AUSTRALIS OIL & GAS HOLDINGS PTY LTD

ABN 34 609 262 937

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2016

ABN 34 609 262 937

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three month period to 31 March 2016

	Notes	**Three Month Period to 31 March 2016 A$'000**	Period from 12 November 2015 to 31 December 2015 A$'000
Revenue	2.1	**25**	2
Total income		**25**	2
Expenses	2.2		
Exploration and evaluation expenditure		**41**	-
Depreciation expense		**3**	1
Administrative expenses		**906**	396
Share based payments		**973**	1,685
Unrealised foreign exchange loss		**97**	205
Loss from continuing operations before income tax		**(1,995)**	(2,285)
Income tax expense	2.4	**-**	-
Net loss attributable to owners of the Company		**(1,995)**	(2,285)
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss		-	-
Foreign currency translation differences		(1,489)	-
Other comprehensive income / (loss) for the period net of tax		**(1,489)**	-
Total comprehensive (loss) for the period attributable to owners of the Company		**(3,484)**	(2,285)
(Loss) per share attributable to owners of the Company			
Basic loss per share (cents per share)	2.5	(1.13)	(4.0)
Diluted loss per share (cents per share)	2.5	(1.13)	(4.0)

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Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	**31 March 2016 A$'000**	31 December 2015 A$'000
Current assets			
Cash and cash equivalents	4.1	**11,356**	21,969
Trade and other receivables	5.1	**179**	187
Total current assets		**11,535**	22,156
Non-current assets			
Oil and gas properties	3.1	**20,617**	10,997
Property, plant and equipment	3.2	**36**	29
Other receivables		**-**	1,928
Total non-current assets		**20,653**	12,954
Total assets		**32,188**	35,110
Current liabilities			
Trade and other payables	5.2	**(707)**	(1,150)
Provisions	5.3	**(82)**	(50)
Total current liabilities		**(789)**	(1,200)
Total liabilities		**(789)**	(1,200)
Net assets		**31,399**	33,910
Equity			
Contributed equity	4.2	**34,510**	34,510
Share based payment reserve	4.3	**2,658**	1,685
Foreign currency translation reserve		**(1,489)**	-
Retained earnings		**(4,280)**	(2,285)
Total equity		**31,399**	33,910

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Consolidated Statement of Changes in Equity

For the three month period to 31 March 2016

	Contributed Equity A$'000	Other Reserve A$'000	Accumulated (Losses) A$'000	Total A$'000
Balance at incorporation 12 November 2015	-	-	-	-
Loss for the period	-	-	(2,285)	(2,285)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(2,285)	(2,285)
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	34,510	-	-	34,510
Option expense recognised during the year	-	1,685	-	1,685
Balance as at 31 December 2015	**34,510**	**1,685**	**(2,285)**	**33,910**
Loss for the period	-	-	(1,995)	(1,995)
	-	-		
Other comprehensive income	-	-	-	-
Exchange differences on translation of foreign operations	-	(1,489)	-	(1,489)
Total comprehensive income for the period	-	(1,489)	(1,995)	(3,484)
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	-	-	-	-
Option expense recognised during the period	-	973	-	973
Balance as at 31 March 2016	**34,510**	**1,169**	**(4,280)**	**31,399**

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Consolidated Statement of Cash Flows

For the period to 31 March 2016

	Notes	Three Month Period to 31 March 2016 A$'000	Period from 12 November 2015 to 31 December 2015 A$'000
Cash flows from operating activities			
Payments to suppliers and employees		(432)	(200)
Net cash (outflow) from operating activities	2.7	**(432)**	(200)
Cash flows from investing activities			
Payment for capitalised oil and gas assets		(9,995)	(1,120)
Payment for property, plant and equipment		(11)	(29)
Interest received		25	2
Net cash inflow / (outflow) from investing activities		**(9,981)**	(1,147)
Cash flows from financing activities			
Proceeds from share applications		-	24,175
Share issue costs		(106)	(559)
Net cash inflow from financing activities		**(106)**	23,616
Net increase in cash and cash equivalents		**(10,519)**	22,269
Cash and cash equivalents at the beginning of the financial period		**22,063**	-
Effect of exchange rates on cash holdings in foreign currencies		**(95)**	(206)
Cash and cash equivalents at the end of the financial period	4.1	**11,449**	22,063

Section 1: Basis of Reporting

For the three month period to 31 March 2016

1.1 Corporate information

The consolidated financial report for the period ended 31 March 2016 comprises the financial statements for Australis Oil & Gas Holdings Pty Ltd, the parent entity and its controlled entities ("Group" or "Consolidated Entity"). Australis Oil & Gas Holdings Pty Ltd ("Company" or "Australis") is a private company that was incorporated on the 12 November 2015 in Australia. The principal activity of the Group is oil and gas exploration and development.

On the 9 December 2015 the Company issued 120.875 million ordinary shares as a result of a private placement undertaken in late November 2015 with an issue price of A$0.20 per share to raise A$24.175 million before the costs of issue.

On 8 December 2015 the Company, through a wholly owned subsidiary, entered into a conditional sale and purchase agreement to acquire a joint venture interest of up to 50% in approximately 34,000 mostly contiguous acres in the Tuscaloosa Marine Shale in Louisiana and Mississippi. First close to acquire a 20% working interest in the Tuscaloosa Marine Shale assets under the sale and purchase agreement occurred in January 2016. The acquired leases will be held in escrow until completion of second close, which is scheduled for July 2016.

On 31 December 2015 the Company acquired all the shares in Australis Oil & Gas Pty Ltd ("APL") for $11 million by way of the issue of 55 million shares in Australis. In September 2015 APL was awarded exclusive exploration, development and production rights in two prospective oil and gas concession areas in Portugal and is direct negotiation with the Portuguese government for a third adjoining concession area.

1.2 Financial report

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

1. Basis of Reporting – summarises the basis of preparation of the financial statements
2. Results for the period – sets out the performance of the Group and highlights the significant accounting policies impacting on the results for the period.
3. Invested capital – sets out expenditure during the period on exploration and evaluation and the commitments of the Group
4. Capital and debt structure
5. Other Assets & Liabilities – sets out the working capital balances of the Group
6. Group structure – sets out the ownership and intra-group transactions with subsidiaries
7. Other notes

1.3 Basis of preparation and compliance statement

The consolidated financial statements of the Group are general purpose financial statements prepared in accordance with Australian Accounting Standards applicable to for profit entities, other pronouncement issued by the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars (AS'000) as permitted under class order 98/100.

1.4 Basis of consolidation

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of Australis and its controlled entities as at 31 March 2016 and the financial performance of the Company and its controlled entities for the period then ended.

(i) Controlled entities are all those entities (including special purpose entities) the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the controlled entities are included in the consolidated financial statements from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Section 1: Basis of Reporting
For the three month period to 31 March 2016

(a) Principles of consolidation (continued)

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

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

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

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

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

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

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

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(a) Principles of consolidation (continued)

(iii) Group companies
The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at reporting date
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.
Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.6 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:

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

1.7 Financial and capital risk management

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

The financial risks that arise during the normal course of Australis' operations comprise market risk (page 17), credit risk (page 17) and liquidity risk (page 18). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The CEO, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

Section 2: Results For The Period

For the three month period to 31 March 2016

2.1 Revenue

Recognition and measurement

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

	31 March 2016 A$'000	31 December 2015 A$'000
From continuing operations		
Interest	**25**	2
Total revenue from continuing operations	**25**	2

2.2 Expenses

Recognition and measurement

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

Employee benefits – Note 5.3

Share based payments – Note 7.4

Good and services tax

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

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

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

Material expenses for the three month period ended 31 March 2016, relate to share based payment expense of A$973,495 for options issued (31 December 2015: A$1,684,807), refer to note 7.4. Salaries & Wages of A$445,000 (31 December 2015: A$197,000) and a foreign exchange loss of A$97,000 (31 December 2015: A$205,188).

Financial and capital risks

Foreign exchange risk

The functional currency of the Group, other than the subsidiaries incorporated in the United States and Portugal, is Australian dollars. As the Group operates internationally it is exposed to various currencies, primarily with respect to the US Dollar (USD) and the Euro. The Group is exposed to foreign exchange risk arising from fluctuations in the Australian dollar and US dollar and fluctuations in the Australian dollar and Euro.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The exposure to risks is measured using sensitivity analysis and cash flow forecasting. Refer to notes 4.1, 5.1 and 5.2.

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

Section 2: Results For The Period

For the three month period to 31 March 2016

2.3 Segment Reporting

Recognition and measurement

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

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

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

	31 March 2016	31 December 2015
	A$'000	A$'000
Reportable segment revenue		
Revenue, including interest income, is disclosed below based on the reportable segment:		
Revenue from other corporate activities	25	2
	25	2
Reportable segment assets		
Assets are disclosed below based on the reportable segment:		
Assets from oil and gas exploration in the United States of America	9,561	1,928
Assets from oil and gas exploration in Portugal	11,150	10,997
Assets from corporate activities:		
Cash and cash equivalents	11,356	21,969
Other corporate assets	121	216
	32,188	35,110
Reportable segment liabilities		
Liabilities are disclosed below based on the reportable segment:		
Liabilities from oil and gas exploration in the United States of America	25	440
Liabilities from oil and gas exploration in Portugal	-	62
Liabilities from corporate activities	764	698
	789	1,200
Reportable segment profit		
Profit / (loss) is disclosed below based on the reportable segment:		
(Loss) for oil and gas exploration in Portugal	(41)	-
(Loss) from other corporate activities	(1,954)	(2,285)
	(1,995)	(2,285)

Section 2: Results For The Period

For the three month period to 31 March 2016

2.4 Income tax expense

Recognition and measurement

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

	Consolidated	Consolidated
	31 March 2016	31 December 2015
	A$'000	A$'000
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(1,995)	(2,285)
Prima facie tax benefit at the Australian statutory tax rate of 30%	(599)	(685)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Share-based payment expense	292	505
Other non-allowable deductions	-	-
	(307)	(180)
Movements in unrecognised temporary differences	(2,501)	(395)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	2,808	(575)
Income tax expense / (benefit)	-	-

Section 2: Results For The Period

For the three month period to 31 March 2016

2.4 Income tax expense (continued)

	Consolidated 31 March 2016 A$'000	Consolidated 31 December 2015 A$'000
(c) Tax affect relating to each component of other comprehensive income		
Foreign currency translation differences	447	-
	447	-
(d) Deferred tax asset		
Other provisions and accruals	154	205
Unrealised foreign exchange losses	29	62
Tax losses in Australia	3,383	575
Deferred tax assets not recognised	**3,566**	842

Potential deferred tax assets have not been brought to account at 31 March 2016 as the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

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

Tax consolidation

As of 1 January 2016, Australis and its 100% owned Australian resident subsidiaries are part of a tax consolidated group. As a result, from this date all members of the tax consolidated group will be taxed as a single entity. Australis is the head entity of the tax consolidated group.

2.5 Earnings per share

Recognition and measurement

Basic earnings per share

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

Diluted earnings per share

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

	31 March 2016 A Cents	31 December 2015 A Cents
Loss per share attributable to members of the Company:		
Basic loss per share	**(1.13)**	(4.00)
Diluted loss per share	**(1.13)**	(4.00)
Loss used in the calculation of basic / diluted loss per share	**A$'000**	A$'000
Net (loss) after tax	**(1,995)**	(2,285)
Weighted average number of ordinary shares used as the denominator in calculating:	**Shares**	Shares
Basic and diluted loss per share	**175,875,003**	57,185,003

Section 2: Results For The Period

For the three month period to 31 March 2016

2.6 Dividends

No dividend has been paid or is proposed in respect of the three month period to 31 March 2016 (31 December 2015: Nil).

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

		31 March 2016 A$'000	31 December 2015 A$'000
Net Loss for the period		(1,995)	(2,285)
(i)	Add / (less) non-cash items		
	Depreciation, depletion and amortisation	3	1
	Share based payment expense	973	1,685
	Net foreign exchange losses	97	205
(ii)	Add / (less) items classified as investment / financing activities:		
	Net interest received	(25)	(2)
(iii)	Change in assets and liabilities during the financial year		
	(Increase) / decrease in receivables	8	(92)
	Increase in payables	369	238
	Increase in employee provisions	32	50
	Increase in foreign currency translation reserve	108	-
Net cash spent on operating activities		**(432)**	(200)

Section 3: Invested Capital

For the period to 31 March 2016

3.1 Exploration and evaluation

Recognition and measurement

Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the areas of interest method which is closely aligned to the US GAAP based successful efforts method of accounting for oil and gas exploration and evaluation expenditure.

Areas of interest are recognised at the field level. All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs and new venture activity costs are capitalised:

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

Costs

Pre-licence costs are expensed in the period in which they are incurred.

Exploration licence and leasehold property acquisition costs are capitalised in intangible assets. Licence costs are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through profit or loss as a dry hole. If extractable hydrocarbons are found, subject to further appraisal activity, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commercial potential of a reservoir following the initial discovery of hydrocarbons were not found, are initially capitalised as an intangible asset.

Once a well commences producing commercial quantities of oil and gas, capitalised exploration and evaluation costs are transferred to Oil and Gas Properties – Producing Projects and amortisation commences. This method allows the costs associated with the acquisition, exploration and evaluation of a prospect to be aggregated on the Consolidated Statement of Financial Position and matched against the benefits derived from commercial production once this commences.

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure, including unsuccessful wells, are classified as cash flows used in investing activities.

Impairment

All exploration and evaluation capitalised costs are subject to review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery and that the rights under the licence remain current and is not relinquished. When this is no longer the case, the costs are written off through profit or loss. When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is transferred to oil and gas properties.

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

	31 March 2016 A$'000	31 December 2015 A$'000
Opening balance	10,997	-
Acquisition of Australis Oil & Gas Pty Ltd (1)	-	10,997
Capitalised expenditure	10,138	-
Foreign exchange movement	(518)	-
Closing balance	**20,617**	10,997

Section 3: Invested Capital

For the period to 31 March 2016

3.1 Exploration and evaluation (continued)

(1) Acquisition of Australis Oil & Gas Pty Ltd

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

All conditions to the SPA were met in December 2015 and APL became a wholly owned subsidiary of Australis. At this date the Directors did not consider that the acquisition of APL met the definition of a business as set out in *AASB 3 Business Combinations*. As such the acquisition is accounted for in accordance with *AASB 2 Share Based Payments*.

The Concessions held by APL are currently at the exploration stage and this together with the lack of onshore oil and gas activity in Portugal in the opinion of the directors means that the valuation of the Concessions cannot be reliably estimated and as such the fair value of the assets acquired shall be measured, where necessary by reference to the value of the equity instruments granted, being 55 million shares at $0.20 per share as follows:

	Cost 31 December 2015 A$'000	Fair Value 31 December 2015 A$'000
Cash	194	194
Receivables	117	117
Exploration and Evaluation	147	10,997
Payables	(308)	(308)
Net Assets	**150**	**11,000**

No market price is available for Australis shares. The share price used to attribute fair value represents the price at which Australis shares were issued to knowledgeable third parties as a condition to the SPA which in the opinion of the directors represents market value.

Capitalised expenditure

Australis TMS Inc, a wholly owned subsidiary, entered into a Purchase and Sale Agreement (PSA) on 1 December 2015 with Paloma Partners IV, LLC (Paloma), a US private equity funded oil and gas company to acquire up to a 50% working interest in approximately 34,200 contiguous net acres in the Tuscaloosa Marine Shale (TMS) in Mississippi and Louisiana.

First close under the PSA occurred in January 2016 at which time Australis paid a further US$6 million into the escrow account, in addition to the US$1 million deposit paid during December 2015, to acquire a 20% working interest in the TMS assets. The acquired leases will be held in escrow until second close and the payment of an additional US$9 million, which is scheduled for July 2016. Following a successful second close the 50% working interest will be assigned to Australis. If second close does not occur then the escrow funds of US$7 million will be released to Paloma and the 20% working interest will be assigned to Australis.

Section 3: Invested Capital

For the period to 31 March 2016

3.1 Exploration and evaluation (continued)

Exploration commitments

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

	31 March 2016 A$'000	31 December 2015 A$'000
Oil and gas exploration		
Payable:		
Within one year	6,782	187
After one year, not more than five years	8,105	454
Total exploration commitments	**14,887**	641

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

Recognition and measurement

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

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

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

The following estimated useful lives are used in the calculation of depreciation:
Fixtures and fittings: 3 - 10 years

	31 March 2016 A$'000	31 December 2015 A$'000
Office equipment		
Office equipment at cost	40	30
Office equipment accumulated depreciation	(4)	(1)
Total office equipment	**36**	29
Reconciliation of movement in office equipment		
Balance at beginning of the financial period	29	-
Additions	10	30
Depreciation expense	(3)	(1)
Total office equipment	**36**	29
Total property, plant and equipment	**36**	29

Critical accounting estimates and judgement

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase when the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Section 4: Capital and Debt Structure

For the period to 31 March 2016

4.1 Cash and cash equivalents

Recognition and measurement

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

Cash and cash equivalents as defined above, consist of:

	31 March 2016 A$'000	31 December 2015 A$'000
Held with Australian banks and financial institutions		
Cash at bank and in hand	11,273	5,575
Short term deposits	50	16,376
Held with Portuguese banks and financial institutions		
Cash at bank and in hand	33	18
	11,356	21,969

Cash and cash equivalents in the Statement of Cash Flows comprises the following balance:

Cash on hand and balances at bank	11,306	5,593
Short term deposits	50	16,376
Cash and cash equivalents as previously stated	**11,356**	21,969
Other receivable – Term deposit	93	94
Cash and cash equivalents as restated	**11,449**	22,063

Cash and cash equivalents at the end of the period include a term deposit held at Barclays Bank Plc, Sucursal em Portugal which matures on 31 December 2016 and which is not freely available for use by the Company as it forms a bond for the 2016 proposed Portuguese Concession work program.

Risk exposure

Foreign exchange risk

The Group held A$10.4 million of cash and cash equivalents at 31 March 2016 in currencies other than Australian dollars (predominantly US dollars) (31 December 2015: A$16.5 million).

A reasonable possible change in the exchange rate of the Australian dollar to the US dollar (+ 10%/-10%), with all other variables held constant, would have a material impact on the Group's equity or the profit or loss in the current period of +10% (A$1,036,000), -10% A$1,036,000. A reasonable possible change in the exchange rate of the Australian dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

Credit risk

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

With respect to credit risk arising from cash and cash equivalents, the Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

Interest rate risk

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at and during the period ended 31 March 2016, the Group's interest-bearing assets consisted of cash and cash equivalents held with Australian banks and financial institutions and earned interest at 2.00% floating rate. As such the impact on the Group's income and operating cash flows from movements in market interest rates is not considered material.

Liquidity risk
Prudent liquidity management involves the maintenance of sufficient cash and access to capital markets. It is the policy of the Board to ensure the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through ensuring the Group has sufficient working capital.

Capital risk management
The Group manages its capital to ensure entities in the Group will be able to continue as a going concern while maximising the potential return to shareholders.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and potential investment opportunities. At 31 March 2016 the Group has no interest-bearing loans or borrowings, and is not exposed to any externally imposed capital requirements.

4.2 Contributed equity

Recognition and measurement

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	31 March 2016 Securities	31 December 2015 Securities	**31 March 2016 A$'000**	31 December 2015 A$'000
Share capital				
Ordinary shares	**175,875,003**	175,875,003	**34,510**	34,510

Movements in contributed equity:

	Number of Securities	**Issue Price A$**	**A$'000**
Balance at formation	**-**		**-**
Initial share capital	3	0.20	-
Issued on 1 December 2015	25,000,000	0.20	5,000
Issued on 9 December 2015	95,875,000	0.20	19,175
Issued on 31 December 2015	55,000,000	0.20	11,000
Share issue costs	-	-	(665)
Balance at 31 December 2015	**175,875,003**		**34,510**
Balance at 31 March 2016	**175,875,003**		**34,510**

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

Section 4: Capital and Debt Structure
For the period to 31 March 2016

4.3 Reserves and Accumulated Losses

	31 March 2016 A$'000	31 December 2015 A$'000
(a) Share based payment reserve		
Balance at the beginning of the financial period	1,685	-
Share based payment expense arising during the period	973	1,685
	2,658	1,685
(b) Foreign exchange reserve		
Balance at the beginning of the financial period	-	-
Currency translations differences arising during the period	1,489	-
	1,489	-
(c) Retained earnings / (accumulated losses)		
Balance at the beginning of the financial period	(2,285)	-
Net (loss) for the period	(1,995)	(2,285)
	(4,280)	(2,285)

Section 5: Other Assets and Liabilities

For the period to 31 March 2016

5.1 Trade and other receivables

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

Impairment
In determining the recoverability of a trade or other receivable, the Group performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties.

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

Current assets	**31 March 2016 A$'000**	31 December 2015 A$'000
Other receivables	179	187
	179	187
Non-current assets		
Deposit exploration and evaluation asset (Note 3.1)	-	1,928
	-	1,928

Foreign exchange risk
The Group held A$93,000 of other receivables at 31 March 2016 in Euro (A$94,000, 31 December 2015). A reasonable possible change in the exchange rate of the Australian dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

Fair value
The carrying amount of trade and other receivables approximates fair value.

Credit Risk
At 31 March 2016, other receivables consisted of security deposits and government tax refunds. Accordingly, the Group's exposure to credit risk arising from the default of third party debtors at 31 March 2016 is considered immaterial.

5.2 Trade and other payables

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

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

	31 March 2016 A$'000	31 December 2015 A$'000
Trade payables	707	1,028
Other payables	-	122
	707	1,150

Foreign exchange risk
The Group held A$61,000 of trade and other payables at 31 March 2016 in currencies other than Australian dollars (predominantly US dollars) (A$584,000, 31 December 2015). A reasonable possible change in the exchange rate of the Australian dollar to the US dollar (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period. A reasonable possible change in the exchange rate of the Australian dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

The impact on post tax profits and equity of a hypothetical change in the AUD / GBP exchange rate is not considered consequential.

Fair value
The carrying value of payables approximates fair value

5.3 Provisions for employee benefits

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

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

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

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

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

Section 5: Other Assets and Liabilities

For the period to 31 March 2016

	31 March 2016 A$'000	31 December 2015 A$'000
Opening balance	50	-
Transfer of Australis Oil & Gas Pty Ltd employees' benefits	-	32
Arising during the period	67	24
Utilisation	(35)	(6)
Closing balance	**82**	50
Comprising		
Current	82	50
Non-current	-	-
	82	50
Employee benefits and charges included in the income statement		
Wages and salaries	407	134
Accumulated leave	82	50
Post-employment benefits	38	13
Total employee benefits expense	**527**	197

Section 6: Group Structure

For the period to 31 March 2016

6.1 Subsidiary Companies

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

	Principal activities	Country of Incorporation	% Equity interest 31 March 2016	% Equity interest 31 December 2015
Australis Oil & Gas Pty Ltd	Oil & gas exploration	Australia	100%	100%
Australis North America Pty Ltd	Oil & gas exploration	Australia	100%	100%
Australis Oil & Gas UK Limited	Oil & gas exploration	United Kingdom	100%	100%
Australis Oil & Gas Portugal Sociedade Unipessoal Lda	Oil & gas exploration	Portugal	100%	100%
Australis TMS, Inc.	Oil & gas exploration	United States	100%	100%
Australis Services, Inc.	Oil & gas exploration	United States	100%	-

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

6.2 Parent entity information

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

Summary financial information	**31 March 2016 A$'000**	31 December 2015 A$'000
Current assets	11,232	21,844
Total assets		34,360
Current liabilities	636	450
Total liabilities	636	450
Contributed equity	34,510	34,510
Share-based payment reserve	2,658	1,685
Accumulated losses	(4,030)	(2,285)
Total equity	33,138	33,910
(Loss) for the period	(1,745)	(2,285)
Total comprehensive (loss) for the period	(1,745)	(2,285)

Section 7: Other Notes
For the period to 31 March 2016

7.1 Operating leases

Operating lease commitments – Group as Lessee
Future minimum lease payments under non-cancellable operating leases as at 31 March are as follows:

	31 March 2016 A$'000	31 December 2015 A$'000
Rent		
Payable:		
Within one year	191	191
After one year, not more than five years	96	144
	287	335

7.2 Employee benefits

Employee benefits of the Group are as follows:

	31 March 2016 A$'000	31 December 2015 A$'000
Employee benefits	527	197
Share based payments	973	1,685
	1,500	1,882

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

7.3 Compensation of key management personnel

Compensation of key management personnel of the Group are as follows:

	31 March 2016 A$'000	31 December 2015 A$'000
Short term employee benefits	325	81
Post-employment benefits	31	8
Share based payments	875	1,514
Long term employee benefits	-	-
Termination benefits	-	-
	1,231	1,603

Section 7: Other Notes

For the period to 31 March 2016

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Australis, including their personally related parties, are set out below:

	31 March 2016						
	Balance at start of period	**Granted**	**Exercised**	**Net other changes**	**Balance at end of period**	**Vested and exercisable**	**Unvested**
Jonathan Stewart							
Options	40,000,000	-	-	-	40,000,000	10,000,000	30,000,000
Balance at 31 Mar 2016	**40,000,000**	**-**	**-**	**-**	**40,000,000**	**10,000,000**	**30,000,000**
Graham Dowland							
Options	13,200,000	-	-	-	13,200,000	3,200,000	10,000,000
Balance at 31 Mar 2016	**13,200,000**	**-**	**-**	**-**	**13,200,000**	**3,200,000**	**10,000,000**
Ian Lusted							
Options	16,000,000	-	-	-	16,000,000	4,000,000	12,000,000
Balance at 31 Mar 2016	**16,000,000**	**-**	**-**	**-**	**16,000,000**	**4,000,000**	**12,000,000**

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

Section 7: Other Notes
For the period to 31 March 2016

Shareholdings
The number of shares in the Company held during the financial year by each director of Australis, including their personally related parties, are set out below. No shares were granted during the period ending 31 March 2016 (Nil, 31 December 2015) as compensation.

	31 March 2016			
	Balance at start of period	Exercise of options	Net other changes	Balance at end of period
Jonathan Stewart	49,542,859	-	-	49,542,859
Graham Dowland	13,803,572	-	-	13,803,572
Ian Lusted	13,803,572	-	-	13,803,572

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

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

7.4 Share based payments

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

Options

Options over ordinary shares in Australis were granted, with shareholder approval where required, to the director's as shown at Note 7.3.

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

Grant Date	Type	31 March 2016 Number	Exercise Price	Expiry Date
13 Nov 15	Options	19,675,000	A$0.25	31-Dec-20
13 Nov 15	Options	27,775,000	A$0.30	31-Dec-20
13 Nov 15	Options	29,550,000	A$0.35	31-Dec-22
Total		**77,000,000**		

Section 7: Other Notes

For the period to 31 March 2016

The fair value of options granted during the comparative period ended 31 December 2015 was calculated using the Black Scholes options pricing model. The expense is apportioned pro-rata to reporting periods where vesting periods apply. Key inputs to the Black Scholes options pricing model used in the calculation of each grant of options during the period ended 31 December 2015 were as follows:

Grant date: 13 Nov 2015	Expected price volatility (1)	Exercise Price	Vest Date	Expiry Date	Share price at grant date	Risk free interest rate (2)	Fair value per option
Tranche 1	85%	A$0.25	13-Nov-15	31-Dec-20	A$0.20	2.28%	A$0.06
Tranche 2	85%	A$0.30	13-Nov-16	31-Dec-20	A$0.20	2.28%	A$0.09
Tranche 3	85%	A$0.35	13-Nov-17	31-Dec-22	A$0.20	2.56%	A$0.11
Tranche 4	85%	A$0.35	13-Nov-18	31-Dec-22	A$0.20	2.56%	A$0.12

(1) Expected price volatility is based on the historical volatility adjusted for any expected changes to future validity due to publicly available information.
(2) Risk free rate of securities with comparable terms to maturity.

Expense arising from share based payment transactions

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

	31 March 2016 A$'000	31 December 2015 A$'000
Options issued	973	1,685
	973	1,685

7.5 Related party disclosures

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

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

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

Key management personnel
Disclosures relating to key management personnel are set out in Note 7.3.

Subsidiaries
Interests in subsidiaries are set out in Note 6.1.

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 North America Pty Ltd and Australis Oil & Gas 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 year ended 31 December 2015.

Section 7: Other Notes
For the period to 31 March 2016

7.6 Contingencies

The company had no contingent liabilities as at 31 March 2016 (31 December 2015: Nil).

7.7 Auditor's Remuneration

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

	31 March 2016 A$'000	31 December 2015 A$'000
BDO Audit (WA) Pty Ltd for audit and assurance services:		
Audit and review of financial statements	10	15
	10	15

7.8 Events after the reporting date

The following events occurred subsequent to the end of the period:

On 13 April 2016 Australis TMS Inc., a wholly owned subsidiary, agreed to certain amendments (First Amendment) to the Purchase and Sale Agreement (PSA) with Paloma Partners IV, LLC (Paloma) in order to provide flexibility around the funding date for Second Close. The amendments included the payment of US$1.18 million to Paloma representing a 50% share of the total funds spent on the lease maintenance program for the period from 1 December 2015, the PSA effective date, to 31 March 2016, and a 50% share of the approved work program and budget for Q2 2016 associated with existing lease renewals and agreed overheads. In the event Australis does not carry out Second Close then these payments are to be treated as advances for the working capital expenses in respect of the existing 20% Working Interest owned by Australis.

On 29 April 2016 the Company issued 1,000,000 options exercisable at A$0.30 per option with an expiry date of 31 December 2020 and 2,000,000 options exercisable at A$0.35 per option with an expiry date of 31 December 2022.

On 16 May 2016 the Company issued 45.7 million ordinary shares and 22.8 million options as a result of a private placement with an issue price of A$0.22 per share to raise A$10 million before the costs of issue. One free attaching option was granted for every two shares allotted under the offer. Options are exercisable on and from the Company being admitted to the ASX at an exercise price of A$0.27 per option and expire on 30 June 2019.

On 17 May 2016 Australis TMS Inc. paid US$9 million to complete Second Close of the Purchase and Sale Agreement (PSA) with Paloma Partners IV, LLC (Paloma) to acquire a further 30% interest in Paloma's working interests and rights in approximately 34,200 acres in the Tuscaloosa Marine Shale (TMS) in Mississippi and Louisiana.

On 24 May 2016 the Company issued 420,000 options exercisable at A$0.275 per option with an expiry of 24 May 2021.

Other than as disclosed above, no event has occurred since 31 March 2016 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

AUSTRALIS
OIL & GAS

ABN 34 609 262 937

Directors Declaration

In the Director's opinion:

a. The financial statements and accompanying notes set out on pages 2 to 28, are in accordance with the *Corporations Act 2001*, including:

    i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
    ii. Giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2016 and of its performance for the financial year ended on that date.

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

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

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the period ended 31 March 2016.

For and on behalf of the Board

Graham Dowland
Finance Director
Perth, Western Australia
26 May 2016

Auditor’s Independence Declaration

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF AUSTRALIS OIL & GAS HOLDINGS PTY LTD

As lead auditor of Australis Oil & Gas Holdings Pty Ltd for the period ended 31 March 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O’Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 26 May 2016

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INDEPENDENT AUDITOR’S REPORT

To the members of Australis Oil & Gas Holdings Pty Ltd

Report on the Financial Report

We have audited the accompanying financial report of Australis Oil & Gas Holdings Pty Ltd, which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1.3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report

BDO

Independence

In conducting our audit, 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 Holdings Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Australis Oil & Gas Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.3.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 26 May 2016