For Immediate Release **ASX Announcement**

13 September 2018

First Half 2018 Financial Report

Australis Oil & Gas ("Australis" or "Company") is pleased to provide consolidated financial results for the half year ended 30 June 2018.

Financial Highlights for 1H 2018

- Achieved gross sales revenue of US$17.1 million (before royalties)
- Field Netback of $7.5 million
- Increased cash balance to $43.1 million to support the initial drilling campaign in the TMS
- Arranged a US$75 million credit facility through Macquarie Bank to fund the planned TMS drilling campaign, currently undrawn

Operating Highlights for 1H 2018

- Maiden undeveloped independent reserves report with 1P reserves of 29 MMbbl and 2P reserves of 47 MMbbl (only 35,000 acres assessed - approximately 37% of total acres under lease). Remaining TMS core acreage was allocated a 2C resource of 98 MMbbl of oil.
- Land program continued to renew and acquire leases increasing Australis land holdings to over 95,000 net acres within the TMS Core, with over 75% of the net acreage position held by production (HBP) or having a primary expiry in 2021 or later
- Consistent production in the TMS averaging 1,400 bbls/d (working interest before royalties)
- Preparation for commencement of drilling operations in the TMS Core well advanced
- Progressed the Environmental Impact Assessment process in Portugal in preparation for a proposed drilling operation within each concession area

The financial statements for the six month period ended 30 June 2018 is attached.

For further information, please contact:

Ian Lusted	Graham Dowland	Shaun Duffy
Managing Director	Finance Director	Managing Director
Australis Oil & Gas Limited	Australis Oil & Gas Limited	FTI Consulting
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AUSTRALIS OIL & GAS LIMITED

ABN 34 609 262 937

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018

ABN 34 609 262 937

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Corporate directory

Directors

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

Company Secretary

Ms Julie Foster

Registered and Principal Office

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Share Registry

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Solicitor

Gilbert & Tobin
Level 16, Brookfield Place Tower 2
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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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Directors' report

The Directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the half-year ended 30 June 2018.

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 2018 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 2018 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 owns two 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 concessions in Portugal. A summary of the activity in each of these projects during the period is set out in the Operating Review below.

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

Directors' report

OPERATING REVIEW

- The Company's active land program continued to improve lease terms and consolidate its leasehold acreage position in the productive core area of the TMS. At balance date, Australis owns in excess of 95,000 net acres in the TMS Core with over 75% of the net acreage either held by production (HBP) or having a primary term expiry in 2021 or later, allowing flexibility for future development and HBP activities.

- Consistent and stable oil production during the six-month period with production before royalties of 255,000 bbls (1,400 barrels of oil per day (bopd)) resulting in gross sales of US$17 million before royalties and the effect of hedging.

- The Company received revenue of $17.13 million and achieved a Field Netback of $7.48 million during the reporting period following deductions for Royalties and Direct Operating Costs. The cost of workover operations, which are included in the Direct Operating Costs, were higher than expected as the company implemented a strategy to address operational issues in order to extend well completion life.

- In January 2018, Australis released its maiden undeveloped reserves report for the TMS with Proved reserves of 29 million bbls and Proved and Probable reserves of 47 million bbls. The reserves report conservatively only assessed 35,000 acres (37% of total TMS Core Australis acreage) for development, equating to 126 future net well locations.[1] The remaining Australis TMS Core acreage was allocated a 2C Contingent Resource of 98 million bbls which Australis will assess for reserves allocation in the future periods.

- In March 2018, the Company issued 115.3 million shares at A$0.34 each with an institutional placement to raise approximately US$30 million increasing the Company's cash balances at 30 June to US$43 million. These funds will predominantly be applied to the Company's development operations in the TMS Core and in accordance with the Company's strategy as detailed within the recent corporate presentations which can be found on the Company's website.

- In June 2018 the Company arranged a US$75 million, three-year credit Facility with Macquarie Bank Limited (Macquarie) to provide debt funds to Australis to support the drilling activities within the TMS Core.

- Preparation for the commencement of drilling operations in the TMS core in the second half of 2018 was well advanced at balance date, with initial well locations selected, and well permitting and procurement operations on schedule.

- In Portugal, the Company is progressing the Environmental Impact Assessment ("EIA") in preparation for a proposed drilling operation within each Company concession area.

FUTURE DEVELOPMENTS

The recently completed equity issue and debt facility provides the Company with in excess of US$100 million of capital to commence an initial drilling development program in the TMS Core area. This capital availability does not account for positive cashflow from existing or new wells. This drilling program seeks to replicate the productivity results of the most recent 15 wells drilled in the TMS Core area by Encana Oil & Gas (USA) Inc (Encana) in 2014. This program will also increase production, transition resources to reserves, convert leasehold areas to HBP status, whilst drilling wells under 2018 cost structures.

Australis will continue its active leasing program in the TMS to extend its leasehold position whilst preparing and permitting wells for the upcoming drilling activity. Significant value can be attributed to leasehold acreage that has flexibility in the timing of development. Australis seeks to ensure a significant proportion of its acreage position is either HBP or has long lead times before any requirement for development, although at the Company's discretion this can be accelerated. Accordingly, the leasing program has been underway to increase non-HBP acreage lease life within the TMS Core area on favourable commercial terms.

The Portuguese Concessions continue to be evaluated with the successful reprocessing of 2D seismic lines leading to much greater structural clarity of potential reservoir horizons. The first targets are now the subject of the EIA process as part of preparing for a well to be drilled in each of the concessions. Australis is likely to introduce partners to assist with the drilling of such wells.

Directors' report

FINANCIAL AND CAPITAL MANAGEMENT

During the period, the Consolidated Entity made a net loss after tax of US$395,000 (30 June 2017: Loss US$2,310,000).

The loss for the six-month period also includes non-cash expenditure of US$1,356,000 relating to:

(i) share based payments (fair value amortised over vesting period) of US$282,000 (30 June 2017: US$640,000);
(ii) depletion and depreciation of US$1,068,000 (30 June 2017: US$710,000).
(iii) Amortised borrowing costs associated with the debt facility entered into with Macquarie of US$6,000 (30 June 2017: Nil)

As at 30 June 2018, Australis has cash and cash equivalents of US$43.1 million (30 June 2017: US$16.6 million).

During the period ended 30 June 2018, Australis issued 115.28 million new shares at A$0.34 per share raising A$39 million before costs of the issue. The funds raised will predominately be applied to the initial drilling program in the Tuscaloosa Marine Shale which is expected to commence in the second half of 2018.

On the 5 June 2018 Australis TMS Inc, a wholly owned subsidiary, entered in to a credit agreement with Macquarie providing for a three-year senior secured US$75 million term credit facility (Facility). This Facility will also be applied to the initial drilling program. The initial commitment under the Facility is US$75 million, with an additional US$25 million available, if requested by Australis, subject to further credit approval by Macquarie. First availability of committed funds under the Facility is subject to completion of customary conditions precedent, which are expected to be satisfied in due course.

In addition to customary upfront and drawdown fees payable to Macquarie, the Company issued to Macquarie 30,000,000 options to subscribe for fully paid ordinary shares in the Company, all of which are subject to vesting conditions.

No funds have been drawn under this Facility at 30 June 2018.

The operating results for Australis for the period ending 30 June 2018 is as follows:

Summary Financial Results

	30 June 2018 US$ millions	30 June 2017 US$ millions
Revenue	$17.13	$7.03
Royalties	($3.30)	($1.32)
Direct Operating Costs & taxes	($6.35)	($2.07)
Field Netback	**$7.48**	**$3.64**
Hedging loss	($1.10)	-
Corporate Costs (net of other income)	($5.26)	($2.63)
Exploration costs expensed	($0.17)	($0.47)
Earnings before non-recurring and non-cash items	**$0.95**	**$0.54**
Share based payments	($0.28)	($0.64)
Depreciation and depletion	($1.07)	($0.71)
Acquisition costs – Encana transaction	-	($1.50)
(Loss) before taxation	**($0.40)**	**($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.

Dividends
In respect of the period ended 30 June 2018, 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.

ABN 34 609 262 937

Directors' 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 13 September 2018

[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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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 2018, 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 2018

Independent review report

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australis Oil & Gas Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australis Oil & Gas Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and

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

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 Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 13 September 2018

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 2018 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 2018.

Jonathan Stewart
Chairman
Perth, Western Australia

13 September 2018

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 2018

	Notes	**Half-year ended 30 June 2018 US$'000**	Half-year ended 30 June 2017 US$'000
Revenue	2.2	**16,028**	**7,030**
Cost of sales	2.3	**(10,607)**	**(4,073)**
Gross profit		**5,421**	**2,957**
Other income	2.2	**-**	**356**
Other expenses	2.4	**(5,892)**	**(5,684)**
Loss from operating activities		**(471)**	**(2,371)**
Net finance income	2.5	**76**	**61**
Loss before income tax		**(395)**	**(2,310)**
Income tax expense		**-**	**-**
Net loss after income tax		**(395)**	**(2,310)**
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedges		**(148)**	**-**
Other comprehensive (loss) for the period net of tax		**(148)**	**-**
Total comprehensive (loss) for the period attributable to owners of the Company		**(543)**	**(2,310)**
(Loss) per share attributable to owners of the Company			
Basic loss per share (cents per share)	2.6	**(0.05)**	**(0.44)**
Diluted loss per share (cents per share)	2.6	**(0.05)**	**(0.44)**

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

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Consolidated Statement of Financial Position
As at 30 June 2018

	Notes	30 June 2018 US$'000	31 December 2017 US$'000
Current assets			
Cash and cash equivalents		**43,100**	16,602
Trade and other receivables		**4,462**	5,134
Inventories		**314**	572
Total current assets		**47,876**	22,308
Non-current assets			
Oil and gas properties	3.2	**60,650**	61,091
Exploration and evaluation	3.1	**42,951**	39,696
Property, plant and equipment	3.3	**5,617**	5,765
Other receivables		**944**	705
Total non-current assets		**110,162**	107,257
Total assets		**158,038**	129,565
Current liabilities			
Trade and other payables		**(6,363)**	(7,157)
Provisions		**(312)**	(248)
Derivative financial instrument		**(794)**	(646)
Total current liabilities		**(7,469)**	(8,051)
Non-current liabilities			
Provision	5.1	**(1,600)**	(1,600)
Interest bearing liabilities	4.3	**-**	-
Total non-current liabilities		**(1,600)**	(1,600)
Total liabilities		**(9,069)**	(9,651)
Net assets		**148,969**	119,914
Equity			
Contributed equity	4.1	**154,569**	125,253
Share based payment reserve	4.2	**5,874**	5,592
Foreign currency translation reserve		**(467)**	(467)
Cash flow hedge reserve		**(794)**	(646)
Accumulated losses		**(10,213)**	(9,818)
Total equity		**148,969**	119,914

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 2018

	Contributed Equity US$'000	Other Reserve US$'000	Accumulated (Losses) US$'000	Total US$'000
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
Balance at 1 January 2018	**125,253**	**4,479**	**(9,818)**	**119,914**
Loss for the period	-	-	**(395)**	**(395)**
Other comprehensive income				
Change in fair value of cash flow hedges	-	**(148)**	-	**(148)**
Total comprehensive income for the period		**(148)**	**(395)**	**(543)**
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	**29,316**	-	-	**29,316**
Option expense recognised during the period	-	**282**	-	**282**
Balance as at 30 June 2018	**154,569**	**4,613**	**(10,213)**	**148,969**

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

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2018

	Notes	**Half-year ended 30 June 2018 US$'000**	Half-year ended 30 June 2017 US$'000
Cash flows from operating activities			
Receipts from customers		**17,014**	**-**
Payments to suppliers and employees		**(15,186)**	**(4,284)**
Net cash inflow / (outflow) from operating activities		**1,829**	**(4,284)**
Cash flows from investing activities			
Payment for exploration and evaluation activities		**(3,256)**	**(2,476)**
Payment for capitalised oil and gas assets		**-**	**(237)**
Payment for property, plant and equipment		**(656)**	**(257)**
Payment for business combination acquisition		**-**	**(68,298)**
Transaction costs		**-**	**(1,497)**
Interest received		**82**	**61**
Net cash (outflow) from investing activities		**(3,830)**	**(72,704)**
Cash flows from financing activities			
Proceeds from share issue		**30,633**	**74,995**
Share issue costs		**(1,317)**	**(2,961)**
Debt facility costs		**(342)**	
Net cash inflow from financing activities		**29,030**	**72,034**
Net increase / (decrease) in cash and cash equivalents		**26,973**	**(4,954)**
Cash and cash equivalents at the beginning of the financial period		**16,602**	**21,474**
Effect of exchange rates on cash holdings in foreign currencies		**(475)**	**350**
Cash and cash equivalents at the end of the financial period		**43,100**	**16,870**

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 2018

1.1 Basis of preparation and compliance statement

The consolidated interim financial report for the half-year reporting period ended 30 June 2018 has been prepared in accordance with the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

The accounting policies adopted are consistent with those adopted and disclosed in the Company's 2017 Annual Report for the year ended 31 December 2017 other than as set out below:

- Borrowings – refer to section 4.3

The following accounting standard was issued with an effective date of 1 January 2018.

- AASB 15 Revenue from Contracts with Customers – The Board has reviewed the new accounting standard and has assessed that the adoption of the new standard has no impact on the results for the half year ended 30 June 2018. A summary of the Groups revenue recognition policy can be found in section 2.2.

Section 2: Results For The Period

For the half-year ended 30 June 2018

2.1 Segment Reporting

Recognition and measurement

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

Oil & Gas Production

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

Exploration

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

Other

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

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

	Oil & Gas Production		**Exploration**		**Other**		**Total**	
US$000	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017
External revenues	**17,128**	7,030	**-**	**-**	**-**	-	**17,128**	7,030
Hedging loss	**(1,100)**	-					**(1,100)**	
Direct operating costs	**(9,643)**	(3,389)	**-**	**-**	**-**	-	**(9,643)**	(3,389)
Corporate	**-**	-	-	-	**(4,843)**	(3,636)	**(4,843)**	(3,636)
Foreign currency loss/gain	**-**	-	-	-	**(488)**	356	**(488)**	356
Share based payments	**-**	-	-	-	**(282)**	(640)	**(282)**	(640)
EBITDAX	**6,385**	3,641	-	-	**(5,604)**	(3,920)	**772**	(279)
Depletion	**(441)**	-	-	-	**-**	-	**(441)**	
Depreciation	**(523)**	(684)	-	-	**(104)**	(26)	**(627)**	(710)
Exploration costs expensed	**-**	-	**(175)**	(470)	**-**	(912)	**(175)**	(1,382)
EBIT	**5,421**	2,957	**(175)**	(470)	**(5,708)**	(4,858)	**(471)**	(2,371)
Net finance (costs) / income	**(6)**	-	-	-	**82**	61	**76**	61
Segment profit / (loss)	**5,415**	2,957	**(175)**	(470)	**(5,626)**	(4,797)	**(395)**	(2,310)
Capital expenditure								
Exploration and evaluation assets	**-**	-	**3,256**	5,202	-	-	**3,256**	5,202
Oil and gas assets – development and production	**-**	60,464	-	-	-	-	**-**	60,464
Other plant and equipment	**34**	5,627	-	-	**445**	566	**497**	6,193
	34	66,091	**3,256**	5,202	**445**	566	**3,753**	71,859

Section 2: Results For The Period

For the half-year ended 30 June 2018

2.1 Segment Reporting (continued)

US$000	Oil & Gas Production 30 June 2018	Oil & Gas Production 31 Dec 2017	Exploration 30 June 2018	Exploration 31 Dec 2017	Other 30 June 2018	Other 31 Dec 2017	Total 30 June 2018	Total 31 Dec 2017
Segment assets	**70,658**	71,546	**42,952**	39,827	**44,428**	18,192	**158,038**	129,565
Segment liabilities	**(8,574)**	(7,691)	**(99)**	(406)	**(396)**	(1,554)	**(9,069)**	(9,651)

Geographical segments

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

Production from the designated segments is sold on commodity markets.

US$'000	Revenue Half-year ended 30 June 2018	Revenue Half-year ended 30 June 2017	Non-current assets 30 June 2018	Non-current assets 31 December 2017
United States of America	**16,028**	7,030	**101,186**	98,764
Portugal	**-**	-	**8,186**	7,909
Australia	**-**	-	**790**	584
	16,028	7,030	**110,162**	107,257

2.2 Revenue & Other Income

	30 June 2018 US$'000	30 June 2017 US$'000
Revenue:		
Oil sales	**17,128**	7,030
Hedge Loss	**(1,100)**	-
Total Revenue	**16,028**	7,030
Other Income:		
Unrealised foreign exchange gain	**-**	356
Total Other Income	**-**	356

Recognition and measurement

All revenue is generated from oil sales. 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, at the Company operated oil production facilities. Australis has entered into a contract with an oil marketing group for the sale of oil produced from the operated properties including the sale of production for and on behalf of the joint property partners All revenue is generated in the United States.

Section 2: Results For The Period

For the half-year ended 30 June 2018

2.3 Cost of sales	**30 June 2018**	30 June 2017
Cost of production:	**US$'000**	US$'000
Production costs	**(5,288)**	(1,701)
Production taxes	**(863)**	(220)
Royalties	**(3,295)**	(1,321)
Inventory movements	**(197)**	(147)
	(9,643)	(3,389)
Depreciation, depletion and amortisation expense:		
Oil & gas assets	**(964)**	(684)
Total cost of sales	**(10,607)**	(4,073)

2.4 Other expenses

	30 June 2018 US$'000	30 June 2017 US$000
Administrative expenses	**(4,843)**	(3,636)
Exploration costs expensed [(1)]	**(175)**	(1,382)
Depreciation	**(104)**	(26)
Share based payments	**(282)**	(640)
Unrealised foreign exchange loss	**(488)**	-
	(5,892)	(5,684)

(1) The 30 June 2017 expense includes evaluation costs associated with the acquisition of the Encana assets – US$911,000.

2.5 Net finance income/(costs)

	30 June 2018 US$'000	30 June 2017 US$000
Interest income	**82**	61
Amortised transaction costs	**(6)**	-
	76	61

Section 2: Results For The Period

For the half-year ended 30 June 2018

2.6 Earnings per share

	30 June 2018 US Cents	30 June 2017 US Cents
Loss per share attributable to members of the Company:		
Basic loss per share	**(0.05)**	(0.44)
Diluted loss per share	**(0.05)**	(0.44)
Loss used in the calculation of basic / diluted loss per share	**US$'000**	US$'000
Net (loss) after tax	**(395)**	(2,310)
	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**835,571,740**	528,921,747

2.7 Dividends

No dividend has been paid or is proposed in respect of the six month period to 30 June 2018 (Six months to 30 June 2017: Nil).

Section 3: Invested Capital

For the half-year ended 30 June 2018

3.1 Exploration and evaluation

	30 June 2018 US$'000	31 December 2017 US$'000
At cost	**42,951**	39,696
Opening balance	**39,696**	27,468
Capitalised expenditure[1]	**3,255**	12,228
Closing balance	**42,951**	39,696

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

3.2 Oil and Gas Properties

	30 June 2018 US$'000	31 December 2017 US$'000
Producing assets		
At cost	62,156	62,156
Accumulated depletion	(1,506)	(1,065)
	60,650	61,091
Opening Balance	61,091	-
Additions:	-	23
Business combinations - additions	-	60,533
Business combinations - restoration provision	-	1,600
Depletion	(441)	(1,065)
Closing Balance	**60,650**	61,091

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

	Office equipment US$'000	**Surface Equipment US$'000**	**Field Motor Vehicles US$'000**	**Total US$'000**
2018				
At cost	**1,210**	**5,713**	**213**	**7,136**
Accumulated depreciation	**(242)**	**(1,231)**	**(46)**	**(1,519)**
	968	**4,482**	**167**	**5,617**
2017				
At cost	824	5,634	213	6,671
Accumulated depreciation	(133)	(744)	(29)	(906)
	691	4,890	184	5,765

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2018

4.1 Contributed equity

Share capital	**30 June 2018 Securities**	31 December 2017 Securities	**30 June 2018 US$'000**	31 December 2017 US$'000
Ordinary shares	**894,085,043**	776,339,475	**154,628**	125,253
Treasury shares	**(300,000)**	-	**(59)**	-
Total contributed equity	**893,785,043**	776,339,475	**154,569**	125,253

Movements in contributed equity:

	Number of Securities	Issue Price A$	US$'000
Balance at 1 January 2017	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 31 December 2017	**776,339,475**		**125,253**
Issued on 29 March 2018(2).	**115,280,000**	0.34	**30,164**
Share issue costs	**-**		**(1,317)**
Exercise of options	**2,465,568**	0.275	**528**
Balance at 30 June 2018	**894,085,043**		**154,628**

1. On 13 April 2017 Australis completed a A$100 million share placement via a 434.8 million new fully paid ordinary share issue at A$0.23 per share to fund the acquisition of all the TMS assets of Encana.
2. On 29 March 2018 Australis completed a A$39 million share placement issuing 115.28 million new fully paid ordinary shares at A$0.34 per share. The funds will be applied to the initial drilling program in the TMS which is expected to commence in the second half of 2018.

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.

Treasury shares

Treasury shares are shares in Australis Oil & Gas Limited that have been purchased on market and held by the Australis Oil & Gas Limited Employee Share Trust for the purpose of providing shares pursuant to the Australis Oil & Gas Limited Employee Executive Incentive Plan.

	Number of Treasury Shares	Purchase Price A$	Cost US$'000
Balance at 1 January 2017	-		-
Balance at 31 December 2017	**-**		**-**
Australis Oil & Gas Limited Employee Share Trust acquisition	**140,000**	0.241	**27**
Australis Oil & Gas Limited Employee Share Trust acquisition	**60,000**	0.258	**12**
Australis Oil & Gas Limited Employee Share Trust acquisition	**100,000**	0.260	**20**
Balance at 30 June 2018	**300,000**		**59**

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2018

4.2 Share-based payment reserve

	30 June 2018 US$'000	31 December 2017 US$'000
Balance at beginning of period	**5,592**	4,234
Share based payment expense arising during the year	**282**	1,358
Balance at 30 June 2018	**5,874**	5,592

Performance Rights	**Number of Securities**
Balance at 1 January 2017	-
Granted	2,982,427
Forfeited/Lapsed	(196,102)
Balance at 31 December 2017	**2,786,325**
Granted	**10,321,907**
Forfeited	**(154,332)**
Balance at 30 June 2018	**12,953,900**

During the half year ended 30 June 2018 Australis issued 10,321,907 performance rights (2017: 2,982,427) to certain employees and directors of the Company under the Australis Oil & Gas Limited Employee Equity Incentive Plan. The performance rights granted during the half year ended 30 June 2018 have the following terms and conditions:

Type of grant	Grant date	Tranche	Number	Vesting date	Expiry date	Exercise Price	Value per right at grant date	Vesting condition
Performance Rights	24 May 2018	1	1,634,027	Jan 19	Two years from vesting	Nil	0.405	Service
– 2018 LTI Plan Award							0.347	Absolute TSR*
							0.161	Relative TSR*
		2	2,895,961	Jan 20	Two years from vesting	Nil	0.405	Service
							0.333	Absolute TSR*
							0.200	Relative TSR*
		3	5,791,919	Jan 21	Two years from vesting	Nil	0.405	Service
							0.331	Absolute TSR*
							0.234	Relative TSR*

*Require continued employment (service) in addition to the TSR performance.

Options

	Number of Securities
Balance at 1 January 2017	102,910,933
Granted	1,920,000
Balance at 31 December 2017	**104,830,933**
Granted	30,000,000
Exercised	(2,465,568)
Balance at 30 June 2018	**132,365,365**

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2018

On 5 June 2018 30 million options were granted by Australis to Macquarie Bank Limited as part of a credit agreement entered into by Australis TMS Inc, a wholly owned subsidiary. For details see Section 4.3.

4.3 Borrowings

Recognition and measurement

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

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

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

	30 June 2018 US$'000	31 December 2017 US$'000
Secured Term Credit Facility (entered into on 5 June 2018)	**-**	-
Balance at 30 June 2018 (no funds drawn)	-	-

On 5 June 2018, Australis TMS Inc, a wholly owned subsidiary entered in to a credit agreement with Macquarie providing for a three-year senior secured US$75 million term credit facility (Facility). This Facility will be applied to the initial drilling program within the Groups significant TMS acreage position in Mississippi and Louisiana. Drilling is expected to commence in the second half of 2018. The initial commitment under the Facility is US$75 million, with an additional US$25 million available, if requested by Australis, subject to further credit approval by Macquarie. First availability of committed funds under the Facility is subject to completion of customary conditions precedent, which are expected to be satisfied in due course.

Key Terms of the Facility include:

- US$75 million has been committed and is available in two tranches:
  - Tranche 1: US$35 million available immediately upon satisfaction of customary conditions, and
  - Tranche 2: US$30 million available upon satisfactory initial well results.
  - A further US$10m is available in Tranche 1 once Australis has entered into binding commitments to spend, from its own capital resources, US$20 million on the initial drilling program. In the event the additional US$10 million is not drawn in Tranche 1, the available amount in Tranche 2 is increased by US$10 million.
- Interest rate of LIBOR plus 6.0% p.a.
- Quarterly principal repayments of US$1 million commencing 9 months after the initial draw down, with the balance of the principle due on maturity date.
- Senior secured non-revolving facility, with security over US based assets.
- The Facility may be cancelled by the Company at any time without penalty once any drawn funds are repaid.

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

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

At 30 June 2018, no funds had been drawn under the Facility and future draw downs are at the discretion of Australis. As such no options have vested at the reporting date and no expense has been recognised for the period to 30 June 2018.

Section 4: Capital and Debt Structure
For the half-year ended 30 June 2018

A total of A$14.82 million will be raised by the Company upon exercise of these options.

Australis TMS Inc obligations under the Facility are guaranteed by pledged security from the parent entity, Australis and Australis USA 1 Pty Limited a wholly owned subsidiary of Australis (Obligors). At 30 June 2018 the following remained pledged as security:

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

Section 5: Other Assets and Liabilities

For the half-year ended 30 June 2018

5.1 Provisions – Non-Current

Recognition and measurement

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

	30 June 2018 US$'000	31 December 2017 US$'000
Restoration provision	**1,600**	1,600
Reconciliation of movement in restoration provision		
Balance at the beginning of the financial period	**1,600**	-
Provision made during the financial period	-	1,600
Balance at 30 June 2018	**1,600**	1,600

5.2 Fair Value of Financial Instruments

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

ABN 34 609 262 937

Section 6: Other Notes

For the half-year ended 30 June 2018

6.1 Related party disclosures

Transactions with key management personnel

The following performance rights (Rights) have been issued to key management personnel during the half year ended 30 June 2018. The Rights were issued under the Company's long term incentive plan. The Rights granted to executive directors were approved by Shareholders at the Annual General Meeting of the Company held on 24 May 2018. The terms and conditions associated with the plan are detailed in the AGM Notice.

	Grant date	Vesting period	Number	Exercise price	Total fair value US$	Expiry	Expense recognised at 30 June 2018 US$
Ian Lusted – Executive director	24 May 2018	Jan 19	197,674	Nil	57,672	Two years from vesting	8,238
	24 May 2018	Jan 20	395,349	Nil	119,049	Two years from vesting	6,266
	24 May 2018	Jan 21	790,698	Nil	247,587	Two years from vesting	7,987
Graham Dowland – Executive director	24 May 2018	Jan 19	139,535	Nil	40,710	Two years from vesting	5,816
	24 May 2018	Jan 20	279,070	Nil	84,035	Two years from vesting	4,423
	24 May 2018	Jan 21	558,139	Nil	174,767	Two years from vesting	5,638
Michael Verm – Chief Operating Officer	24 May 2018	Jan 19	133,530	Nil	41,982	Two years from vesting	5,997
	24 May 2018	Jan 20	267,059	Nil	85,967	Two years from vesting	4,525
	24 May 2018	Jan 21	534,118	Nil	177,060	Two years from vesting	5,712
Darren Wasylucha – Chief Corporate Officer	24 May 2018	Jan 19	94,603	Nil	29,743	Two years from vesting	4,249
	24 May 2018	Jan 20	189,204	Nil	60,905	Two years from vesting	3,206
	24 May 2018	Jan 21	378,408	Nil	125,442	Two years from vesting	4,047

6.2 Commitments

There have been no material changes to the commitments reported at 31 December 2017.

6.3 Contingencies

The Company had no contingent liabilities as at 30 June 2018.

6.4 Events after the reporting date

No event has occurred since 30 June 2018 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

6.5 Rounding of amounts

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