ii. The Consolidated Entity continues to comply with conditions for deductibility imposed by law; and
iii. No changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

2.8 Dividends

No dividend has been paid or is proposed in respect of the six month period to 30 June 2017 (Six months to 30 June 2016: Nil).

Section 3: Invested Capital

For the half-year ended 30 June 2017

3.1 Exploration and evaluation

	30 June 2017 US$'000	31 December 2016 US$'000
At cost	**32,670**	27,468
Opening balance	**27,468**	8,014
Acquisition of Tuscaloosa Marine Shale Leases	**-**	16,645
Capitalised expenditure[1]	**5,202**	2,809
Closing balance	**32,670**	27,468

1. Acquisition includes non-developed acreage of $3,552,000 acquired as part of the Encana TMS acquisition. Refer to note 6.1 – Business Combinations.

Exploration commitments

The Group has work program obligations pursuant to its Portuguese Concessions 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 Group.

Oil and gas exploration		
Payable:		
Within one year (1)	**1,721**	**7,373**
After one year, not more than five years (2)	**57**	**211**
Total exploration commitments	**1,778**	**7,584**

1. Payable within one year
   Represents the remainder of the approved 2017 Annual Work Program and Budget of the 50% working interest in Tuscaloosa Marine Shale and the apportioned 2017 and 2018 Concession obligations in Portugal. This expenditure in the TMS will be dependent upon the success of the leasing activity for the balance of 2017.

2. After one year, not more than 5 years
   Represents the balance of the 2018 Concession Obligations in Portugal.

3.2 Oil and Gas Properties

Recognition and measurement

Assets in development

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

Producing assets

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

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

Section 3: Invested Capital

For the half-year ended 30 June 2017

Amortisation and depreciation of producing projects

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

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

Critical accounting estimates and judgements

Future restoration costs

The Group estimates the future rehabilitation costs of production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of restoration activities and the future removal technology available and liability specific discount rates to determine the present value of these cash flows. As at 30 June 2017 rehabilitation obligations have a carrying value of US$1,600,000 (31 December 2016: nil).

Reserve estimates

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

Reserve estimates are used to calculate amortisation of producing assets and therefore a change in reserve estimates impacts the carrying value of assets and the recognition of deferred tax assets due to the changes in expected future cash flows.

Depletion and depreciation

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

Impairment

In the absence of readily available market prices, the recoverable amounts of assets are determined by discounting the expected future net cash flows from production and comparing these to the carrying value of the relevant asset or group of assets to determine the asset's net present value. The calculation of net present value is based on assumptions concerning discount rates, reserves, future production profiles, commodity prices and costs.

Section 3: Invested Capital

For the half-year ended 30 June 2017

	Producing US$'000	Total US$'000
2017		
At cost	62,064	62,064
Accumulate depletion / depreciation	(444)	(444)
	61,620	**61,620**
Balance at 1 January 2017	-	-
Additions[1]	60,464	60,464
Increase in restoration provision	1,600	1,600
Depletion / Depreciation	(444)	(444)
Balance at 30 June 2017	**61,620**	**61,620**
2016		
At cost	-	-
Accumulate depletion / depreciation	-	-
Balance at 31 December 2016	-	-

1. Additions represents $60 million of oil and gas assets acquired on 13 April 2017 from Encana. Refer to note 6.1 – Business Combinations for further information regarding the TMS Encana acquisition.

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

	Office equipment US$'000	Surface Equipment US$'000	Motor Vehicles US$'000	Total US$'000
2017				
At cost	421	5,627	213	**6,261**
Accumulated depreciation	(17)	(240)	(9)	**(266)**
	404	5,387	204	**5,995**
2016				
At cost	68	-	-	**68**
Accumulated depreciation	(19)	-	-	**(19)**
	49	-	-	**49**

AUSTRALIS OIL & GAS

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Section 4: Capital and Debt Structure

For the half-year ended 30 June 2017

4.1 Contributed equity

	30 June 2017 Securities	31 December 2016 Securities	30 June 2017 US$'000	31 December 2016 US$'000
Share capital				
Ordinary shares	**776,339,475**	341,556,866	**125,253**	53,219

Movements in contributed equity:

	Number of Securities	Issue Price A$	US$'000
Balance at 1 January 2016	175,875,003		25,149
Issued on 16 May 2016	45,681,863	0.22	7,375
Issued on 20 July 2016	120,000,000	0.25	22,017
Share issue costs	-		(1,322)
Balance at 31 December 2016	**341,556,866**		**53,219**
Issued on 13 April 2017[1.]	434,782,609	0.23	74,995
Share issue costs	-	-	(2,961)
Balance at 30 June 2017	**776,339,475**		**125,253**

1. On 13 April 2017 Australis Oil & Gas Limited (ATS) completed a A$100 million share placement via a 434.8 million new fully paid ordinary share issue at A$0.23/ share to fund the acquisition of all the TMS assets of Encana. Refer to note 6.1 – Business Combinations for further information regarding the TMS Encana acquisition.

Ordinary shares

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

Section 5: Other Assets and Liabilities

For the half-year ended 30 June 2017

5.1 Provisions – Non-Current

Recognition and measurement

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

	30 June 2017 US$'000	31 December 2016 US$'000
Restoration provision	1,600	-
Reconciliation of movement in restoration provision		
Balance at the beginning of the financial period	-	-
Provision made during the financial period	1,600	-
Balance at the end of the financial period	**1,600**	-

Section 6: Group Structure

For the half-year ended 30 June 2017

6.1 Business Combination

On 28 February 2017 Australis TMS Inc, a wholly owned subsidiary entered into a Purchase and Sale Agreement (PSA) with Encana, to acquire all of Encana's TMS assets for cash consideration of US$80 million, subject to closing adjustments.

Settlement of the acquisition occurred on 13 April 2017, US time.

The acquisition was settled with the cash consideration of US$68.3 million, being the contract price of US$80 million less the net effect of the various adjustments totalling US$11.7 million, reflecting the operating period from the effective date of the acquisition, 1 November 2016, through to 13 April 2017.

Details of the net assets acquired and the fair value of net assets acquired are as follows:

	US$'000
Purchase consideration:	
Cash paid	**68,298**

The assets and liabilities provisionally recognised as a result of the acquisition are as follows:

	Fair value US$'000
Exploration and evaluation assets – Undeveloped acreage	**3,552**
Oil and gas properties – Producing wells and HBP acreage	**60,464**
Oil and gas properties – Surface equipment	**5,627**
Other property, plant and equipment – motor vehicles	**213**
Inventory	**486**
Suspended revenues	**(2,044)**
Net identifiable assets acquired	**68,298**

Revenue and profit contribution

If the acquisition had occurred on 1 January 2017, consolidated revenue and profit for the half year ended 30 June 2017 would have been US$16,222,000 and US$86,000 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depletion that would have been charged assuming the fair value adjustments to oil and gas properties had been applied from 1 January 2017, together with the consequential tax effects.

Acquisition related costs

Acquisition related costs of US$1,497,000 are included in evaluation expenses in the Statement of Profit or Loss and Other Comprehensive Income and in operating cash flows in the Statement of cash flows.

Section 7: Other Notes

For the half-year ended 30 June 2016

7.1 Operating leases

Operating lease commitments – Group as Lessee

Future minimum lease payments under non-cancellable operating leases as at 30 June are as follows:

	30 June 2017 US$'000	31 December 2016 US$'000
Rent		
Payable:		
Within one year	203	147
After one year, not more than five years	1,458	-
	1,661	147

7.2 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.

Transactions with wholly-owned controlled entities

Australis advanced interest free loans to wholly owned controlled entities. In addition to these loans, 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. These additional advances were made interest free with no fixed term for repayment.

Transactions with other related parties

No transactions with other related parties have been entered into in respect of the half year ended 30 June 2017.

Transactions with key management personnel

The following options have been issued to Stephen Scudamore a non-executive director during the half year ended 30 June 2017.

Grant date: 10 April 2017	Number	Expected price volatility (1)	Exercise Price	Vest Date (2)	Expiry Date	Share price at grant date	Risk free interest rate (3)	Fair value per option
$0.3125 (Series A)	140,000	85%	A$0.3125	30-Nov-17	30-Nov-21	A$0.265	1.90%	A$0.14
$0.3125 (Series B)	140,000	85%	A$0.3125	30-Nov-18	30-Nov-21	A$0.265	1.90%	A$0.15
$0.3125 (Series C)	140,000	85%	A$0.3125	30-Nov-19	30-Nov-21	A$0.265	1.90%	A$0.16

(1) *As determined from the movement in Share price since incorporation*
(2) *Subject to the grantee remaining a director of the Company*

Please refer to the Remuneration Report contained in our 2016 Annual Report for options issued to executive directors, non-executive directors and other key management personnel during the year ended 31 December 2016.

7.3 Contingencies

The company had no contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

7.4 Events after the reporting date

No event has occurred since 30 June 2017 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.

Section 7: Other Notes

For the half-year ended 30 June 2016

7.5 Rounding of amounts

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