



# Annual Report

*For the year ended 31 December 2017*

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## STRATEGY

- Patient and disciplined accumulation of oil in ground and an inventory of future well locations
- Targeted deployment of capital – focused on an acquisitions and leasing program taking advantage of current market conditions
- Positioned to add significant value through the development of existing reserves and further conversion of resources to reserves to maximise shareholder value

- Closed on acquisition of all TMS assets for US\$68.1 million in Q2 2017 which included:
  - > Net producing reserves of 5 MMbbls with a BT NPV(10) of US\$95 million as at 1 Feb 2017<sup>1</sup>
  - > Net production of 1,700 bbls/d (March 2017)
  - > Additional 62,000 net core TMS acres (35% HBP)
  - > Considerable and high quality technical data and knowledge transfer

## TMS ACQUISITION

## LAND POSITION

- Largest acreage holder in the TMS Core through a targeted acquisition and leasing program
- A fivefold increase in TMS core acreage position to 95,000 net acres (from 19,000 net acres at the beginning of 2017)
- Long life lease terms - over 88% of year end holdings are HBP or have an expiration beyond 1 January 2020
- 95,000 net acres equates to 350 future economic well locations on conservative well spacing assumptions
- 620,000 net acres onshore Portugal with significant 2C resource allocation<sup>3</sup>

- TMS Net 1P reserves estimates increased to 29 MMbbls and Net 2P reserves to 47 MMbbls as at 31 December 2017<sup>2</sup>
  - > Reserves estimates based on assessment of only 35% of year end TMS net undeveloped acres
- TMS 2C resource of 98 MMbbl at year end<sup>2</sup>
- Portugal concession areas estimated 2C resource of 458.5 Bcf gas at year end<sup>3</sup>

## RESERVES AND CONTINGENT RESOURCES

## OPERATIONS

- Seamless transition to operator of 31 producing wells
- Steady production averaging 1,450 bbls per day NRI with excellent EHS performance
- Developed initial Basis of Design for TMS development incorporating acquired and post-acquisition data and knowledge
- Completed evaluation of Portuguese assets technical data in preparation for future appraisal and exploration activity

- Funded acquisition activity through A\$100 million share placement
- Year-end net cash of US\$17 million
- Operational cashflow funded 2017 land capital expenditure

## FINANCIAL

<sup>1</sup> Refer to notes on page 20

<sup>2</sup> Refer to notes on page 20

<sup>3</sup> Refer to notes on page 20



**It has been a formative year for Australis Oil and Gas in generating a platform for significant shareholder return in forthcoming years.**

After a significant amount of time and patience spent reviewing opportunities, in April 2017 we completed the acquisition of all the Tuscaloosa Marine Shale ("TMS") assets of Encana Oil & Gas (USA). This was the transformational acquisition we had been looking for since we formed Australis and it also met the strategic objectives we set at establishment of the Company. The assets have existing production, positive cashflow, large undeveloped resources, control over timing and amount of capital expenditure and solid and improving economics.

Following the acquisition, our immediate focus was on assuming operatorship of a very large acreage position and 31 producing wells across the TMS. The team handled this transition very smoothly, delivering robust performance from the wells, and met all environmental, health and safety standards.

Australis' primary strategy in 2017 was consolidating our vast lease position through lease extensions, renewals and acquisitions within the TMS core acreage - an area that has exhibited consistently stronger well recoveries than other areas in the basin. Through these efforts, Australis was able to build its contiguous position to 95,000 net acres, of which over 88% is either held by production or has a primary term that expires in 2020 or later. This acreage position was acquired on highly attractive terms and equates to a very large oil resource.





*We are pleased that our strategy to be the operator of our assets has been achieved, as it gives us flexibility to adapt our development program based on the macro environment.*

Within this Annual Report you will find further detail regarding an updated Independent Reserves Report prepared by Ryder Scott Company, in which we were allocated a maiden 1P reserve of 29 million barrels of oil and 2P reserves of 47 million barrels of oil. This report confirms the rapid transition of our resource base during the year from 2C resources to Proven and Probable (2P) as a direct result of the robust economics within the TMS. We consider that the improving resources estimates are a function of the quality of the TMS assets and validation of our strategy to build our inventory of oil in an improving macro environment.

Shareholders, potential investors and analysts often ask about our plans going forward, particularly with regard to commencing drilling operations in the TMS. We are pleased that our strategy to be the operator of our assets has been achieved, as it gives us flexibility to adapt our development program based on the macro environment. Having said this, we plan to commence drilling in the TMS in the second half of 2018 and we continue to explore appropriate financing alternatives to support this endeavor.

Our priority most recently has been in the TMS, but we are also very pleased with progress in Portugal, where we have taken significant steps towards appraising the large gas discovery within our concession areas.

From my perspective, a fundamental objective has been the recruiting of high quality and experienced personnel as we transition to a larger company with significant US operations. A key objective for 2017 was to continue to build on an effective office in Houston resourced for our considerable growth profile. Under Chief Operating Officer Michael Verm we have made great progress in that regard and have a growing team of experienced and hard working professionals who are making considerable contributions to the Company.

During 2017, your Board has been very committed and active on your behalf. Each of the directors has contributed considerable knowledge and experience and I would like to offer them my thanks.

I would like to welcome our new shareholders and thank you for your confidence and commitment. As always thank you to our long-standing shareholders for your continued support. We have grown our group of employees significantly in percentage terms but it remains quite a small team relative to their output. I would like to express the Board's gratitude to our staff and also to our advisors, consultants and partners.

2018 is shaping as another very exciting year for Australis as we embark on the next phase of our strategy and we look forward to bringing you news of our activities.

Yours sincerely

Jon Stewart  
Chairman

## CORPORATE STRATEGY

Australis achieved its strategic goals set for 2017.

Australis has a clear corporate strategy which was detailed in the IPO prospectus and the 2016 Annual Report.

Table 1: Corporate strategic goals and status

Strategic Goal	Status	Comments
1 To acquire an oil dominated portfolio in a low oil price environment	☑	Australis achieved a low cost entry into a large TMS core acreage position with existing PDP reserves of 5 MMbbls  TMS is oil dominated with over 95% oil content
2 To secure oil in the ground and an inventory of future well locations that generate attractive financial returns with modest improvements in oil price	☑	In the TMS, Australis now has technically recoverable resources of 145 million barrels with over 350 net well locations based on conservative well spacing assumptions
3 To maintain control of the expenditure program with no pressure to drill in a low oil price environment	☑	Australis is now operator of virtually all of its assets, with long lease life terms on the majority of its acreage

Australis built a substantial acreage position within the production delineated core of the Tuscaloosa Marine Shale ("TMS") and, through an active leasing and acquisition program, has now satisfied the initial strategic goals of Australis.



## TUSCALOOSA MARINE SHALE (TMS) ASSETS

Australis has become the largest land holder in the core of TMS through a targeted acquisition and leasing program.

Following the initial entry into the TMS in 2016, Australis started 2017 with a core position of approximately 19,000 net acres. Australis has now built this position to 95,000 net acres on highly attractive terms through a targeted acquisition and leasing program.

### Encana Acquisition

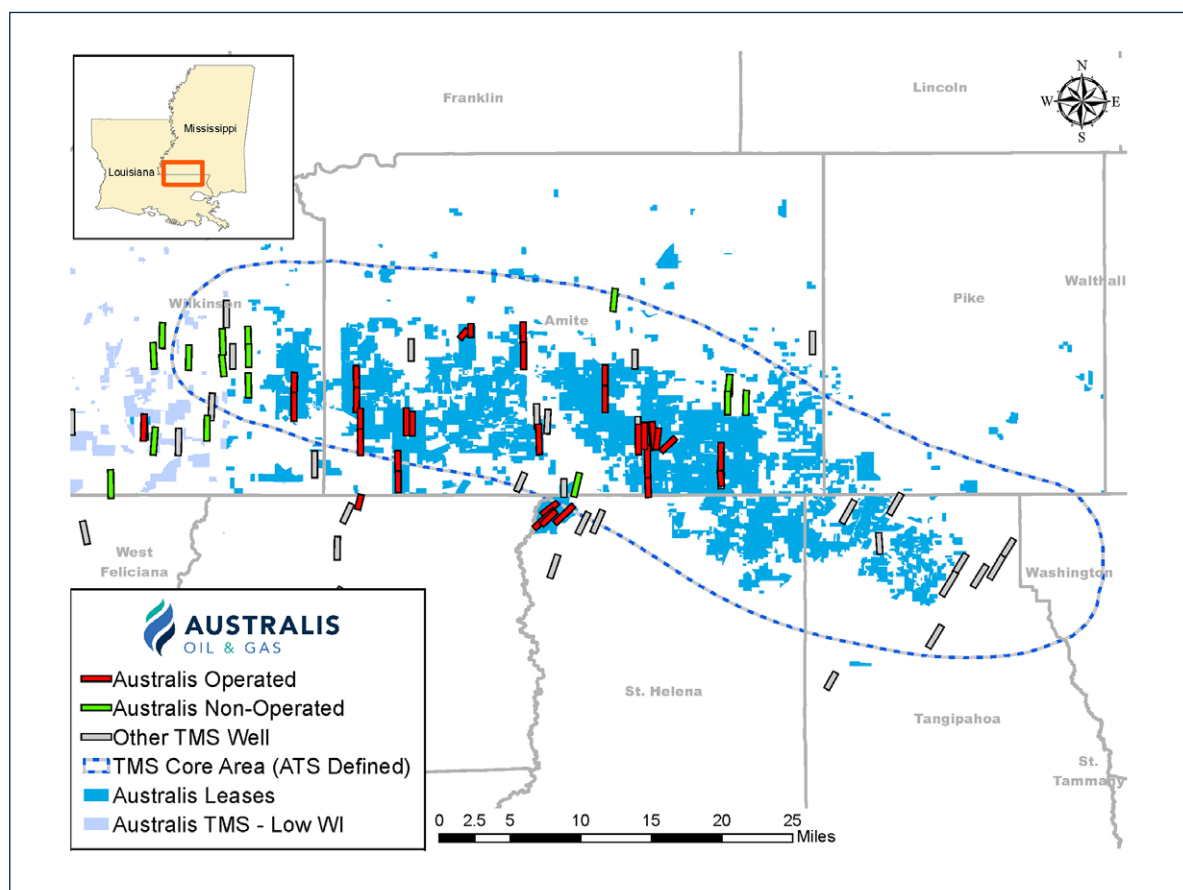
In April 2017, Australis acquired all of the existing TMS assets owned by Encana Oil & Gas (USA) (Encana) for US\$68.1 million. The acquisition was funded through a simultaneous A\$100 million share placement to existing and new shareholders.

The Encana assets acquired were one of the largest acreage positions within the delineated core of the play and defined Australis as a major player in the TMS and at that time increased Australis' core acreage holding to 81,000 net acres. In addition to the highly contiguous land position, Australis acquired working interests in 31 operated and producing wells (29 net wells) and 16 non-operated and producing wells (1.6 net wells), which at the time of acquisition comprised independently assessed 5.0 MMbbls of net proved producing reserves with a BT NPV(10) value of US\$95 million. Accordingly, for the purchase price of less than an independent assessment of the BT NPV(10) of the PDP, this transaction provided Australis with:

1. Strong cash flow from existing production;
2. Reserves;
3. HBP acreage;
4. Undeveloped acreage within the core of the TMS; and
5. A large inventory of future drilling locations.

Importantly, the acquisition also provided access to considerable high quality technical data and knowledge transferred by Encana. Following transaction close, Australis undertook a review of all operations including the seamless transition of field management, most of whom transferred from Encana.

Figure 1: YE 2017 Australis acreage position relative to the delineated core area



# Operating & Financial Review

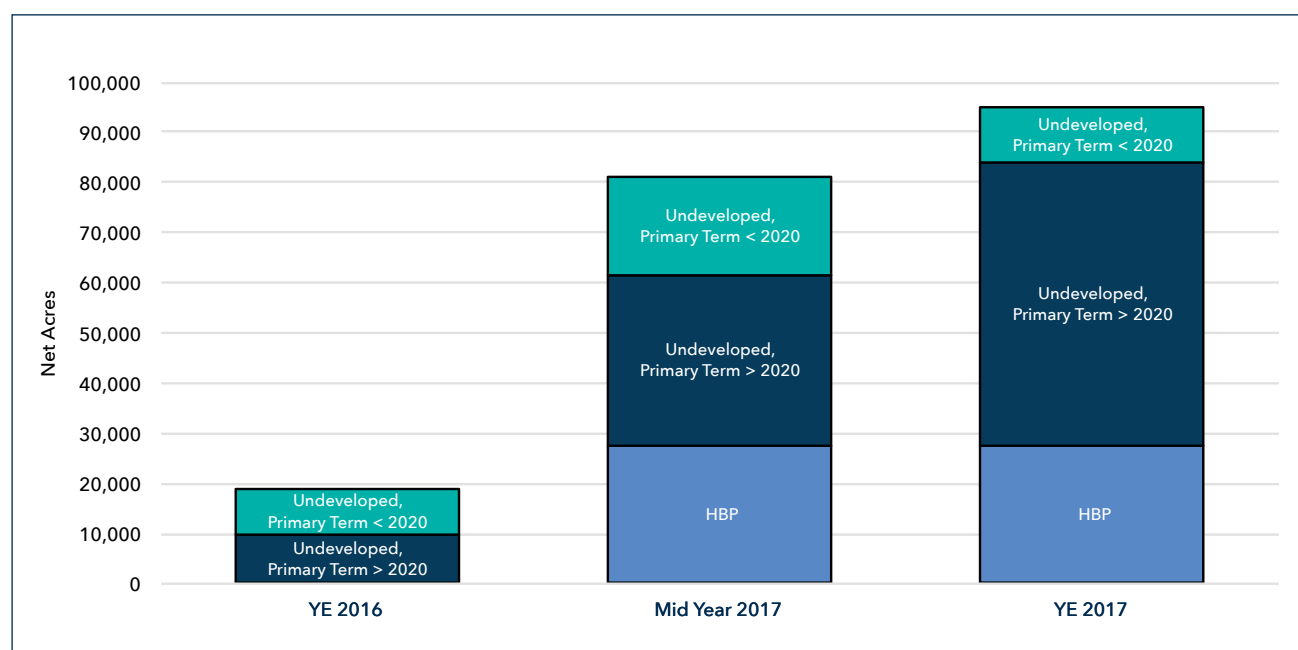
## Leasing Activity

In an environment of low activity levels and limited competition in the TMS, Australis executed a leasing strategy that focused on acquiring and extending leases with long lease life and attractive commercial terms within the core area. Holding leases with longer primary terms (4-5 years) is consistent with our strategy of maximizing flexibility and optionality on future development programs. In addition, further consolidation was achieved through opportunistic acquisitions during this period.

Through these successful efforts, in addition to the Encana acquisition, Australis increased the contiguous land position in the TMS core by approximately 14,000 net acres, amassing 95,000 net acres by year end. Of this acreage, 27,600 net acres are Held by Production (HBP) with all lease obligations satisfied (providing the associated well remains on production). Over 88% of year end holdings are HBP or have an expiration beyond January 2020.

Table 2: Australis Net TMS Core Acreage as at 31 December 2017	Net Acres
HBP core acres	27,600
Undeveloped core acreage – primary term > 2020	56,200
Undeveloped core acreage – primary term < 2020	11,200
<b>Total Focus Net Acres within the TMS Core</b>	<b>95,000</b>

Figure 2: Net acreage growth in the TMS core





## TMS RESERVES AND CONTINGENT RESOURCE ESTIMATES

*Successful implementation of the Australis business strategy to accumulate 'oil in the ground' through the lower oil price environment is clearly shown by the > 1,000% growth in 2P + 2C since the end of 2016.*

Table 3 below summarises the Australis reserve estimates as at 31 December 2017 based on the assessment of approximately 35% of the undeveloped core TMS acreage and 2C resource estimates based on the remaining 65% of the undeveloped acreage. These reserves and resources were independently assessed by Ryder Scott Company (Ryder Scott)<sup>2</sup>. Their estimates have converted in excess of 40 MMbbls to the proved or probable reserve category compared to the assessment as at 1 February 2017. Reserve estimates include PDP reserves from existing producing wells of 3.93 MMbbls and PDNP reserves of 0.17 MMbbls, with a combined BT NPV(10) of US\$79.5 million<sup>2</sup>.

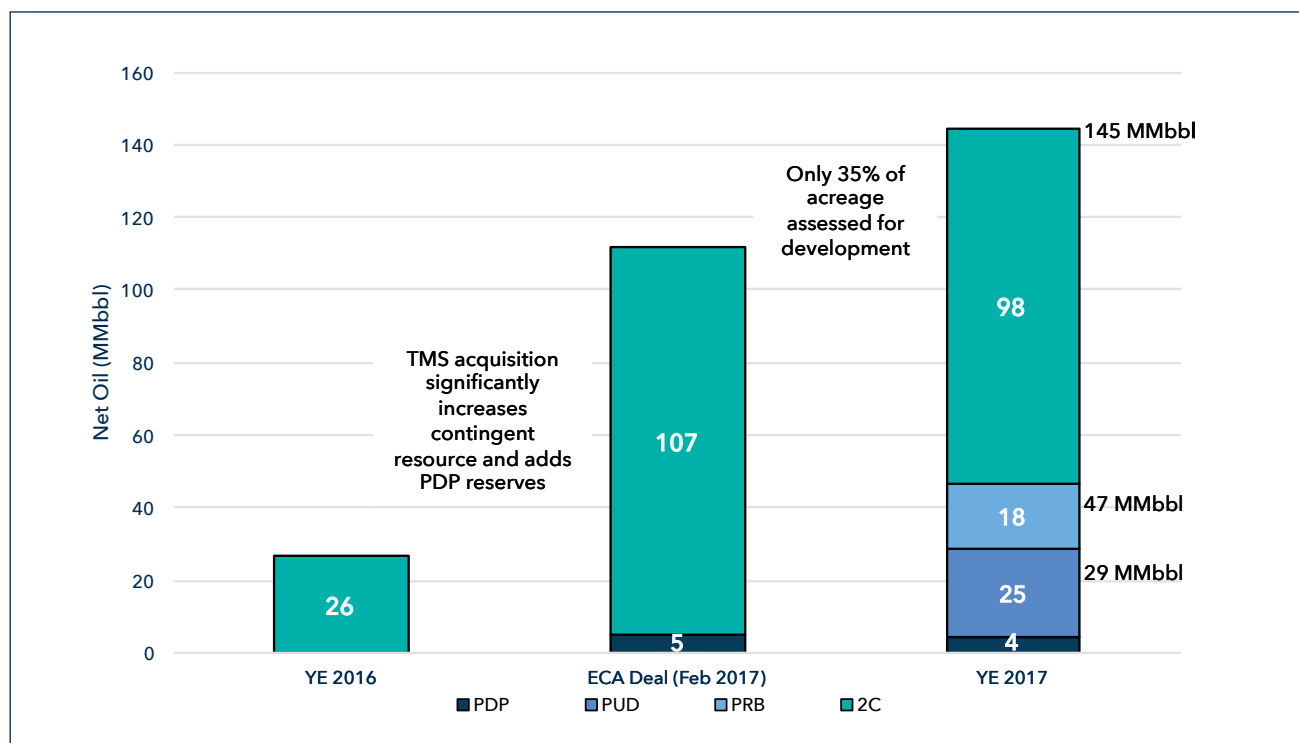
Table 3: TMS reserves and resources as at 31 December 2017<sup>2</sup>

Reserve and Resource Category	Net Oil (Mbbbls)
Proved Reserves (1P)	28,903
Probable Reserves	17,681
Proved + Probable Reserves (2P)	46,854
Possible Reserves	13,595
Proved + Probable + Possible Reserves (3P)	60,179
2C Contingent Resource	98,045

The acreage not assessed for reserve allocation was allocated a 2C contingent resource estimate of 98 MMbbls<sup>2</sup>, which is based on a conservative 9% recovery of assessed oil in place. Australis is not aware of any subsurface technical reason preventing these resources transitioning to reserves when assessed for development within the required 5 year development time period.



Figure 3: TMS reserves and resources growth from year-end 2016



A more detailed Reserves and Resources Statement is provided on page 18.

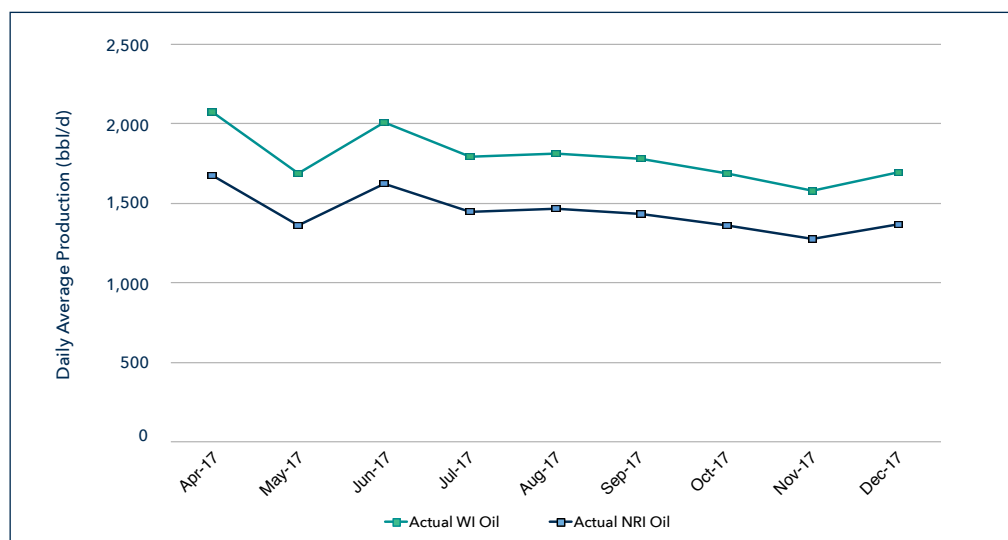
## TMS OPERATIONS AND ACTIVITY

### Production

In April 2017, Australis assumed operatorship of 31 producing wells and acquired working interests in 16 non-operated producing wells. The associated production from these wells from April through December 2017 provided Australis with positive operational cash flows, funding Australis' overhead and land leasing acquisition program.

December 2017 sales volumes averaged approximately 1,700 bbls per day (WI) and 1,350 NRI bbls per day. Australis sales for the year, post acquisition, averaged approximately 1,800 bbls per day (WI) and 1,450 NRI bbls per day. Figure 4 indicates the low rate of decline from the acquired wells by showing the working interest (pre-royalty) and net revenue interest (post-royalty).

Figure 4: Australis operated 2017 daily oil production following Encana acquisition



## Knowledge Transfer & Technical Analysis

In addition to the producing wells and lease assets, the Encana acquisition provided Australis with valuable technical and experience based data. Recognising the necessity to capture the experience and knowledge gained through the appraisal and development programs of Encana and other operators in the play, Australis has:

- Assessed and reverse engineered the information made available from the transaction;
- Held interactive peer group sessions with the Encana operating teams;
- Undertaken extensive consultation with the key service companies and consultants that had been active in the play during 2014;
- Gained access to a Schlumberger consortium data set, to which most operators in the play contributed during the 2013 – 2014 period;
- Carried out a number of studies to better understand the geology and physical parameters of the play, such as natural fracture distributions across the core area, fluid compatibility analyses, and completion design models; and
- Commissioned a geo-mechanical study to further analyse wellbore stability, a technical aspect of drilling that is believed to be a key driver in overcoming operational difficulties that have been previously encountered.

These work flows culminated in an internal “Basis of Design” document containing a development well program that best captures the learning curve from prior operations.

## FUTURE ACTIVITY

Australis continues to strategically target the TMS core area to consolidate and increase its working interest in leaseholds in preparation for future drilling operations. In addition to maintaining a substantial land position, Australis has commenced the process of permitting drilling units in Mississippi, which will be an ongoing component of maintaining operator status and preparing for future development.

The corporate emphasis also includes preparing for a drilling program which is targeted to commence later in 2018. Australis is considering several potential funding alternatives to finance this initial drilling program.

## THE TUSCALOOSA MARINE SHALE AND ITS UPSIDE POTENTIAL

*Identified by Australis as one of the few remaining economic underdeveloped liquids rich plays in onshore USA.*

### TMS Background

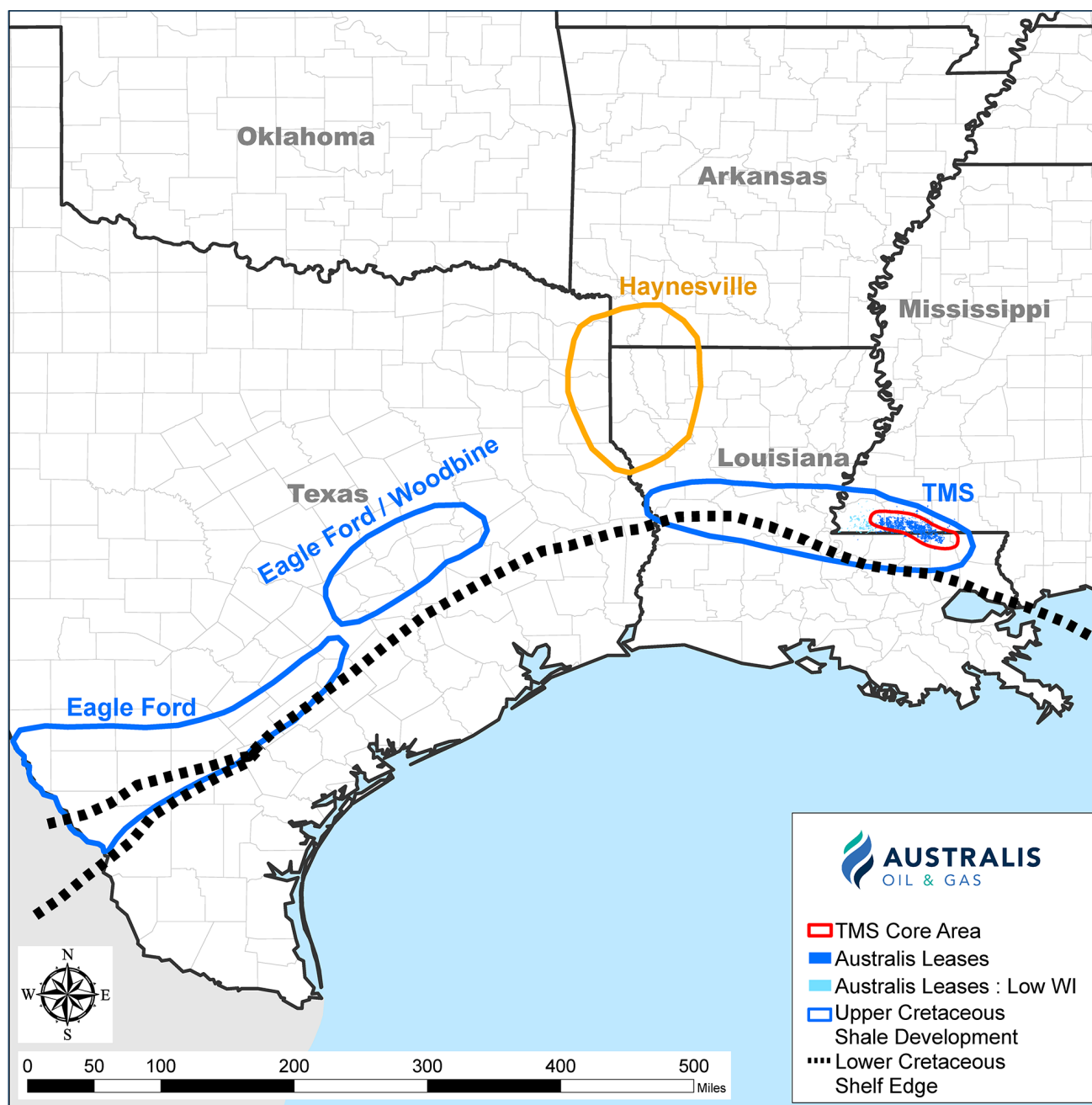
The TMS is an unconventional shale that was deposited across southern Mississippi and central Louisiana during the Cretaceous period, some 90 – 100 million years ago, in a shallow marine setting. It is a formation that is similar in geological age to the Eagle Ford Shale in South Texas as well as the Woodbine Shale in East Texas. Since the 1980s, prior to unconventional drilling, the area was conventionally developed with vertical wells targeting the recovery of hydrocarbons from the Tuscaloosa sand horizons that are present immediately above and below the actual TMS zone, which acted as the source rock for those conventional horizons. In 2010, with the rapid evolution of horizontal drilling, the TMS began to be explored as an unconventional resource with variable results.

The TMS is a reservoir that is deep, high pressured, and oil weighted. Regionally, the TMS has a gentle dip to the southwest, with depths ranging from 10,700 ft to 12,450 ft below sea-level across the core part of the trend. The characteristics of the rock led to early operational difficulties in the drilling and completion of horizontal wells, resulting in inconsistent production performance and higher well costs than comparable shale plays. However, as activity progressed over the following years, a small but distinct core area of the TMS was identified (the “TMS Core”), within which wells were being completed with encouragingly consistent production.

## Operating & Financial Review

Figure 5 shows the extensive depositional area of the TMS, as defined by the Louisiana and Mississippi state petroleum departments, with the Eagle Ford, Woodbine, and Haynesville plays indicated to show relative areal size. The small red oblong shows the production delineated core area, which only consists of approximately 650,000 acres or 8% of the known TMS geological setting. The rapid decrease in production performance outside this area left many of the early TMS entrants with little or no exposure to the higher performing reservoir. The sub-optimal well results outside of the core disproportionately influenced the reputation of the play as a whole. Despite this, the participants who held an acreage position within the core continued their appraisal activity throughout 2013 and 2014. Many of the operational challenges were addressed, resulting in decreasing costs and improving productivity and consistency. However, the commodity price drop in late 2014 caused TMS activity to cease, leaving further efficiencies unrealised. No drilling activity has occurred in the TMS since the beginning of 2015.

Figure 5: Depositional area of the TMS & Australis YE 2017 acreage position relative to the delineated core



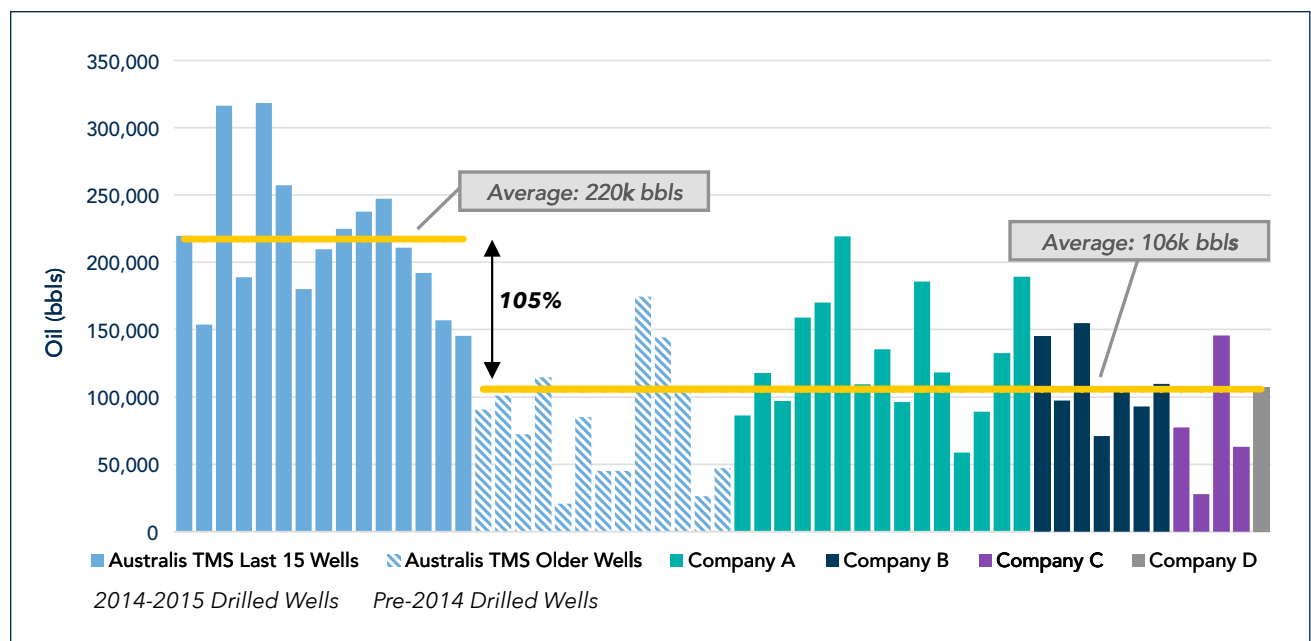
### Tuscaloosa Marine Shale Activity

The exploration of the TMS in 2010 began as unconventional development of the other Gulf Coast plays accelerated and opportunities to extend development to the east were evaluated. Early participants such as EOG Resources and Devon Energy Corporation amassed large land positions in different areas of the wider play, but initial well results were not encouraging and progress in other plays led to their departure. Over the next few years, during a period of high oil prices and significant technological improvements in horizontal drilling, the appraisal of the TMS continued but at a relatively slow pace, and by early 2014 Goodrich Petroleum Corporation, Halcon Resources Corporation, Sanchez Energy Corporation, Comstock Resources Inc., and Encana had established themselves as the major players in the TMS.

Between 2010 and 2015 there were only 80 horizontal TMS wells drilled in Mississippi and Louisiana, with the oil price collapse in late 2014 causing an abrupt end to activity. The production performance of these wells was variable and unusually binary based on their location within the TMS. Over time the well results created a performance-delineated core area that most of the participants publicly acknowledged, within which Encana, now Australis, held the dominant position.

In 2014 and early 2015 Encana drilled a total of 15 wells, which were all within the core area of the TMS. The wells utilised an engineered drilling design that successfully addressed many of the operational issues that had previously driven higher well costs across the play. This 15 well program also investigated different landing zones and completion designs in a continued effort to optimise well performance. The results were successful with a 105% increase in the average oil production over the first 24 months compared to the 40 other horizontal wells drilled in Mississippi, as shown below in Figure 6.

Figure 6: Individual 24 Month Cumulative Production Per Well – TMS Mississippi



Well performance and capital cost trends were showing significant improvement over time until the activity within the play stopped in early 2015. During the subsequent downturn, the US unconventional industry has made great strides in cost reductions and technology led productivity improvements, none of which have yet been applied to the TMS. As a result, there is potentially substantial upside to the play once field development resumes and the drilling and cost efficiencies that have occurred over the past three years in other highly active shale plays are applied to the TMS.

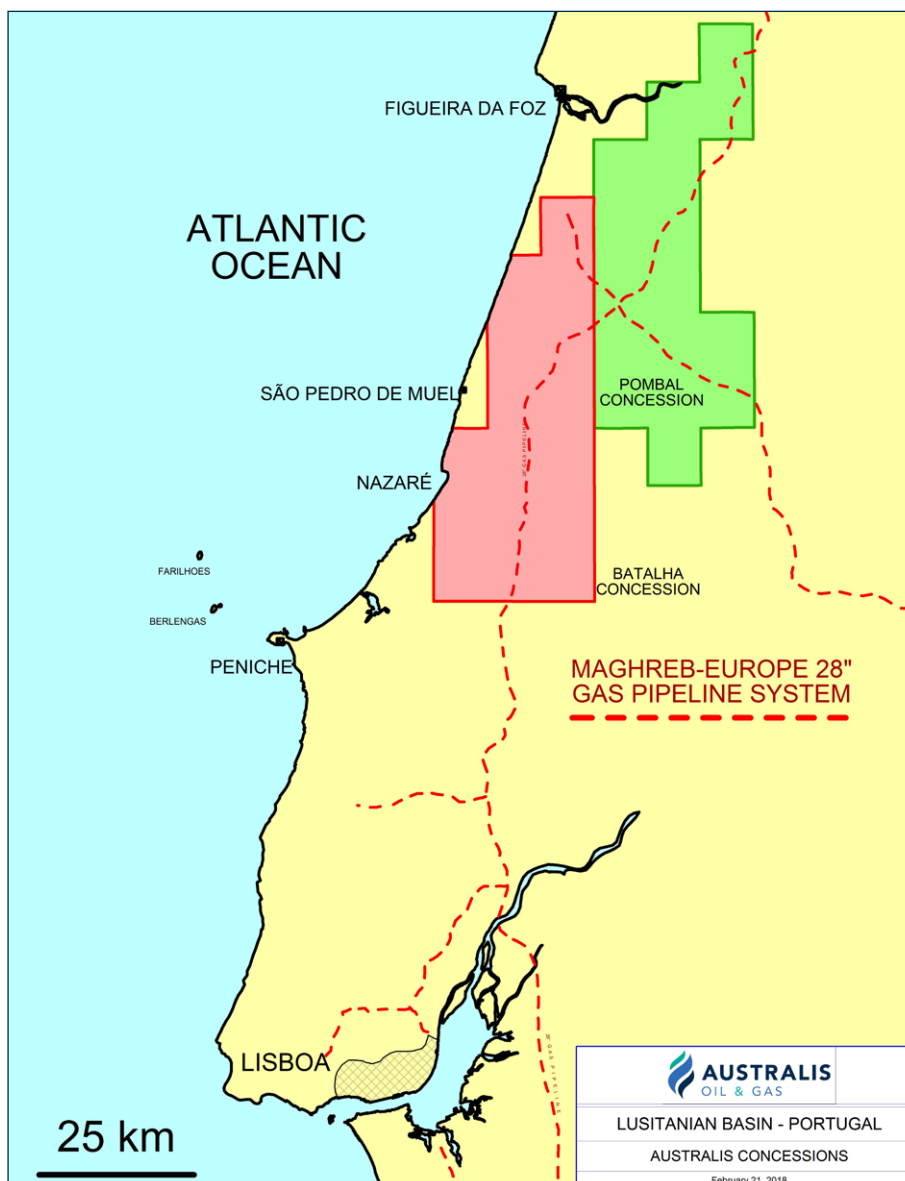
## LUSITANIAN BASIN – CONVENTIONAL GAS & OIL ACREAGE ONSHORE PORTUGAL

*Australis made significant progress in Portugal in 2017, completing the initial technical evaluation, and commencing preparations for appraisal and exploration.*

### Australis' Portugal Concessions

In September 2015, Australis was awarded two onshore exploration concessions in the Lusitanian Basin known as the Batalha and Pombal Concessions. The exploration concessions cover a total area of 620,000 acres and are valid for a further 6 years, having completed year 2 in September 2017. The concessions have a limited commitment work program in the first 3 years involving studies and data analysis, then each concession has an annual drilling obligation from year 4. The concessions can be relinquished at the end of each concession year, after and including, year 3 provided all obligations have been met.

Figure 7: Overview of the Batalha and Pombal Concessions in the Lusitanian Basin



In 2017, Australis work in Portugal included various evaluations to further define and build on the technical model and increase the potential for successful drilling operations onshore in year 4 of each concession. This included:

- Geochemical analysis through key intervals to further refine our understanding of the hydrocarbon potential in areas surrounding future drilling locations.
- Biostratigraphic analysis and stratigraphic description of cuttings samples to further refine depositional models and enhance the geologic understanding across the basin, in particular the Batalha Concession. These studies were coordinated with Portuguese Universities to build on the local knowledge available in country.
- Completed the first phase of an ongoing seismic reprocessing program on 2D seismic lines in both Batalha and Pombal. Seismic lines were reprocessed after undergoing a detailed refraction statics workflow which helped provide a more detailed interpretation of the subsurface. The overall process provided encouraging results with Phase II currently underway as part of our 2018 commitments.

The Company plans to present the project for evaluation by the Portuguese regulatory authorities in early 2018. In addition to an assessment by the Avaliação de Impacte Ambiental (AIA), as required by Portuguese Law, Australis plans to carry out an Environmental Impact Assessment (EIA), which will include an identification of environmental risk factors and evaluation of all potential impacts associated with Australis' activities throughout the drilling of planned wells and the testing of their production potential. In addition, Australis has commenced the analysis of drilling designs and drill site options, the results of which will allow for the highest opportunity for success while maintaining the strategy of designing the project in a way that promotes proper stewardship of the assets and minimizes our impact on the environment. Once the EIA is underway, Australis will commence a process of sourcing funding partners for our Year 4 concession commitment wells.

## PORTUGAL CONTINGENT RESOURCES

No new technical information was obtained within the Batalha or Pombal concessions, during the 2017 year, which would have contributed to an update on the previously reported Australis Resources Summary as of 31 December 2016. Australis continues to work towards further expanding the potential identified within the two separate horizons, as shown in Figure 8, for which resources were assigned.

Figure 8: Structural map for the Brenha and Lemele discoveries

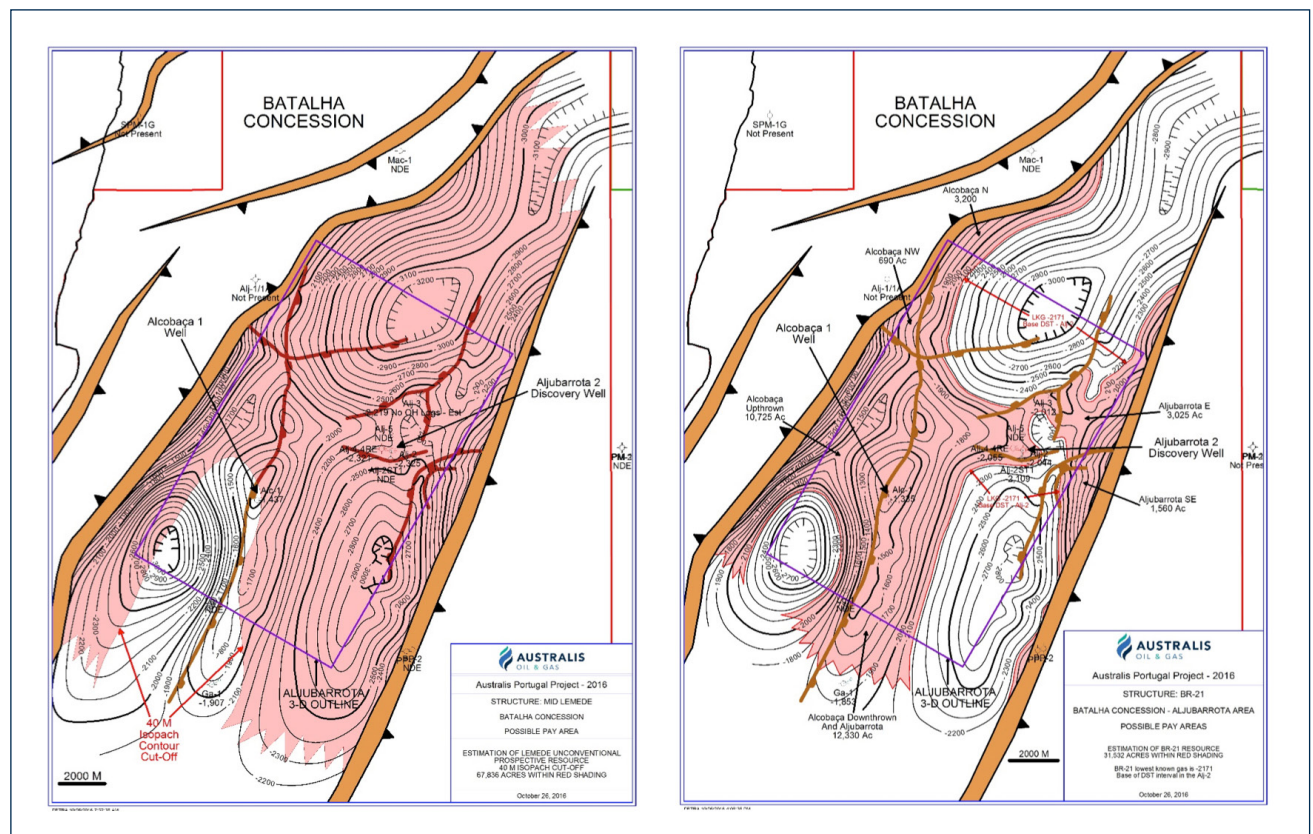


Table 4: Portugal Contingent Resources, as at 31 December 2016<sup>3</sup>

	Low Contingent Resource (1C)	Most Likely Contingent Resource (2C)	High Contingent Resource (3C)
Net Gas (Bcf)	217.4	458.5	817.7

In addition, Australis has identified a number of exploration prospects and leads from the available seismic data. Success with the year 4 program would be encouraging for further exploration drilling to test some of these potential accumulations.

A Reserves and Resources Statement is provided on page 18.

## SUSTAINABILITY

Our mission is to deliver value driven growth and high returns to our shareholders, in a sustainable and responsible way. To achieve this, we have in place procedures and policies prompting sustainable business practices. As Australis grows, we will continue to develop our sustainability initiatives and reporting.

### Environmental Health and Safety (EHS)

Since the Company was founded in 2014, the safety and protection of people and the environment remains a core value and priority. The Company EHS Policy requires that EHS-related considerations be factored into all business decisions and processes. Company leadership strives to foster a culture of responsibility and EHS excellence. As an indication of the prioritisation of EHS within Australis, each employee's remuneration is impacted by the Company's EHS performance.

In accordance with this objective, Australis managed operations achieved the following during 2017:

- No reportable spills impacting the environment;
- No reportable injuries (First Aid only);
- No EHS regulatory or permit violations; and
- Met or exceeded all internal annual EHS targets.

In addition to the EHS performance indicators mentioned above, the Company has actively engaged external stakeholders relating to EHS matters. Stakeholder engagement activities conducted by Australis in 2017 included:

- Proactively met with government regulators in Mississippi and Portugal to introduce the Company and obtain information on specific regulatory programs pertinent to our operations;
- Conducted a joint Emergency Response Drill with local government in Mississippi in October 2017;
- Established a 24-hour emergency hotline with posted signage for the public and landowners at our operated locations;
- Coordinated an appreciation event honouring local emergency responders in Texas after Hurricane Harvey; and
- Collaborated with local government to address access road maintenance issues at our field locations.

### Other Sustainability Principles

In addition to the safety and protection of people and the environment, our approach to sustainability is underpinned by the following:

- **Operating with Integrity** - Australis has adopted a Code of Conduct that sets out the principles and standards of behaviour expected of its directors, employees and contractors when dealing with each other, shareholders, other stakeholders and the broader community. The Code of Conduct requires employees and contractors to act with honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the company operates.
- **Development & Training** - Australis values and understands the importance of a rigorous training and development program for leaders, managers, and professional staff. Technical training, professional development and support for technical certifications are offered to all staff.
- **Diversity & Inclusion** - Australis' diversity policy is designed to augment its business success by recognising and utilising the contribution of diverse skills and talent and fostering an environment of inclusion. Australis understands the variety of backgrounds in an organisation can increase overall performance, sustainability, teamwork and creativity.
- **Risk Management** - Australis has developed a rigorous system of risk management and internal controls which facilitate the identification and management of risks that may have a material impact of Australis's strategy or objectives. The board retains overall responsibility for reviewing, ratifying and monitoring systems of risk management and internal control - however the day to day responsibility for the management of risk is delegated to the CEO.



## FINANCIAL REVIEW

### Summary of Financial Performance

The Company's strong financial performance in 2017 reflected its transition to producer following its acquisition of producing TMS assets. Australis utilised positive field cash flow from the April acquisition to fund corporate overhead and capital investment in land leasing and direct operational land acquisition activities. Australis reported a gross profit of US\$11 million (\$24/bbl), reflecting revenue and field costs from 13 April to 31 December 2017.

A review of Group results is summarised below.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000	% Change Favourable/ (Unfavourable) %
Sales volumes (working interest)	469,000 bbls	–	n/a
Sales revenue (net of hedging losses)	23,347	–	n/a
Gross profit (field netback)	11,037	–	n/a
Gross profit (field netback) / Sales revenue	47.3%	–	n/a
Operating cashflow	2,570	(4,456)	157%
Reported loss	(1,159)	(6,994)	83%
Underlying EBITDAX <sup>(1)</sup>	2,372	(6,054)	139%

<sup>(1)</sup> EBITDAX represents net income (loss) for the year before income tax expense or benefit, finance costs, depletion, depreciation and amortisation expense, other non-cash charges and exploration and evaluation expenses.

Calculation of underlying EBITDAX by adjusting for items unrelated to the underlying operating performance is considered to provide meaningful comparison of results between periods. Underlying EBITDAX is not a defined measure under International Financial Reporting Standards and is not audited. Reconciliations of underlying EBITDAX included in this report to the Financial Statements is included in this review.

### Sales volumes & sales revenue (net of hedging)

The Company completed the acquisition of the Tuscaloosa Marine Shale producing assets on 13 April 2017. Sales volumes of 469,000 bbls reflect sales over a 262 day period to 31 December 2017.

The average realised price per barrel of oil was US\$51.69 offset by hedge losses of US\$(1.91) per barrel. This resulted in net revenue of US\$23,347,000 during the year which represents US\$49.78 per barrel.

### Gross profit

The Group made a gross profit of US\$11,037,000 during the year after cost of sales of US\$12,310,000 primarily consisting of:

- Production costs (lease operating and workover expenses) of US\$6,500,000 (US\$13.85 per bbl) – slightly higher than anticipated due to unexpected downtime as a result of tubing and rod corrosion failures which Australis is confident has been rectified;
- Royalties of US\$4,669,000 (US\$9.96 per bbl) – in line with expectations based on Group's entitlements to production; and
- Production taxes of US\$951,000 (US\$2.03 per bbl) – in line with expectations based on state taxes and charges.

# Operating & Financial Review

## Operating cashflow

Operating cashflow increased 157% on the previous financial year. The factors that contributed to the movement between the years were:

- Receipts from oil sales of US\$20,648,000 (2016: \$nil)
- Increase in payments to suppliers and employees mainly due to the increased activity from the ensuing acquisition of the TMS producing assets. Cash outflow of US\$18,078,000 (2016: \$4,456,000)

## Reported loss

Reported loss decreased 83% on the previous financial year. The main contribution was the gross profit of US\$11,037,000 earned from the TMS assets offset by US\$(4,897,000) increase in other expenses.

## Underlying EBITDAX

A reconciliation of underlying EBITDAX is shown below.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Net loss attributable to owners of the Company	(1,159)	(6,994)
Add/(Less):		
Net interest	(95)	(61)
Depletion, depreciation and amortisation	1,953	18
Exploration costs expensed	1,673	983
Underlying EBITDAX	2,372	(6,054)

## SUMMARY OF FINANCIAL POSITION

	As at	% Change
	31 December 2017 US\$'000	31 December 2016 US\$'000 Favourable/ (Unfavourable) %
Current assets	22,308	21,661 3%
Non-current assets	107,257	27,523 290%
Current liabilities	(8,051)	(857) (839%)
Non-current liabilities	(1,600)	– n/a
Equity	119,914	48,327 148%

### Current assets

Current assets increased by A\$0.65 million, 3% primarily due to an increase in trade and other receivables balances offset by a decrease in cash balances:

- Trade and other receivables increased by US\$5.0 million on previous year mainly arising from trade and accrued receivables relating to oil sales US\$3.7 million and hedge bond of US\$1.0 million lodged with Commonwealth Bank of Australia.
- Cash decreased US\$(4.8) million on previous financial year. Main contributing factors were: cash inflow from operating activities of US\$2.6 million, financing activities of US\$71.0 million and effect of exchange rate on foreign cash balances of US\$0.6 million. This was offset by cash spent on investing activities of US\$(79.0) million.
- Inventory of US\$0.6 million was held at end of 2017 made up of warehouse spares US\$0.5 million and oil stock of US\$0.1 million.

### Non-current assets

Increased by US\$79.7 million (290%) and represents the capital expenditure on the acquisition of the TMS asset and the 2017 ongoing leasing program.

## Current liabilities

Current liabilities increased by US\$7.2 million, primarily due to an increase in trade and other payables and derivative financial instruments:

- Trade and other payables increased by US\$3.8 million on the previous year mainly arising from amounts due on operated activities.
- Recognition of revenues held, but not yet paid, on behalf of royalty owners of US\$2.6 million.
- Other trade payables of US\$0.8 million.

## Equity

Increased by US\$71.5 million (148%) as a result of the Company completing a A\$100.0m share placement via a 434.8m new fully paid ordinary share issue at A\$0.23 per share.

## Hedging

Consistent with our focus on ensuring balance sheet stability and protecting against downside risk, the Company hedged a portion of production in 2017. For the latter half of 2017 and early 2018, the Company strategy was to secure hedging for approximately 50% of its PDP production for six months forward, with a higher weighting to the first three months. The hedges entered into in 2017 were fixed swaps securing a future price for Louisiana Light Sweet Crude.

## Funding & Liquidity

As at 31 December 2017, Australis had cash on hand of US\$17 million and no debt. Further, Australis ensures that cash flow generated from its TMS production can service its short-term capital expenditure and corporate overhead. Importantly, as operator of its assets, Australis is under no short term obligation to drill wells.

With a debt-free balance sheet, and an extensive acreage position with existing production, Australis has several financings alternatives to fund development of its undeveloped acreage. Australis will remain prudent and disciplined with respect to its capital management in order to maintain strong liquidity and flexibility.

## CORPORATE GOVERNANCE

The Board monitors the operational and financial performance of the Company and oversees its business strategy, including approving the strategic goals of the Company. The Board is committed to generating significant levels of Shareholder value and financial return whilst building the foundations for the growth and success of the Company. In conducting business with these objectives, the Board aims to ensure that Australis is properly managed to protect and enhance Shareholder interests and that the Company, its Directors, officers and employees are operating in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Australis, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Australis business and which are designed to promote the responsible management and conduct of the Company. Australis reviews and amends its corporate governance policies as appropriate to reflect the growth of the Company, current legislation and good practice. The main charters, policies and procedures that form the basis of corporate governance practices at Australis, can be found in the corporate governance section of Australis website, [www.australisoil.com](http://www.australisoil.com).

## FUTURE DEVELOPMENTS

### Strategy

The Company continues to focus on growth in value per share in preference to other metrics such as market capitalization, production or reserves. In the past year the Company has increased its asset portfolio which contains the appropriate mix of cash flow from existing production and large undeveloped reserves and resources. This asset portfolio offers the potential for significant growth in shareholder value. The Company will continue to adopt a disciplined approach to the application of development capital to increase the value of the asset portfolio.

### 2018 Outlook

The strategic goals for 2018 include:

- Demonstrate the repeatability of the TMS productivity through the commencement of a moderate and targeted drilling program;
- Increase reserves through the further conversion of resources; and
- Enhance the value of our Portuguese areas of interest in preparation for partner introduction and drilling.

## RESERVES AND RESOURCES STATEMENT

### Reserves

Table 5: TMS reserves, as at 31 December 2017<sup>2</sup>

Reserve Category	Total Oil (Mbbbls)	Net Oil (Mbbbls)
Proved Developed Producing (PDP)	6,521	3,927
Proved Developed Non-Producing (PDNP)	225	166
Proved Undeveloped (PUD)	39,589	24,810
<b>TMS Proved Reserves (1P)</b>	<b>46,335</b>	<b>28,903</b>
Probable Developed Producing	698	401
Probable Developed Non-Producing	23	17
Probable Undeveloped	31,505	17,263
Probable Developed and Undeveloped Reserves (PRB)	32,226	17,681
<b>TMS Proved + Probable Reserves (2P)</b>	<b>78,561</b>	<b>46,584</b>
Possible Developed Producing	803	469
Possible Developed Non-Producing	29	21
Possible Undeveloped	24,898	13,105
Possible Developed and Undeveloped Reserves (POS)	25,730	13,595
<b>TMS Proved + Probable + Possible Reserves (3P)</b>	<b>104,291</b>	<b>60,179</b>

Table 6: TMS PDP reserves reconciliation  
1 February 2017 to 31 December 2017

Description	Net Oil (Mbbbls)
PDP Reserves (1-Feb-17) <sup>1</sup>	4,978
Net Production (1-Feb-17 – 31-Dec-17)	(499)
Technical Adjustment	(386)
<b>PDP + PDNP Reserves (31-Dec-17)<sup>2</sup></b>	<b>4,093</b>

The Technical Adjustment to the PDP reserves is comprised primarily of revisions in forecasted performance as a result of unexpected well downtime, mostly due to tubing and rod corrosion failures, as well as the subsequent remedial Opex spent on corrective workover and anti-corrosion measures. Australis is confident that the underlying issues have been addressed and that the frequency of workovers will diminish through 2018 and this has been our experience in the first quarter of 2018.

## Resources

	Current Resource Estimates <sup>2,3</sup>			Previous Resource Estimates <sup>1,3,4</sup>		
	As of Date	Net Oil (MMbbl)	Net Gas (Bcf)	As of Date	Net Oil (MMbbl)	Net Gas (Bcf)
<b>Low (1C)</b>						
TMS <sup>5</sup>	31-Dec-17	8.9	-	1-Feb-17	34.6	-
Portugal – Batalha Concession <sup>5,6</sup>	31-Dec-16	-	217	1-May-16	-	84
<b>Total 1C Resources</b>		<b>8.9</b>	<b>217</b>		<b>34.6</b>	<b>84</b>
<b>Most Likely (2C)</b>						
TMS <sup>5</sup>	31-Dec-17	98.0	-	1-Feb-17	106.6	-
Portugal – Batalha Concession <sup>5,6</sup>	31-Dec-16	-	459	1-May-16	-	234
<b>Total 2C Resources</b>		<b>98.0</b>	<b>459</b>		<b>106.6</b>	<b>234</b>
<b>High (3C)</b>						
TMS <sup>5</sup>	31-Dec-17	177.8	-	1-Feb-17	181.0	-
Portugal – Batalha Concession <sup>5,6</sup>	31-Dec-16	-	818	1-May-16	-	818
<b>Total 3C Resources</b>		<b>177.8</b>	<b>818</b>		<b>181.0</b>	<b>818</b>

	Current Resource Estimates <sup>3</sup>			Previous Resource Estimates <sup>4</sup>		
	As of Date	Net Oil (MMbbl)	Net Gas (Bcf)	As of Date	Net Oil (MMbbl)	Net Gas (Bcf)
<b>Low</b>						
Portugal – Batalha Concession <sup>5,6</sup>	31-Dec-16	16.5	96	1-May-16	16.5	96
Portugal – Pombal Concession <sup>5,6</sup>	31-Dec-16	2.6	8	1-May-16	2.6	8
<b>Total Low</b>		<b>19.2</b>	<b>104</b>		<b>19.2</b>	<b>104</b>
<b>Best</b>						
Portugal – Batalha Concession <sup>5,6</sup>	31-Dec-16	97.2	388	1-May-16	97.2	388
Portugal – Pombal Concession <sup>5,6</sup>	31-Dec-16	29.3	78	1-May-16	29.3	78
<b>Total Best</b>		<b>126.4</b>	<b>466</b>		<b>126.4</b>	<b>466</b>
<b>High</b>						
Portugal – Batalha Concession <sup>5,6</sup>	31-Dec-16	332.9	1,324	1-May-16	332.9	1,324
Portugal – Pombal Concession <sup>5,6</sup>	31-Dec-16	115.4	309	1-May-16	115.4	309
<b>Total High</b>		<b>448.4</b>	<b>1,632</b>		<b>448.4</b>	<b>1,632</b>

\* It should be noted that the estimated quantities of petroleum that may be potentially recovered by the future application of a development project may relate to undiscovered accumulations. These estimates should have the associated risk of discovery and development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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

The change in estimated TMS contingent resource as at 1 February 2017 and 31 December 2017 is due to the following key factors:

- An increase in Australis' TMS core acreage position between the effective dates of the estimates;
- The assessment and allocation of reserves to select areas reduced the acreage available for contingent resources; and
- Minor changes made by Ryder Scott to the reservoir and recovery factors used in their analysis.

## NOTES

1. Contingent Resources and Reserves estimated with an effective date 1 February 2017 are taken from the independent Ryder Scott report dated 7 February 2017 and announced on 28 February 2017 and titled "US Shale Acquisition and A\$100 Million Placement".
2. Contingent Resources and Reserves estimates with an effective date 31 December 2017 are taken from the Independent Ryder Scott report dated 26 January 2018 and announced on 30 January 2018 and titled "Reserve and Resource Update Year End 2017". The report was prepared in accordance with the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS). Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method. The Company is not aware of any new information or data that materially affects the information included in the referenced market announcement and that all material assumptions and technical parameters underpinning the estimates in the referenced market announcement continue to apply and have not materially changed.
3. All estimates have been taken from the independent Netherland, Sewell & Associates report, effective 31 December 2016 and announced on 25 January 2017 titled '2016 Year End Resource Update'. The report was prepared in accordance with the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Page 7 of 7 Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS). The Company is not aware of any new information or data that materially affects the information included in the referenced market announcement and that all material assumptions and technical parameters underpinning the estimates in the referenced market announcement continue to apply and have not materially changed.
4. Contingent Resources estimated with an effective date 1 May 2016 are taken from Section 8 (Technical Experts Reports) of the Company's prospectus dated 29 June 2016 and is available on the Company website.
5. The deterministic method is based on qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk-based) approach estimates the quantities at each level of uncertainty discretely and separately.
6. Australis holds a 100% working interest in the Batalha and Pombal Concessions, however this interest is subject to a 3% working interest option granted to a contractor and the Net estimates provided by NSAI are prepared with the assumption that this option has been exercised. The Net estimates provided by NSAI also make an allowance for royalties payable to the Portuguese government. The actual royalties payable by Australis are detailed in Article 51 of Decree Law nr 109/94 of the 26th April, 1994 and Article 19.2 of each concession contract. For oil there is a staged royalty of between 0 and 9% based on produced volumes and for gas there is a similar staged royalty of between 3 and 8% again based on produced volumes. As there is not a development plan and an associated production profile for either the contingent or prospective resource estimates, the royalty rate has been assumed to be 8 and 9% respectively.

## Governance and Assurance

On at least an annual basis Australis engages an independent reviewer to verify and determine changes to reserves and resources.

## Qualified Petroleum Reserves and Resources Evaluation

The reserves and contingent resource estimates provided in this report pertaining to the Tuscaloosa Marine Shale is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Miles R. Palke, P.E., who is an employee of Ryder Scott Company, L.P. an independent professional petroleum engineering firm. Mr Palke is a Professional Engineer in the State of Texas (Registration No. 94894). The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this report has been issued with the prior written consent of Mr Palke in the form and context in which it appears.

The reserves and contingent resource estimates provided in this report pertaining to the Tuscaloosa Marine Shale is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Raymond Yee, P.E., who is an employee of Ryder Scott Company, L.P. an independent professional petroleum engineering firm. Mr Yee is a Professional Engineer in the State of Texas (Registration No. 81182). The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this report has been issued with the prior written consent of Mr Yee in the form and context in which it appears.

## MATERIAL BUSINESS RISKS

The key risk factors affecting the Company is set out below. The occurrence of any one of the risks below could adversely impact the Company's operating or financial performance.

### (a) Strategy

Australis' strategy is predicated on the belief that the fundamental drivers are in place for a potential increase in oil prices in due course. The Company owns high quality, oil weighted developed and undeveloped assets that have been acquired to provide potential leveraged upside to any modest recovery in the oil price.

There is no guarantee the oil price will rise, or that these assets will be economically developed.

### (b) Title risk – TMS Leases

Australis has acquired and will continue to acquire Working Interests in leaseholds from mineral rights owners in Louisiana and Mississippi, USA. Certain TMS Leases are, at Australis' election, capable of renewal or extension. There is no guarantee that existing leases will be renewed, extended or reacquired prior to expiry or that leases on new areas will be acquired. The process of confirming defensible title on leases for oil and gas exploration and production has been performed by experts acting for Australis. If at any time title cannot be confirmed, it may have a financial impact on the value of that lease.

### (c) Commodity price

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

### (d) Exploration and development

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

### (e) Reliance on key personnel

Australis' success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near term operations are likely to be of central importance. There can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the implementation, development and operation of its business strategy.

### (f) Funding

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

### (g) Geopolitical, regulatory and sovereign

Exploration for and development, exploitation, production and sale of oil and natural gas is subject to laws and regulations, including complex tax laws and environmental laws and regulations, employment law and other laws. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations could adversely affect the Company. Certain of these laws may have material penalties and fines for instances of non-compliance. In addition to governmental legal action, private parties may pursue legal actions to enforce these laws and regulations against industry participants.

The Company's assets are located in the United States and Portugal. As a result, they are subject to each countries (and in the USA, each States) different environmental laws and regulatory requirements.

Whilst Portugal and the USA are considered to be politically stable the Concessions and TMS Leases held by the Company may be effected by any changes in government policy or legislation. The Concession contract terms include rights to mitigate any law changes affecting the fiscal or economic terms of the Concessions, however these rights are subject to negotiation and arbitration within Portugal.

## Operating & Financial Review

Further, field work on the Concessions requires the approval of the Portuguese authority that regulates oil and gas activity, which is not guaranteed.

Changes in government regulations and policies may also adversely affect the financial performance or the current and proposed operations generally of the Company. The ability to explore and develop oil and gas concessions, as well as industry profitability generally, can be affected by changes in government regulations policies or legislation in jurisdictions, that are beyond the control of the Company and may also adversely affect the financial performance or the current and proposed operations of the Company. In order to be compliant, certain permits, approvals, and certificates must be obtained and maintained and the cost of any of these may substantially increase from current levels.

### (h) Hydraulic fracturing

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

### (i) Resource Estimation

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

### (j) Exchange rate

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

### (k) Commercialisation and access to infrastructure

Australis' future performance will be impacted by its ability to source and access equipment and services and product transportation routes and processing facilities. The ability of the Company to access infrastructure economically or at all is largely out of control of Australis and therefore may have an adverse impact on future performance.

### (l) Environmental

The Company is subject to laws and regulations to minimise the environmental impact of any operations as well as rehabilitation of any areas affected by any operation carried out on the areas leased by the Company. These laws can be costly to operate under and can change further adversely affecting the Company. Penalties for failure to adhere to the laws or in the event of environmental damage the penalties and remediation costs can be substantive.

### (m) Competition

The Company competes with numerous other organisations in the search for, and the acquisition of, oil and gas assets. The Company's competitors include oil and gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop the TMS leases and Concessions, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling.

### (n) Contract

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

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

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



## CAUTIONARY AND FORWARD LOOKING STATEMENTS

This Report contains forward looking statements, including as to Australis' strategy, oil and gas exploration and drilling activities, and related funding, which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Report, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and the management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Report, except where required by law.

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out above. Past performance should not be relied upon as being indicative of future performance.

## MATERIAL PREJUDICE

As permitted by sections 299(3) and 299A(3) of the Corporations Act 2001, Australis has omitted certain information from the Operating and Financial Review in relation to its business strategy, future prospects and likely developments in its operations and the expected results of those operations in future years. Such information including but not restricted to internal budgets, and forecasts and estimates, has been omitted on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice for example because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage.

# Glossary

## Glossary

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

## Abbreviations

Abbreviation	Description
TMS	Tuscaloosa Marine Shale
TMS Core	The Australis designated productive core area of the TMS delineated by production history
Permitted Drilling Units	Acreage within a formed and approved drilling unit but is yet to be HBP as a well has not been drilled and commenced production
WI	Working Interest
C	Contingent Resources – 1C/2C/3C – low/most likely/high
NRI	Net Revenue Interest (after royalty)
NET	Working Interest after deduction of Royalty Interests
BT NPV(10)	Net Present Value (discount rate), before income tax
HBP	Held by Production (lease obligations met)
AFE	Authorised for Expenditure
EUR	Estimated Ultimate Recovery
WTI	West Texas Intermediate Oil Benchmark Price
LLS	Louisiana Light Sweet Oil Benchmark Price
2D / 3D	2 dimensional and 3 dimensional seismic surveys
Opex	Operating Expenditure
PDP	Proved Developed Producing
PDNP	Proved Developed Non Producing
Capex	Capital costs relating to field development costs, excluding leasing costs
Ryder Scott	Ryder Scott Company
NSAI	Netherland Sewell & Associates, Inc.
Field Netback	Oil & gas sales net of royalties, production and state taxes
Net Sales	Oil & gas sales net of royalties
Royalty Interests or Royalty	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
Net Acres	Working Interest before deduction of Royalty Interests

The Directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 31 December 2017.

## Directors

The names of directors of the Company in office at any time during or since the end of the financial year ended 31 December 2017 are:

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

Unless otherwise stated each director held their office from 1 January 2017 until the date of this report.

## Directors Interests in shares and options

The relevant interest of each director in the ordinary share capital of Australis at the date of this report is:

Shares held in Australis Oil & Gas Limited	Shares	Options
J Stewart	61,042,859	45,000,000
I Lusted	14,518,572	16,250,000
G Dowland	14,750,000	13,500,000
A Watson	3,810,000	875,000
S Scudamore	97,215	420,000

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

## Principal activities

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

During the year the Company acquired a large contiguous acreage position in the TMS which included 31 producing wells (32 operated wells in total).

## Consolidated Financial Results

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

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

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

## OPERATING & FINANCIAL REVIEW

A review of Group operations and the results of these operations is included in the Operating & Financial Review within this Annual Report.

# Directors' Report

For the year ended 31 December 2017

## INFORMATION ON DIRECTORS

### Mr Jonathan Stewart – Chairman

*Qualifications - B.Com, CA*

Mr Stewart was appointed as the Non-Executive Chair of Australis on 12 November 2015. Mr Stewart was a founder of Aurora and was a director of Aurora from 22 February 2005 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd on 11 June 2014. He was Executive Chairman and CEO of Aurora until separating those roles in 2012. An experienced oil & gas executive, Mr Stewart has held a number of executive management positions in listed and unlisted companies in Australia, the United States, Canada, the United Kingdom and the former Soviet Union. He has considerable experience in the management of oil and gas exploration and production companies, structuring and financing of transactions and the broader strategic development of companies. He has also been involved helping list a number of companies in Australia, the United Kingdom and Canada. Based in Europe during the 1990s, Mr Stewart helped establish a number of oil and gas ventures, particularly in the former Soviet Union, including two new oil and gas companies listed on the London Stock Exchange. He has been involved in raising significant capital from international equity markets to enable the successful development of these projects.

Mr Stewart is a qualified Chartered Accountant.

#### *Other current directorships of Australian listed public entities*

None

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

None

#### *Special responsibilities*

Chairman of the Board

Member of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Management Committee

### Mr Ian Lusted – Managing Director and Chief Executive Officer

*Qualifications – B. Science, MBA*

Mr Lusted was appointed Managing Director and CEO of Australis on 12 November 2015. Previously Mr Lusted was Technical Director of Aurora from 14 April 2008 until August 2013. As well as being responsible for all technical activities carried out by Aurora, Mr Lusted played an active role in investor and stakeholder relations. He has extensive international oil & gas experience, having begun his career in the industry in 1991 with Shell International after serving for several years as an officer in the Royal Navy. At Shell, Mr Lusted gained upstream operations experience in a variety of locations including the North Sea, SE Asia and onshore Europe. He was responsible for field operations including drilling and well operations on semi-submersibles, platform, jack-up and land facilities. In 1998 Mr Lusted established Leading Edge Advantage ("LEA"), an advanced drilling project management consultancy based in Aberdeen and subsequently in Perth, Australia. Mr Lusted led a number of multi-discipline project teams that implemented world first technology applications often in complex jurisdictions. In 2005, Mr Lusted assumed the Technical Director position for Cape Energy, a private oil and gas company. The company held acreage in Australia and the Philippines where Cape Energy was a key participant in moving the offshore Galoc field to development status. Mr Lusted acted in this capacity until August 2007 when he joined Aurora and in 2008 he was appointed Technical Director. Starting with a very small technical team and drawing on the services of 3rd party contractors, Mr Lusted managed the Aurora contribution to the early evaluation and operational activity within the Sugarkane Field. As activity levels increased staff were sourced and recruited to provide in house resource and expertise, Mr Lusted continued to participate at a decision making level but took on additional supervisory and management roles.

Mr Lusted holds a B.Sc (Hons.) from York University in the United Kingdom and is a member of the Society of Petroleum Engineers.

#### *Other current directorships of Australian listed public entities*

None

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

None

#### *Special responsibilities*

None

## Mr Graham Dowland – Finance Director and Chief Financial Officer

### *Qualifications - B.Com, CA*

Mr Dowland was appointed Director and CFO of Australis on 12 November 2015. Previously Mr Dowland was a founding director of Aurora appointed on 22 February 2005. Mr Dowland held the position of Finance Director of Aurora from 10 November 2010 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd on 11 June 2014. He has over 25 years corporate finance and management experience in the oil and gas industry having previously held director or senior management or advisory positions in Australian, Canadian and UK-listed companies with oil & gas operations in the UK, Russia, Azerbaijan, Indonesia, Australia and New Zealand. Mr. Dowland is a qualified Chartered Accountant.

### *Other current directorships of Australian listed public entities*

None

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

None

### *Special responsibilities*

None

## Mr Alan Watson – Non-Executive Director

### *Qualifications – B.Sc (Hons.)*

Mr Watson was appointed as an independent Non-Executive Director of Australis on 24 May 2016. Mr Watson was formerly an independent, non-executive director of Aurora from 17 November 2010 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd on 11 June 2014. Mr Watson is a Sydney-based investment banker with 35 years of experience within various global equity markets. Over this period he has established, directed and been responsible for the conduct of securities businesses both in Europe and Asia advising many companies on capital structuring, initial public offerings, takeovers and mergers and investment relations strategies. Mr Watson has held positions at Barclays de Zoete Wedd Limited, Donaldson, Lufkin & Jenrette Securities Corporation, Lehman Brothers Holdings Inc and as Head of Securities Europe for Macquarie Capital (Europe) Ltd. Mr Watson is currently independent Chairman of ASX listed funds management company Pinnacle Investment Management Group Limited.

### *Other current directorships of Australian listed public entities*

Pinnacle Investment Management Group Limited

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

None

### *Special responsibilities*

Chairman of the Remuneration and Nomination Committee

Member of the Audit and Risk Management Committee

# Directors' Report

For the year ended 31 December 2017

## Mr Stephen Scudamore – Non-Executive Director

*Qualifications – MA (OXON), FCA*

Mr Scudamore was appointed as an independent Non-Executive Director of Australis on 30 November 2016.

Mr Scudamore is an experienced Australian company director. His distinguished career includes more than three decades with KPMG, including senior roles in Australia, London and PNG including Chairman of Partners WA, Head of Corporate Finance in WA and National Head of Valuations, KPMG Australia.

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

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

Mr Scudamore is a Chartered Accountant with a Master of Arts from Oxford University, a Fellow of the Institute of Chartered Accountants, England, Wales and Australia (FCA), a Fellow of the Institute of Company Directors (FAICD) and a Senior Fellow of the Financial Services Institute of Australia (SF Fin).

### *Other current directorships of Australian listed public entities*

Altona Mining Limited

Pilbara Minerals Limited

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

Aquila Resources (Resigned June 2016)

### *Special responsibilities*

Chairman of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Committee

## Ms Julie Foster – Vice President - Finance and Company Secretary

*Qualifications – BA(Hons), ACA (ICAEW), AGIA*

Ms Foster was appointed Vice President-Finance and Joint Company secretary of Australis on 12 November 2015. Previously Ms Foster was Group Controller and Company Secretary of Aurora from 2008 until its acquisition by Baytex Energy Australia Pty Ltd on 11 June 2014.

Ms Foster holds a degree in Accounting and Finance (BA Hons) and is a member of the Institute of Chartered Accountants in England and Wales (ACA) and a member of the Governance Institute Australia (AGIA).

## Indemnity of directors and officers

The Company has paid a premium in respect of a contract insuring the directors and officers of the Company and Group against liabilities incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## Meetings of Directors

The following table sets out the scheduled number of meetings of the Company's directors held during the year and the number of meetings attended by each director.

	Meetings of directors <sup>(1)</sup>		Meetings of committees			
			Audit		Remuneration	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Jonathan Stewart	22	22	6	6	2	2
Ian Lusted	22	22	–	–	–	–
Graham Dowland	22	22	–	–	–	–
Alan Watson	22	22	6	6	2	2
Steve Scudamore	22	22	6	6	2	2

<sup>(1)</sup> Includes circular resolutions

## Share options

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

Grant Date	Year Ended 31 December 2017		Year Ended 31 December 2016		Expiry
	Number	Exercise Price	Number	Exercise Price	
13-Nov-15	19,675,000	A\$0.25	19,675,000	A\$0.25	31-Dec-20
13-Nov-15	27,775,000	A\$0.30	27,775,000	A\$0.30	31-Dec-20
28-Apr-16	1,000,000	A\$0.30	1,000,000	A\$0.30	31-Dec-20
13-Nov-15	27,600,000	A\$0.35	27,600,000	A\$0.35	31-Dec-22
13-Nov-15	1,600,000	A\$0.35	1,600,000	A\$0.35	31-Dec-22
28-Apr-16	1,000,000	A\$0.35	1,000,000	A\$0.35	31-Dec-22
28-Apr-16	1,000,000	A\$0.35	1,000,000	A\$0.35	31-Dec-22
16-May-16	22,840,933	A\$0.275	22,840,933	A\$0.275	30-Jun-19
24-May-16	420,000	A\$0.275	420,000	A\$0.275	24-May-21
10-Apr-17	420,000	A\$0.3125	–	–	30-Nov-21
18-Dec-17	500,000	A\$0.285	–	–	31-Dec-22
18-Dec-17	500,000	A\$0.345	–	–	31-Dec-22
18-Dec-17	500,000	A\$0.400	–	–	31-Dec-22
<b>Total</b>	<b>104,830,933</b>		<b>102,910,933</b>		

# Directors' Report

For the year ended 31 December 2017

## 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 Operating & Financial Review above and the events after the reporting date below.

## Dividends

In respect of the year ended 31 December 2017, (31 December 2016: Nil) no dividends have been paid or declared and the directors do not recommend the payment of a dividend in respect of the financial period.

## Events after the reporting date

On 30 January 2018, Australis provided the market with an update to the Company's reserve and resource position in the TMS. This was independently assessed by Ryder Scott with an effective date of 31 December 2017.

The Ryder Scott reserve estimates based on the assessment of approximately 35% of the undeveloped core TMS acreage have converted in excess of 40 million barrels to the proved or probable reserve category compared to the assessment as at 1 February 2017. Refer to the Operations Review for further details.

Other than above, no other event has occurred since 31 December 2017 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

## Likely developments

Refer to Future Developments section on page 17 of the Operating & Financial Review.

## Environmental developments

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

## Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 2016/191, dated 24 March 2016 and in accordance with that Class Order amounts in the Directors' Report and Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

## Proceedings on behalf of Australis

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of Australis, or to intervene in any proceedings to which Australis is a party, for the purpose of taking responsibility on behalf of Australis for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of Australis with leave of the Court under Section 237 of the Corporations Act 2001.

## Non-audit services

From time to time the Australis may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Australis are important.

The Board has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the audit independence requirement of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code – Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for Australis, acting as advocate for Australis or jointly sharing economic risk and reward.

Details of the amounts paid or payable to the external auditors, BDO for audit and non-audit services provided during the year are set out at Note 7.7 to the financial statements.



## Auditor's Independence Declaration

The Auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is included on page 98.

The Directors' Report is signed in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the directors,



**Jonathan Stewart**

Chairman

Perth, Western Australia  
9 March 2018

# Remuneration Report

For the year ended 31 December 2017

The Directors of Australis Oil & Gas Limited present their Remuneration Report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the year ended 31 December 2017.

This remuneration report outlines the remuneration arrangements of key management personnel (KMP) of the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, including any director (whether executive or otherwise) of Australis.

In accordance with section 308(3C) of the *Corporations Act 2001*, the remuneration report has been audited by BDO Audit (WA) Pty Ltd and forms part of the Directors' Report.

In this report the remuneration and benefits reported have been presented in United States dollars (unless otherwise stated) as a result of Australis change in functional and presentational currency from 1 January 2017. Quoted share prices and volume weighted average price of shares are expressed in Australian Dollars.

Australian based KMP are paid in Australian dollars. For the year to 31 December 2017 remuneration and benefits denominated in Australian dollars have been converted to United States dollars at the exchange rate prevailing at the date of the transaction. For the comparative period to 31 December 2016 remuneration and benefits were converted to United States dollars at the average exchange rate for the year being US\$1: A\$1.36

## CONTENTS OF THE REMUNERATION REPORT:

1. Letter from the Chair of the Remuneration and Nomination Committee
2. 2017 Remuneration overview
3. Key Management Personnel
4. Responsibilities of the Board and Remuneration and Nomination Committee
5. Remuneration Structure – Executive KMP
  - 5.1 Remuneration principles
  - 5.2 Remuneration components
    - 5.2.1 Fixed remuneration
    - 5.2.2 Short term incentives
    - 5.2.3 Long term incentives
6. Remuneration Structure – Non-Executive directors
  - 6.1 Remuneration principles
  - 6.2 Remuneration components
7. Terms and Conditions of Share Based Compensation
  - 7.1 Options
  - 7.2 Plan Awards
8. Share-based awards granted and vested during the year
9. Share-based awards exercised during the year
10. Consolidated entity performance.
11. Total remuneration summary
  - 11.1 Remuneration of KMP
  - 11.2 Share-based compensation benefits
12. KMP interests in shares and options
  - 12.1 Shareholdings and option holdings
13. Employment agreements KMP

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

Dear fellow Shareholders

The Board is pleased to present to you the 2017 Remuneration Report.

### Remuneration Philosophy

The Company's remuneration philosophy for key executives remains consistent with the aim of aligning compensation with growth in shareholder value and the implementation of our corporate strategy.

Executive KMP remuneration continues to be a mixture of "fixed" and "at risk". The at risk remuneration is and will continue to be determined based on a range of measureable outcomes linked to the corporate strategy. This is considered to be key to aligning executive and senior management's interests with shareholders.

### The Remuneration Plan and Structure

Similar to prior years, the structure for 2017 Executive remuneration focussed on the evolving Australis business strategy. With the acquisition of material producing assets and associated undeveloped reserves in the first half of 2017, additional components specific to the increase in scale and nature of activities were introduced to the remuneration plan. These included various measures to support a culture of excellence and responsibility relating to the environment and to the health and safety of all involved with the Company. This expansion of operations required the recruitment of senior management and staff, particularly in the US, and consequently our Remuneration Plan and structure needs to be flexible to accommodate jurisdictional and market differences.

Other than the two Executive Directors, Executive KMP and senior executive's remuneration comprised three components in 2017:

- Base salary
- At risk short term awards payable in cash upon achievement of specific corporate and individual goals, and
- At risk longer term awards, Performance Rights, which vest over a period of three years, weighted to the third year, and with greater than 50% of awards subject to the satisfaction of shareholder return related performance hurdles.

For 2017, the Executive Directors had previously agreed as part of the Company's IPO and listing on the ASX, not to participate in the award of longer term awards. Further details of each component of the remuneration structure is contained within this report.

### 2017 Remuneration Outcome for Executive KMP

For 2017 year the Executive KMP received no base salary increase or increases to their short term at risk remuneration other than for the addition of:

- The environmental, health and safety (EHS) targets which applied to increase or decrease overall short term bonus awards depending on EHS outcomes, and
- For Executive Directors, their voluntarily forfeited bonus from 2016. You will recall the Executive Directors, in a demonstration of alignment with shareholders, amended the terms of their 2016 bonus to defer 50% of the achieved 2016 short term award and applied this amount to the 2017 year with the additional performance hurdle relating to an increase in the Australis share price equivalent to 30% above the IPO price.

For 2017, the at risk component of Executive KMP short term awards comprised a range of targets and goals with weightings appropriate to the business strategy. These are detailed in section 5.2 of this report.

# Remuneration Report

For the year ended 31 December 2017

## 2018 Remuneration Plan

There will be no increases in 2018 to the base or fixed remuneration components for Executive KMP other than for an increase to the Chief Operating Officer's base salary, reflecting the increased importance of this role as the Company acquired operating assets in North America during 2017. Similarly, an increase in potential short term at risk incentives has been awarded to all Executive KMP; and finally, the Executive Directors have been invited to participate in the Long Term Incentive Plan with the associated grant of Performance Rights. Shareholder support for the proposed grant of Performance Rights will be sought as part of the 2018 AGM.

Due to the increase in scale and nature of the Company's activities, Non-executive directors fees have increased by 8.4%.

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

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



Alan Watson

Chairman, Remuneration and Nomination Committee

Perth, Western Australia  
9 March 2018

## 2. 2017 REMUNERATION OVERVIEW

The Board, together with the Remuneration and Nomination Committee, have established a remuneration structure appropriate for the current stage of the Company's development and business and which is aligned with the achievement of the Company's strategic objectives. The Board considers that the current components of the Australis remuneration structure are required to assist in attracting and retaining high calibre executives with appropriate experience, both in Australia and North America.

As the Company's business evolves, the remuneration structure will be regularly reviewed and, where necessary, updated to ensure continued suitability. As an example of this, during 2017 the Company commenced operating oil wells in North America, and the Board introduced remuneration mechanisms which rewarded staff for achieving high rates of safety measured with reference to injury time, vehicle use and safety and environmental standards customary for onshore oil & gas operations.

The Board recognises that a motivated workforce is essential for the achievement of its corporate goals and as such the remuneration structure seeks to reward those who perform and encourage both individual and corporate growth and advancement through the offering of:

- fixed remuneration that aligns an individual's role, and their level of knowledge, skills and experience with market practice and economic conditions and the individual's role and their level of knowledge, skills and experience;
- short term incentives (STI's) that reward the achievement of near term goals which align with long term strategic objectives; and
- long term incentives (LTI's) to help strengthen the links between employees and the Company, to align the long term objectives of employees with those of Shareholders and to assist in attracting high calibre personnel particularly in North America where LTI's are a more common recruitment tool.

By way of recap for new shareholders, in 2015 whilst Australis was an unlisted private company, incentive options were granted to secure and incentivise for the longer term the founding Board and executives. During 2016 the Australis Oil & Gas Limited Employee Equity Incentive Plan (LTI Plan) was approved by Shareholders. The LTI Plan is the structure under which the annual grant of long term incentives will be offered to employees. The first awards were made in 2017 under the LTI Plan to employees other than Directors. As stated in the IPO Prospectus, Directors were not be entitled to an award under the LTI Plan until 2018 at the earliest. The Board retains the right to offer incentives such as options and shares to future executives as a means of attracting high calibre candidates.

## 3. KEY MANAGEMENT PERSONNEL

The KMP disclosed in this report are as follows:

Name	Position
<b>Directors</b>	
Jonathan Stewart	Non-Executive Chairman
Ian Lusted	Managing Director and Chief Executive Officer (CEO)
Graham Dowland	Finance Director and Chief Financial Officer (CFO)
Alan Watson	Independent Non-Executive Director
Steve Scudamore	Independent Non-Executive Director
<b>Other KMP</b>	
Michael Verm	Chief Operating Officer (COO) Designated as KMP on 13 April 2017 upon acquisition of producing TMS assets

# Remuneration Report

For the year ended 31 December 2017

## 4. RESPONSIBILITIES OF THE BOARD AND REMUNERATION AND NOMINATION COMMITTEE

The Board retains overall responsibility for remuneration policies and practices within the Australis Group.

The Board has established a Remuneration and Nomination Committee (RNC or Committee) which operates in accordance with its charter as approved by the Board. A copy of the charter is available under the corporate governance section of the Australis website.

For 2017 the RNC was comprised of Independent non-executive directors: Mr Alan Watson (Chair) and Mr Steve Scudamore and non-executive chairman Mr Jonathan Stewart whose qualifications are set out within the Directors Report.

The RNC charter sets out the main responsibilities of the Committee with regard to remuneration including to:

- Undertake regular (at least every two years) review of market conditions, economic factors, industry trends, remuneration statistics and trends, and peer remuneration practices to set the framework for the determination of organisational wide remuneration policies;
- Review the Company's Human Resources Policies including a review of the Company's Remuneration Policy, and other recruitment, retention and termination policies and procedures for senior executives;
- Review and make recommendations to the Board in relation to whether there is any gender or other inappropriate bias in remuneration for directors, senior executives or other employees;
- Recommend to the Board the structure of employee incentive and equity-based plans including the appropriateness of performance hurdles;
- Review the outcomes of incentive plans and approve (or recommend to the Board in the case of Executive directors) proposed payments under those plans;
- Review all executive compensation disclosure before the Company publicly discloses this information, including in the annual Remuneration Report and in any information circular for annual general meetings;
- Recommend to the Board the terms and conditions governing the appointment, remuneration and termination of employment of the CEO and Executive Directors;
- Determine CEO and Executive Director Key Performance Indicators (KPIs) and recommend them to the Board;
- Evaluate the performance of the CEO and Executive Directors in light of those KPIs;
- Consider and provide feedback on the CEO's recommendations in relation to other senior executive remuneration matters;
- Review the remuneration of non-executive directors on a regular basis and recommend any changes in remuneration to the Board; and
- Review the adequacy of the Claw Back Policy.

### Remuneration Consultants

The RNC has the authority, as it deems necessary or appropriate, to engage and compensate external consultants or specialists for advice in relation to remuneration related matters.

Remuneration consultants were not appointed during 2017.

## 5. REMUNERATION STRUCTURE - EXECUTIVE KMP

### 5.1 Remuneration Principles

The objective of the Group's remuneration framework is to provide an appropriate and competitive reward which aligns the compensation packages of those executives of Australis who are considered KMP (Executive KMP) with the achievement of the strategic objectives of the Group including long term growth in shareholder value by linking rewards to individual performance and the performance of the Group over the short and long term.

Executive KMP receive a mix of fixed and "at risk" remuneration which includes a blend of short and long term incentives and benefits.

The remuneration framework is designed to attract, motivate and retain high calibre Executive KMP. The remuneration framework has been established with the aim of being appropriate within both Australia and North America. The framework seeks to align:

- fixed remuneration for individual roles and responsibilities with that of peers in accordance with market practice and conditions;
- "at risk" short term incentives with each Executive KMP contribution and effort to the achievement of the Company's ongoing performance defined by pre determined key performance targets. The key performance targets are based on the annual goals and targets of the Company which are in turn linked to the corporate strategy and include incentives allowing for individual outperformance to be measured;
- "at risk" long term incentives with shareholder objectives through grant of share based incentives with performance hurdles. Prior to 2016, long term incentives were provided to Executive KMP (also founders of the Company) through the grant of non-transferable options, subject to vesting requirements linked to continued employment. No long term incentives were granted to Executive Directors under the LTI Plan in 2017 as advised in the IPO Prospectus. Long term incentives were granted to other Executive KMP under the LTI Plan in 2017 as set out below. Future long term incentives will be granted pursuant to the LTI Plan. It is likely that future long term incentives offered to existing and new Executive KMP will include performance hurdles that include minimum absolute shareholder return that may, in part, be benchmarked to a peer group that could be considered as an alternative investment to Australis.

The Company has adopted a Claw Back Policy which permits the claw back of vested and unvested short and long term incentives granted to Executive KMP and other senior executives, in accordance with the terms of the applicable incentive, including if the Company becomes aware of a material misstatement in its financial statements or other reports for the immediately preceding financial year for LTI's and for STI's or becomes aware of an event that has occurred, including but not limited to fraud or dishonesty, which would deem that some or all of the performance based remuneration should not have been paid to Executive KMP and other senior executives.

### 5.2 Remuneration Components

The various components of Executive KMP remuneration are set out below.

*Table 1: Executive KMP remuneration components*

#### 5.2.1 Fixed remuneration

<b>Base Remuneration</b>	<ul style="list-style-type: none"> <li>• Base remuneration for Executive KMP is reviewed annually by the RNC as part of the Company's annual performance review processes. Consideration is given to comparable roles in organisations of a similar size, industry and complexity and remuneration information derived from relevant remuneration surveys conducted by independent third parties.</li> </ul>
<b>Post-employment benefits</b>	<ul style="list-style-type: none"> <li>• Minimum Superannuation Guarantee contributions are made for Australian-based Executive KMP.</li> <li>• North American-based Executive KMP receive a contribution towards retirement plans which matches their own contributions to such plans. In 2017, contributions were matched up to a maximum of 6% of the base salary for Mr Verm.</li> <li>• Termination benefits are payable to Executive KMP as part of their contractual agreements as set out in section 13. These termination benefits were approved by shareholders on 27 June 2016.</li> </ul>
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>• For the year ended 31 December 2017, the following benefits or allowances (including fringe benefits tax where applicable) were made available to Executive KMP:</li> <li>• Car parking – CEO, CFO and COO</li> <li>• Health, dental and life insurance benefits – COO (a standard benefit for US based employee)</li> </ul>

# Remuneration Report

For the year ended 31 December 2017

## 5.2.2 Short term incentives

- What is a short term incentive (STI)**
- An STI is an 'at risk' cash incentive payment which is paid to Executive KMP at the discretion of the Board on an annual basis, subject to the satisfaction of performance conditions including pre-set corporate and individual goals and targets for 2017 which align with corporate strategy.
  - The maximum amount of STI payable to Executive KMP is expressed as a percentage of their Base Remuneration and is based on employment level.
  - The STI percentage for individual Executive KMP is pre-approved by the Remuneration and Nomination Committee.
  - The Board retains the right to grant STI's in recognition of, however is not restricted to, additional workload and ad hoc assignments.

- Objectives**
- To provide reward for each Executive KMP's performance in achieving pre-agreed individual and corporate objectives which have been determined to be priorities for the relevant period.

- Performance conditions**
- The level of STI awarded is determined by reference to both individual and Company performance. For 2017 Company performance is assessed based on weighted components that included :

Corporate KPI's	As a % of Executive Directors STI	As a % of Executive KMP STI
Goals aligned to development activities US & Portugal	40%	35%
Targets relating to TMS land	16%	16%
Targets relating to Reserves and Resources	12%	12%
Target based on Share price accretion	12%	7%
<b>Total</b>	<b>80%</b>	<b>70%</b>

- At the end of the financial year the RNC assess achievement of each component of company performance based on a pre-determined range as follows:
  - Base – minimum performance necessary to qualify for an award.
  - Target – where performance requirements are met.
  - Stretch – where performance requirements are exceeded.
- In addition, for Executive Directors 20% of available STI is linked to individual performance and is measured against personal objectives which support both the base business and promote business growth. The individuals' performance rating assesses the achievement of these goals as well as overall performance and behaviour.
- For other Executive KMP 30% of available STI is linked to individual performance and is measured against personal objectives which support both the base business and promote business growth. The individuals' performance rating assesses the achievement of these goals as well as overall performance and behaviour.
- The Board and management of Australis are committed to supporting a culture of prioritising safety. In April 2017 Australis acquired producing TMS assets in Mississippi and Louisiana and took over operatorship of its existing producing wells. As a result, an additional KPI was adopted for all levels of employees to directly incentivise the continual prioritisation adoption of a safety culture. The Environmental Health and Safety KPI relates to specific statistical targets for reportable incidents. These targets are monitored on a regular basis. Due to the importance attributed to the safety culture the EHS KPI overlies the existing corporate and individual KPI's. A multiplier of between 60%-125%, dependent on the level of achievement of EHS targets, will be applied to the achieved STI's.
- The STI paid to Executive Directors is approved by the Board after receiving recommendations from the RNC. For Executive KMP other than the CEO and CFO, the amount of STI paid is approved by the RNC based on the recommendation of the CEO.
- The payment of STI's will occur after approval of the 2017 Audited Financial Report by the Board.



## Awards

- The Company achieved the majority of its corporate goals and targets for 2017 predominately due to the successful acquisition and transition of ownership of the TMS Assets from Encana. The acquisition enabled the Company to deliver on its goal of expanding the scale of the Company's activities with resulting year end 2P reserves and assumption of operatorship for the TMS acreage. In addition the Encana TMS acquisition attributed to an increase in year end 2C resources which also increased due as a result of the work undertaken in the year on the Company's Portuguese Concessions.
- Of corporate goals and targets not achieved during 2017 the two targets which had the most significant reduction on the STI outcome were the achievement of target shareholder return during the year and the delay by the Portuguese Authorities in providing an opportunity for the Company to increase its land holding in Portugal.
- The STI Targets and achieved awards for the year ended 31 December 2017 were as follows:

KMP	Maximum Available STI			STI Achieved		STI Forfeited	
	STI Plan % of Salary <sup>(3)</sup>	Voluntarily forfeited in 2017 - % of Salary <sup>(2)</sup>	Total % of Salary available	% of Maximum Available STI <sup>(3)</sup>	US\$ <sup>(1)</sup>	% of Maximum Available STI	US\$ <sup>(1)</sup>
<b>Executive</b>							
I Lusted	71%	19%	90%	53%	\$158,686	47%	\$139,691
G Dowland	59%	16%	75%	55%	\$113,440	45%	\$91,328
<b>Other</b>							
M Verm	47%	–	47%	72%	\$81,136	28%	\$31,088

<sup>(1)</sup> Inclusive of superannuation and 401k where applicable.

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

<sup>(3)</sup> Upon the acquisition of producing assets on 13 April 2017, an additional STI Target focussed on Environment, Health and Safety (EHS) was introduced as and from that date that applied to all employees. The STI target measured a range of targets with the overall result being a range of a maximum of an increase of up to 25% of achieved STI for achieving all EHS targets or reduction of up to 40% of achieved STI depending on the extent and number of EHS targets missed.

# Remuneration Report

For the year ended 31 December 2017

## 5.2.3 Long term incentives

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**What is a long term incentive (LTI)** An LTI is an “at risk” incentive the value of which is derived from the equity of the Company and is designed to align compensation with the total shareholder return of the Company over the medium to long term. In 2016 the Company established the Australis Oil & Gas Limited Employee Equity Incentive Plan (LTI Plan) which was approved by shareholders at a general meeting on 27 June 2016. LTI awards under the LTI Plan can include options, performance rights and shares.

**Objectives**

- To reward, retain and motivate eligible employees.
- To assist in the engagement of high calibre employees.
- To link the reward of eligible employees to performance and creation of shareholder value.
- To align the interests of eligible employees with those of shareholders.
- To provide eligible employees with the opportunity to share in any future growth in value of the Company.
- To provide greater incentive for eligible employees to focus on the Company's longer term goals.

**Performance Conditions** For the 2017 performance year awards for Other KMP (excluding the Executive Directors) under the LTI Plan:

- 40% is subject to continued employment within the Group and vest in three tranches on a 1/7, 2/7, and 4/7 basis over a three-year period.
- 30% is subject to an Absolute TSR Performance Target and service condition and vest in three tranches on a 1/7, 2/7, and 4/7 basis over a three-year period.
- 30% is subject to a Relative TSR performance (as against peer companies – see below) and service condition and vest in three tranches on a 1/7, 2/7 a 4/7 basis over a three-year period.
- The LTI Plan incorporates a retest facility whereby any performance rights that do not vest on the Tranche 1 and / or 2 Vesting Dates pursuant to the Absolute and / or Relative TSR Performance Targets will be retested at the Tranche 3 Vesting Date in accordance with the Tranche 3 performance targets.
- Specific details regarding the Absolute TSR Performance Target are set out in section 7.

**Awards**

- As disclosed in the Prospectus for the Initial Public Offering in 2016, no LTI's have been granted to Executive Directors (Messrs Lusted & Dowland) under the LTI Plan during 2017 (2016: Nil).
- 592,064 performance rights were granted to the COO Michael Verm for the 2017 Performance Year Award (2016: Nil). The number of LTI's granted and their terms and conditions were determined by the Board following the recommendation from the RNC.
- The terms and conditions of the 2017 LTI Awards granted to Mr Verm during the year are set out in Section 7 of this report.
- The fair value of the 2017 LTI Awards were calculated by RSM Australia Pty Ltd and will be expensed over the vesting periods commencing in the 2017 reporting period.

## 6. REMUNERATION STRUCTURE - NON-EXECUTIVE DIRECTORS

### 6.1 Remuneration Principles

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

The Company's policy is to remunerate non-executive directors (NEDs) at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is set with regard to:

- market rates;
- the size and complexity of Australis operations;
- the responsibilities and expected workloads of the non-executive directors.

In addition to these fees, NEDs are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred attending meetings of the Board, committees or shareholders or while engaged on Australis business.

Remuneration is not linked to individual performance, however to align directors' interests with shareholders' interests, NEDs are encouraged to hold shares in the Company. All NEDs are shareholders in the Company and their holdings are detailed in Section 12.

NEDs are permitted to participate in the LTI Plan, but there is no proposal that they do so.

During the 2017 year the grant of the following options to Steve Scudamore were approved at a General Meeting of Shareholders on 10 April 2017. The options were granted to Mr Scudamore in accordance with the Company practice to grant options to NEDs upon appointment to the Board to attract high calibre, experienced directors and to facilitate the alignment of directors interests with that of shareholders.

**Table 2: Grant of options to non-executive director**

Name	Date of grant	Term	Exercise Price	Number of options granted	
				2017	2016
Steve Scudamore	10 April 2017	5 years (expiry 30 Nov 2021)	A\$0.3125	420,000	–
<b>Total</b>				<b>420,000</b>	<b>–</b>

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

The effective date of grant of these options for the purposes of calculating the fair value using the Black Scholes option pricing model is the date of approval by shareholders and vesting will commence from this date. The fair value of the options granted will be expensed over the period from the effective date of grant to the date of vesting.

No other options or equity based instrument have been granted to Board members during the 2017 year.

### 6.2 Remuneration Components

**Table 3: Non-executive directors' remuneration components**

Base remuneration	<ul style="list-style-type: none"> <li>• Base fee – Chair of the Board of A\$219,000</li> <li>• Base fee of A\$76,650 for other non-executive directors</li> <li>• Additional fees: A\$8,212 - Chair of the Remuneration and Nomination Committee A\$8,212 – Chair of the Audit and Risk Management Committee</li> <li>• Maximum aggregate fees payable to non-executive directors as approved by shareholders on 27 June 2016 are set at A\$600,000.</li> </ul>
Post-employment benefits	<ul style="list-style-type: none"> <li>• Where applicable, superannuation contributions which comply with the superannuation guarantee legislation are included in the above fees.</li> </ul>
Other benefits	<ul style="list-style-type: none"> <li>• Australis reimbursed personal travel costs to the Chairman to compensate for a Company required interruption and cancellation of personal travel plans. The chair of the ARMC approved the reimbursement.</li> <li>• No other benefits were paid to non-executive directors.</li> </ul>

# Remuneration Report

For the year ended 31 December 2017

## 7. TERMS AND CONDITIONS OF SHARE-BASED COMPENSATION

### 7.1 Options

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

Table 4: Terms and conditions of options granted to KMP

Type of grant	Grant date	Vesting date <sup>(1)</sup>	Expiry date	Exercise price	Black & Scholes Value per option at grant date <sup>(2)(3)</sup>	Vesting condition	Achieved	Vested
A\$0.25 Options	13 Nov 2015	30 Nov 2015	31 Dec 2020	A\$0.25	0.0573	Immediate vesting upon grant	100%	100%
A\$0.275 (Series B) Options	24 May 2016	24 May 2017	24 May 2021	A\$0.275	0.1095	Continued engagement as director at 24 May 2017	100%	100%
A\$0.275 (Series C) Options	24 May 2016	24 May 2018	24 May 2021	A\$0.275	0.1184	Continued engagement as director at 24 May 2018	N/A	N/A
A\$0.275 (Series D) Options	24 May 2016	24 May 2019	24 May 2021	A\$0.275	0.1261	Continued engagement as director at 24 May 2019	N/A	N/A
A\$0.30 (Series A) Options	13 Nov 2015	13 Nov 2016	31 Dec 2020	A\$0.30	0.0944	Continued employment at 13 Nov 2016	100%	100%
A\$0.30 (Series B) Options	28 Apr 2016	13 Nov 2016	31 Dec 2020	A\$0.30	0.0989	Continued employment at 13 Nov 2016	100%	100%
A\$0.3125 (Series A) Options	10 Apr 2017	30 Nov 2017	30 Nov 2021	A\$0.3125	0.1360	Continued engagement as director at 30 Nov 2017	100%	100%
A\$0.3125 (Series B) Options	10 Apr 2017	30 Nov 2018	30 Nov 2021	A\$0.3125	0.1464	Continued engagement as director at 30 Nov 2018	N/A	N/A
A\$0.3125 (Series C) Options	10 Apr 2017	30 Nov 2019	30 Nov 2021	A\$0.3125	0.1555	Continued engagement as director at 30 Nov 2019	N/A	N/A
A\$0.35 (Series A) Options	13 Nov 2015	13 Nov 2017	31 Dec 2022	A\$0.35	0.1114	Continued employment at 13 Nov 2017	100%	100%
A\$0.35 (Series C) Options	28 Apr 2016	13 Nov 2017	31 Dec 2022	A\$0.35	0.1188	Continued employment at 13 Nov 2017	100%	100%
A\$0.35 (Series D) Options	28 Apr 2016	13 Nov 2018	31 Dec 2022	A\$0.35	0.1263	Continued employment at 13 Nov 2018	N/A	N/A

<sup>(1)</sup> Options can only be exercised if they have vested and thereafter can be exercised at any time up until the expiry date. Upon exercise by the option holder, and the payment in cash of the exercise price to the Company, each option is convertible into one ordinary share which will rank equally with all other issued ordinary shares.

<sup>(2)</sup> The Black & Scholes value of options at grant date is calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.4 of the Financial Report for details of the assumptions used in calculating the value of each option as at their effective grant date.

<sup>(3)</sup> Options granted to directors prior to the admission of the Company to the Australian Securities Exchange have an effective grant date as determined by the date that the Board approved the grant of the options. The grant of these options were subsequently ratified by the Company in General Meeting on 27 June 2016. All other awards recommended by the Board to be issued to directors upon appointment have an effective grant date of the date of approval by shareholders in general meeting.

<sup>(4)</sup> Options carry no dividend or voting rights.

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

## 7.2 LTI Plan Awards

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

**Table 5: Terms and conditions of performance rights granted to KMP**

Type of grant	Grant date	Tranche	Vesting date	Expiry date	Exercise Price	Value per right at grant date <sup>(1)</sup>	Vesting condition	Achieved	Vested
Performance Rights-2017 LTI Plan Award	15 June 2017	1 <sup>(2)</sup>	31 Jan 2018 <sup>(4)</sup>	31 Jan 2020	Nil	A\$0.24	Service condition <sup>(3)</sup>	N/A	N/A
						A\$0.049	Performance hurdle 1 <sup>(4)</sup>		
						A\$0.076	Performance hurdle 2 <sup>(5)</sup>		
		2 <sup>(2)</sup>	31 Jan 2019 <sup>(4)</sup>	31 Jan 2021	Nil	A\$0.24	Service condition <sup>(3)</sup>	N/A	N/A
						A\$0.079	Performance hurdle 1 <sup>(4)</sup>		
						A\$0.108	Performance hurdle 2 <sup>(5)</sup>		
		3 <sup>(2)</sup>	31 Jan 2020 <sup>(4)</sup>	31 Jan 2022	Nil	A\$0.24	Service condition <sup>(3)</sup>	N/A	N/A
						A\$0.09	Performance hurdle 1 <sup>(4)</sup>		
						A\$0.127	Performance hurdle 2 <sup>(5)</sup>		

<sup>(1)</sup> The value at grant date of performance rights granted are calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.4 of the Financial Report for details of the assumptions used in calculating the value of each performance right as at their effective grant date. The grant of performance rights under the 2017 award have 60% of each tranche granted subject to performance conditions resulting in a value per right for service based awards and a value per right for awards subject to both performance and service conditions.

<sup>(2)</sup> Tranche 1 – 1/7th of total performance rights awarded  
Tranche 2 – 2/7ths of total performance rights awarded  
Tranche 3 – 4/7ths of total performance rights awarded

<sup>(3)</sup> The following vesting condition will be assessed for the KMP on the Vesting Date:

- Service based vesting condition: subject to the participant being employed by the Company throughout the relevant test period (being the period from the grant date up to and including 1 January following the performance period for each tranche of an award), 40% of the relevant tranche of award that may vest on a particular Vesting Date will vest;

<sup>(4)</sup> The following vesting conditions will be assessed for the KMP on the Vesting Date:

- Performance hurdle 1: up to 30% of the relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the performance of the Company's absolute TSR performance measure, being the increase of the Company's share price from the 2017 LTI Share Price, being the IPO issue price of (A\$0.25) to the volume weighted average price (vwap) of the Company for the month of December prior to the Vesting Date.

ATS VWAP in December before Vesting Date	<\$0.275	>\$0.275	>\$0.2875	>\$0.30	>\$0.3125	>\$0.325	>\$0.35	>\$0.375	>\$0.40
ATS TSR increase compared to 2017 Performance Award Share Price	<10%	10%	15%	20%	25%	30%	40%	50%	60%
<b>Vesting to occur:</b>	<b>% of Absolute TSR tested tranche that vests</b>								
31 Jan 2018 (December 2017 VWAP)	0%	25%	37.5%	50%	62.5%	75%	100%	100%	100%
31 Jan 2019 (December 2018 VWAP)	0%	0%	25%	37.5%	50%	62.5%	75%	100%	100%
31 Jan 2020 (December 2019 VWAP)	0%	0%	0%	25%	37.5%	50%	62.5%	75%	100%

# Remuneration Report

For the year ended 31 December 2017

<sup>(5)</sup> The following vesting condition will be assessed for the KMP on the Vesting Date:

- Performance hurdle 2: up to 30% of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the 2017 LTI Share Price in the test period) with the TSR performance of a selected peer group of ASX listed companies for the relevant test period as listed in section 10.2 (being the largest 16 ASX listed oil and gas exploration and production companies with a market capitalisation of less than A\$300 million as at 31 December 2016). Each peer company's TSR is calculated by comparing its VWAP for the month of December in the most recent test period with its December 2016 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out below:

ATS Ranking within Peer Group	LTI Payout for the Relative TSR portion of the 2017 LTI
1st	100.0%
2nd	87.5%
3rd	75.0%
4th	62.5%
5th	50.0%
6th	37.5%
7th	25.0%
8th	12.5%
9th	0.0%

If either of the relevant TSR performance hurdles for Tranche 1 or Tranche 2 of an award are not satisfied on the relevant Vesting Date for either of the tranches, the portion of awards eligible to vest but which do not vest on the relevant Vesting Date will be re-tested on the Tranche 3 Vesting Date in relation to the Tranche 3 performance hurdles.

- <sup>(6)</sup> Performance rights can only be exercised if they have vested and can be exercised for two years from the date of vesting. Upon exercise each performance right is convertible into one ordinary share which will rank equally with all other issued ordinary shares.
- <sup>(7)</sup> Performance rights carry no dividend or voting rights.
- <sup>(8)</sup> There are no restrictions on the transfer of performance rights after vesting.

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

During the year ended 31 December 2017 the following options were granted and / or vested to KMP:

*Table 6: KMP share based awards granted or vested during 2017*

	Award	Grant date	Grant value <sup>(1)</sup> (A\$)	Number of rights/ options granted	Number of options vested during year	Number of options lapsed during year
<b>Non-executive directors</b>						
Jonathan Stewart	A\$0.35 (Series A) options	13 Nov 2015	–	–	15,000,000	–
Alan Watson	A\$0.275 (Series B) options	24 May 2016	–	–	140,000	–
Steve Scudamore <sup>(2)</sup>	A\$0.3125 (Series A,B and C) options	10 April 2017	\$59,836	420,000	140,000	–
<b>Executive directors</b>						
Ian Lusted	A\$0.35 (Series A) options	13 Nov 2015	–	–	6,000,000	–
Graham Dowland	A\$0.35 (Series A) options	13 Nov 2015	–	–	5,000,000	–
<b>Other KMP</b>						
Michael Verm <sup>(3)</sup>	A\$0.35 (Series C) options	28 Apr 2016	–	–	1,000,000	–
	2017 LTI Plan	15 June 2017	\$148,016	592,064	–	–

<sup>(1)</sup> Grant value of options awarded represents fair value at the date of grant and is calculated using the Black Scholes option pricing model that takes into account the exercise price, the term of the options, the share price at grant date, expected price volatility of the underlying shares, the expected dividend yield and the risk free interest rate for the term of the option as set out in Note 7.4 of the Financial Report. The grant value of performance rights represents fair value at the date of grant was calculated by RSM Australia Pty Ltd using a binomial tree distribution and Monte Carlo simulation valuation technique as set out in note 7.4 to the Financial Report.

<sup>(2)</sup> The number of options granted were determined by the Board as at the date of appointment to the Board on 30 November 2016 and approved by shareholders in general meeting on 10 April 2017 being the effective date of grant.

<sup>(3)</sup> The number of performance rights granted to Other KMP for the 2017 LTI Award was calculated by dividing an amount equal to a percentage of base salary as at 1 January 2017 by the IPO issue price of A\$0.25. The percentage applied to base salary was determined by the Board at the time the LTI Awards were granted.

<sup>(4)</sup> The assessed fair value of the options and performance rights at grant date is allocated to remuneration equally over the period from effective grant date to vesting date.

## 9. SHARE-BASED AWARDS EXERCISED DURING THE YEAR

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

# Remuneration Report

For the year ended 31 December 2017

## 10. CONSOLIDATED ENTITY PERFORMANCE

### 10.1 Company Performance

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must, in each location of operations and presence including Australia and the USA, attract, motivate and retain highly skilled directors and executives.

In considering performance in terms of an increase in longer term shareholder value the Board has noted the following commonly used measures of performance for each financial year / period:

	Year ended 31 Dec 2017	Six months ended 30 June 2017	Year ended 31 Dec 2016
Revenue from oil sales (US\$'000)	US\$23,347	US\$7,030	–
Profit/(Loss) after tax (US\$'000)	US\$(1,159)	US\$(2,310)	US\$(7,461)
Profit/(Loss) per share (US cents)			
Basic	(0.18)	(0.44)	(2.71)
Diluted	(0.18)	(0.44)	(2.71)
Share price at start of year/period	A\$0.22	A\$0.22	n/a
Share price at end of year/period	A\$0.23	A\$0.25	A\$0.22
Proved reserves (mmbbl)	29	5	–
Proved plus probable reserves (mmbbl)	47	5	–
2C contingent resource			
• TMS (mmbbl)	98	107	26
• Portugal (Bcf)	458	458	458
Gross sales (WI) (bbls) <sup>(1)</sup>	469,000	148,900	–
Net (after royalties) sales (NRI) (bbls) <sup>(2)</sup>	374,000	120,870	–

<sup>(1)</sup> Gross sales are for the period April – December 2017

<sup>(2)</sup> Net sales are for the period April – December 2017

### 10.2 2017 LTI Plan Peer Group

The peer group for the 2017 LTI Relative TSR Performance test is set out below:

Buru Energy Ltd  
Blue Energy Ltd  
Cooper Energy Ltd  
Central Petroleum Ltd  
Cue Energy Resources Ltd  
Carnarvon Petroleum Ltd  
Elk Petroleum Ltd  
Freedom Oil and Gas Ltd  
Horizon Oil Ltd  
Nuenergy Gas Ltd  
Petsec Energy Ltd  
Range Resources Ltd  
Sundance Energy Australia Ltd  
Sino Gas & Energy Holdings Ltd  
Strike Energy Ltd  
88 Energy Ltd

The 31 December 2016 market capitalisation of Australis positioned the Company as the 8 largest ASX listed oil and gas company within the peer group (limited to companies with a market capitalisation of less than A\$100 million). Based on the volume weighted average share price of all peer group companies for December 2017 compared to the December 2016 share price, Australis was positioned the 10th in terms of increase in share price amongst the peer group.



## 11. TOTAL REMUNERATION SUMMARY

### 11.1 Remuneration of KMP

Details of the total remuneration of KMP as required to be disclosed under the *Corporations Act 2001* is set out below:

**Table 7: KMP total remuneration per Corporations Act (all US\$)**

Name	Short term benefits			Post-employment benefit Super-annuation	Total Cash Remuneration	Annual leave provision	Share-based Options/Rights <sup>(3)</sup>	Total Remuneration	Performance related
	Cash salary & fees	STI <sup>(1)</sup>	Other benefits <sup>(2)</sup>						
<b>Non-executive directors</b>									
Jonathan Stewart									
31 Dec 2017	153,195	–	9,681	14,553	177,429	–	554,599	732,028	–
31 Dec 2016	146,780	–	2,440	13,944	163,164	–	1,515,713	1,678,877	–
Alan Watson									
31 Dec 2017	59,363	–	–	5,639	65,002	–	15,553	80,555	–
31 Dec 2016 <sup>(5)</sup>	37,753	–	–	3,587	41,340	–	13,110	54,450	–
Steve Scudamore <sup>(4)</sup>									
31 Dec 2017	59,363	–	–	5,639	65,002	–	26,159	91,161	–
31 Dec 2016	4,740	–	–	451	5,191	–	–	5,191	–
<b>Executive directors</b>									
Ian Lusted									
31 Dec 2017	340,770	158,686	6,763	15,695	521,914	77,485	221,840	821,239	19%
31 Dec 2016	311,908	59,886	2,440	29,631	403,865	60,426	606,286	1,070,577	6%
Graham Dowland									
31 Dec 2017	270,252	113,440	6,763	23,308	413,763	2,874	184,866	601,503	19%
31 Dec 2016	255,383	37,533	2,440	27,827	323,183	–	505,238	828,421	5%
<b>Other KMP</b>									
Michael Verm <sup>(6)</sup>									
31 Dec 2017	237,735	81,136	17,508	14,265	350,644	33,842	89,527	474,013	17%
31 Dec 2016	–	–	–	–	–	–	–	–	–
<b>Total 2017</b>	<b>1,120,678</b>	<b>353,262</b>	<b>40,715</b>	<b>79,099</b>	<b>1,593,754</b>	<b>114,201</b>	<b>1,092,544</b>	<b>2,800,499</b>	
<b>Total 2016</b>	<b>756,564</b>	<b>97,419</b>	<b>7,320</b>	<b>75,440</b>	<b>936,743</b>	<b>60,426</b>	<b>2,640,347</b>	<b>3,637,516</b>	

<sup>(1)</sup> STI's represent the amount earned in relation to 2017 which will be paid in 2018 after release of the 2017 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2017.

<sup>(2)</sup> Other benefits include car parking, health and travel benefits and associated fringe benefit tax, where applicable.

<sup>(3)</sup> AASB 2 – Share Based Payments requires the Black & Scholes fair value at grant date of the options granted be expensed over the vesting periods. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual KMP may ultimately realise should these equity interest vest. No options or rights were granted to directors during the year other than Mr Scudamore as set out below.

<sup>(4)</sup> Mr Scudamore was appointed as a director on 30 November 2016. Options granted to Mr Scudamore upon appointment were approved by shareholders in General Meeting on 10 April 2017.

<sup>(5)</sup> Mr Watson was appointed as a director on 24 May 2016 fees paid to Mr Watson include a one off fee of \$5,000 inclusive of superannuation) to recognise the extra commitment required during the IPO process.

<sup>(6)</sup> Mr Verm did not meet the definition of KMP per AASB 124 for years prior to 2017. Previous years comparative figures are not shown.

# Remuneration Report

For the year ended 31 December 2017

The table below sets out the cash remuneration paid to KMP during 2017.

**Table 8: 2017 cash payments to KMP (all US\$)**

Name	Base Salary & Fees \$	Superannuation \$	STI Paid <sup>(1)</sup> \$	Other benefits <sup>(2)</sup> \$	Total cash \$
<b>Non-executive directors</b>					
Jonathan Stewart					
31 Dec 2017	153,195	14,553	–	9,681	177,429
31 Dec 2016	146,780	13,944	–	2,440	163,164
Alan Watson <sup>(3)</sup>					
31 Dec 2017	59,363	5,639	–	–	65,002
31 Dec 2016	37,753	3,587	–	–	41,340
Steve Scudamore <sup>(4)</sup>					
31 Dec 2017	59,363	5,639	–	–	65,002
31 Dec 2016	4,740	451	–	–	5,191
<b>Executive directors</b>					
Ian Lusted					
31 Dec 2017	340,771	15,695	62,595	6,763	425,824
31 Dec 2016	311,908	29,631	–	2,440	343,979
Graham Dowland					
31 Dec 2017	270,252	27,035	39,231	6,763	343,281
31 Dec 2016	255,383	27,827	–	2,440	285,650
<b>Other KMP</b>					
Michael Verm <sup>(5)</sup>					
31 Dec 2017	237,735	17,571	55,098	17,508	327,912
31 Dec 2016	–	–	–	–	–

<sup>(1)</sup> No 2017 STI paid in the year. 2016 STI was paid in 2017 after release of the 2016 Annual Financial Statements.

<sup>(2)</sup> Other Benefits relates to car parking and health benefits paid directly to providers. During 2017 personal travel expenses were reimbursed to the Chairman to compensate for Company required interruption of personal travel plans resulting in a fringe benefit at the Company's Head Office and, accordingly, were not paid directly to KMP. Car parking was made available to KMP and other Perth based management and employees.

<sup>(3)</sup> The 2016 fees include a one-off payment of \$5,000 (inclusive of superannuation) to reflect the extra commitment required during the IPO process. Mr Watson joined the Company on 24 May 2016.

<sup>(4)</sup> Mr Scudamore joined the board on 30 November 2016.

<sup>(5)</sup> Mr Verm did not meet the definition of KMP under AASB 124 for years prior to 2017. Previous years comparative figures are not shown.

## 11.2 Share-based compensation benefits

The Corporations Act and accounting standards require that all incentive based options granted to KMP be valued at the date of grant using a valuation model such as Black Scholes Option Pricing Model. The value attributed to the grant of the options is allocated to remuneration for KMP in each reporting period over the vesting period of the options whether the options vest or not. For example, if options do not vest due to performance conditions not being achieved, the value of the options that lapse will still be included as remuneration in the Corporations Act disclosure.

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

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

In order to exercise the options granted to KMP the following cash payments will be made to the Company in Australian dollars by KMP at the time of exercise.

*Table 9: Cash payments for exercise of options*

Type	Expiry	Exercise Price	Jonathan Stewart A\$	Ian Lusted A\$	Graham Dowland A\$	Alan Watson A\$	Steve Scudamore A\$	Michael Verm A\$
\$0.25 Options	31/12/20	A\$0.25	\$2,500,000	\$1,000,000	\$800,000	–	–	–
\$0.275 (Series B, C & D) Options	24/05/21	A\$0.275	–	–	–	\$115,500	–	–
\$0.30 (Series A) Options	31/12/20	A\$0.30	\$4,500,000	\$1,800,000	\$1,500,000	–	–	–
\$0.30 (Series B) Options	31/12/20	A\$0.30	–	–	–	–	–	\$300,000
\$0.3125 (Series A, B and C) Options	30/11/21	A\$0.3125	–	–	–	–	\$131,250	–
\$0.35 (Series A) Options	31/12/22	A\$0.35	\$5,250,000	\$2,100,000	\$1,750,000	–	–	–
\$0.35 (Series C and D) Options	31/12/22	A\$0.35	–	–	–	–	–	\$700,000
Total Cost of Exercising all Options			\$12,250,000	\$4,900,000	\$4,050,000	\$115,500	\$131,250	\$1,000,000

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

# Remuneration Report

For the year ended 31 December 2017

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

**Table 10: Summary of option vesting**

Name	Type of grant	Year granted	Vested %	Forfeited %	Financial year in which benefits may vest	Maximum total value of grant yet to vest A\$
<b>Non-executive directors</b>						
Jonathan Stewart	\$0.25 options	2015	100%	–	31 Dec 2015	–
	\$0.30 (Series A) options	2015	100%	–	31 Dec 2016	–
	\$0.35 (Series A) options	2015	100%	–	31 Dec 2017	–
Alan Watson	\$0.275 (Series B) options	2016	100%	–	31 Dec 2017	–
	\$0.275 (Series C) options	2016	–	–	31 Dec 2018	16,576
	\$0.275 (Series D) options	2016	–	–	31 Dec 2019	17,654
Steve Scudamore	\$0.3125 (Series A) Options	2016	100%	–	31 Dec 2017	–
	\$0.3125 (Series B) Options	2016	–	–	31 Dec 2018	20,496
	\$0.3125 (Series C) Options	2016	–	–	31 Dec 2019	21,770
<b>Executive directors</b>						
Ian Lusted	\$0.25 options	2015	100%	–	31 Dec 2015	–
	\$0.30 (Series A) options	2015	100%	–	31 Dec 2016	–
	\$0.35 (Series A) options	2015	100%	–	31 Dec 2017	–
Graham Dowland	\$0.25 options	2015	100%	–	31 Dec 2015	–
	\$0.30 (Series A) options	2015	100%	–	31 Dec 2016	–
	\$0.35 (Series A) options	2015	100%	–	31 Dec 2017	–
<b>Other KMP</b>						
Michael Verm	\$0.30 (Series B) options	2016	100%	–	31 Dec 2016	–
	\$0.35 (Series C) options	2016	100%	–	31 Dec 2017	–
	\$0.35 (Series D) options	2016	–	–	31 Dec 2018	126,300

## 12. KMP INTERESTS IN SHARES AND OPTIONS

### 12.1 Shareholdings and option holdings

The number of shares, options and performance rights in the Company held during the financial year by KMP, including their personally related parties, are set out below. No shares were issued or granted during the period ending 31 December 2017 (Nil, 31 December 2016) as compensation.

**Table 11: 2017 KMP shareholding and optionholding reconciliation**

	Type of Equity	Balance at start of year	Granted	Exercised	Net other changes	Balance at end of year	Vested and exercisable	Unvested
<b>Non-executive directors</b>								
Jonathan Stewart <sup>(1,2)</sup>	Shares	59,542,859	–	–	1,500,000	61,042,859	n/a	n/a
	Options	45,000,000	–	–	–	45,000,000	45,000,000	–
Alan Watson <sup>(3)</sup>	Shares	3,810,000	–	–	–	3,810,000	n/a	n/a
	Options	875,000	–	–	–	875,000	595,000	280,000
Steve Scudamore <sup>(4)</sup>	Shares	97,215	–	–	–	97,215	n/a	n/a
	Options	–	420,000	–	–	420,000	140,000	280,000
<b>Executive directors</b>								
Graham Dowland <sup>(5)</sup>	Shares	14,750,000	–	–	–	14,750,000	n/a	n/a
	Options	13,500,000	–	–	–	13,500,000	13,500,000	–
Ian Lusted <sup>(6,7)</sup>	Shares	14,303,572	–	–	215,000	14,518,572	n/a	n/a
	Options	16,250,000	–	–	–	16,250,000	16,250,000	–
<b>Other KMP</b>								
Michael Verm <sup>(8)</sup>	Shares	3,000,000	–	–	–	3,000,000	n/a	n/a
	Options	3,250,000	–	–	–	3,250,000	2,250,000	1,000,000
	Performance Rights	–	592,064	–	–	592,064	–	592,064

<sup>(1)</sup> On 9 November and 7 December 2017 Mr Stewart acquired shares on market.

<sup>(2)</sup> 37,822,859 are restricted securities for 24 months from quotation, being 25 July 2016.

<sup>(3)</sup> 609,200 are restricted securities for 24 months from quotation, being 25 July 2016.

<sup>(4)</sup> The grant of the options to Mr Scudamore was approved by shareholders at a general meeting held on 10 April 2017.

<sup>(5)</sup> 11,475,572 are restricted securities for 24 months from quotation, being 25 July 2016.

<sup>(6)</sup> 11,463,572 are restricted securities for 24 months from quotation, being 25 July 2016.

<sup>(7)</sup> On 12 December 2017 Mr Lusted acquired shares on market.

<sup>(8)</sup> Of the 592,064 performance rights granted, 84,580 related to Tranche 1, 169,160 related to Tranche 2 and 338,324 related to Tranche 3. Subsequent to year end 33,832 of the performance rights granted, vested.

# Remuneration Report

For the year ended 31 December 2017

## 13. EMPLOYMENT AGREEMENTS KMP

Executive KMP have employment agreements with Australis which include provisions relating to remuneration, notice period, termination entitlements and post-employment restraints as follows:

Name	Employing Company	Contract Duration	Termination – Material Diminution <sup>(1)</sup>	Termination notice period company <sup>(2)</sup>	Termination notice period executive	Post-employment restraints <sup>(3)</sup>
Ian Lusted	Australis Oil & Gas Limited	Unlimited	1 month	12 months	12 months	12 months
Graham Dowland	Australis Oil & Gas Limited	Unlimited	1 month	12 months	12 months	12 months
Michael Verm	Australis TMS Inc	Unlimited	2 months	3 months	3 months	3 months

<sup>(1)</sup> The contractual Termination Benefits were approved by shareholders in General Meeting on 27 June 2016.

<sup>(2)</sup> The Company may terminate without notice for serious misconduct including serious or persistent breach of duty, failure to perform obligations under agreement.

<sup>(3)</sup> Non-compete and non-solicitation provisions apply for 12 months from notification of termination.

### *Deed of Indemnity*

Australis has entered into deeds of access, indemnity, and insurance with each of its directors and officers.

### *Policy for Trading in Company Securities*

Australis has in place a Policy for Trading in Company Securities which can be found on the Company's website.

The Policy prohibits KMP and other executives from entering into agreements or transactions which operate to limit the economic risk of their holdings in Company securities.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Operating revenue	2.1	23,347	–
Cost of sales	2.2	(12,310)	–
<b>Gross profit</b>		<b>11,037</b>	<b>–</b>
Other income	2.1	430	771
Other expenses	2.2	(12,721)	(7,826)
<b>(Loss) from operating activities</b>		<b>(1,254)</b>	<b>(7,055)</b>
Net finance income		95	61
Loss from continuing operations before income tax expense		(1,159)	(6,994)
Income tax expense	2.7	–	–
<b>Net loss attributable to owners of the Company</b>		<b>(1,159)</b>	<b>(6,994)</b>
<b>Other comprehensive loss</b>			
Items that may be reclassified to profit or loss;			
Exchange differences on translation of foreign operations	4.3	–	(467)
Change in fair value of cash flow hedges	4.3	(646)	–
<b>Other comprehensive loss for the year net of tax</b>		<b>(646)</b>	<b>(467)</b>
<b>Total comprehensive loss for the year attributable to the owners of the Company</b>		<b>(1,805)</b>	<b>(7,461)</b>
<b>(Loss) per share attributable to owners of the Company</b>			
Basic (loss) per share (cents per share)	2.8	(0.18)	(2.71)
Diluted (loss) per share (cents per share)	2.8	(0.18)	(2.71)

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

# Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31 December 2017 US\$'000	31 December 2016 US\$'000	1 January 2016 US\$'000
<b>Current assets</b>				
Cash and cash equivalents	4.1	16,602	21,474	16,010
Trade and other receivables	5.1	5,134	187	136
Inventories	5.2	572	–	–
<b>Total current assets</b>		<b>22,308</b>	<b>21,661</b>	<b>16,146</b>
<b>Non-current assets</b>				
Oil and gas properties	3.1	61,091	–	–
Exploration and evaluation	3.2	39,696	27,468	8,014
Property, plant and equipment	3.3	5,765	49	21
Other receivables	5.1	705	6	1,405
<b>Total non-current assets</b>		<b>107,257</b>	<b>27,523</b>	<b>9,440</b>
<b>Total assets</b>		<b>129,565</b>	<b>49,184</b>	<b>25,586</b>
<b>Current liabilities</b>				
Trade and other payables	5.3	(7,157)	(735)	(838)
Provisions	5.5	(248)	(122)	(36)
Derivative financial instrument	5.4	(646)	–	–
<b>Total current liabilities</b>		<b>(8,051)</b>	<b>(857)</b>	<b>(874)</b>
<b>Non-current liabilities</b>				
Provisions	5.6	(1,600)	–	–
<b>Total current liabilities</b>		<b>(1,600)</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>(9,651)</b>	<b>(857)</b>	<b>(874)</b>
<b>Net assets</b>		<b>119,914</b>	<b>48,327</b>	<b>24,712</b>
<b>Equity</b>				
Contributed equity	4.2	125,253	53,219	25,149
Share based payment reserve	4.3	5,592	4,234	1,228
Foreign exchange reserve	4.3	(467)	(467)	–
Cash flow hedge reserve	4.3	(646)	–	–
Accumulated losses	4.3	(9,818)	(8,659)	(1,665)
<b>Total equity</b>		<b>119,914</b>	<b>48,327</b>	<b>24,712</b>

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



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Contributed Equity US\$'000	Other Reserve US\$'000	Accumulated Losses US\$'000	Total US\$'000
Balance as at 1 January 2016	25,149	1,228	(1,665)	24,712
Loss for the year	-	-	(6,994)	(6,994)
Other comprehensive loss	-	-	-	-
Exchange differences on translation of foreign operations	-	(467)	-	(467)
<b>Total Comprehensive Loss</b>	-	(467)	(6,994)	(7,461)
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	28,070	-	-	28,070
Option expense recognised during the year	-	3,006	-	3,006
<b>Balance as at 31 December 2016</b>	<b>53,219</b>	<b>3,767</b>	<b>(8,659)</b>	<b>48,327</b>
Balance as at 1 January 2017	53,219	3,767	(8,659)	48,327
Loss for the year	-	-	(1,159)	(1,159)
Other comprehensive loss				
Change in fair value of cash flow hedges	-	(646)	-	(646)
<b>Total Comprehensive Loss</b>	-	(646)	(1,159)	(1,805)
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	72,034	-	-	72,034
Options expense recognised during the year	-	1,358	-	1,358
<b>Balance as at 31 December 2017</b>	<b>125,253</b>	<b>4,479</b>	<b>(9,818)</b>	<b>119,914</b>

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		20,648	–
Payments to suppliers and employees		(18,078)	(4,456)
Net cash inflow/(outflow) from operating activities	2.10	2,570	(4,456)
<b>Cash flows from investing activities</b>			
Payments for acquisition of exploration interests		(8,448)	(18,623)
Payment for property, plant and equipment		(635)	(47)
Payment for business combinations	7.8	(68,126)	–
Transaction costs		(1,484)	–
Payment of security deposits and bonds		(431)	–
Interest Received		95	61
Net cash (outflow) from investing activities		(79,029)	(18,609)
<b>Cash flows from financing activities</b>			
Proceeds from share applications		74,995	29,393
Share issue costs		(2,961)	(1,398)
Payment of cash flow hedge bond		(1,000)	–
Net cash inflow from financing activities		71,034	27,995
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the financial year		21,474	16,010
Effect of exchange rates on cash holdings in foreign currencies		553	534
Cash and cash equivalents at the end of the financial year	4.1	16,602	21,474

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

# Section 1: Basis of Reporting

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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# Section 1: Basis of Reporting

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### Corporate information

The consolidated financial report for the year ended 31 December 2017 comprises the financial statements of Australis Oil & Gas Limited, the parent entity and its controlled entities ("Group" or "Consolidated Entity"). Australis Oil & Gas Limited ("Company" or "Australis") was incorporated in Australia as a private company on the 12 November 2015 as Australis Oil & Gas Holdings Pty Limited. On 10 June 2016 the Company converted to a public company and change its name to Australis Oil & Gas Limited.

In July 2016, the Company successfully completed an initial public offering and was admitted to the Official List of the Australian Securities Exchange (Ticker code: ATS). The Company commenced trading on 25 July 2016.

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

### 1.1 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 Year** – sets out the performance of the Group and highlights the significant accounting policies impacting on the results for the year.
3. **Invested Capital** – sets out expenditure during the year on oil & gas properties, exploration and evaluation, property, plant & equipment and the commitments of the Group.
4. **Capital and Debt Structure** – provides information about the Group financing structure.
5. **Other Assets & Liabilities** – sets out the working capital balances of the Group.
6. **Group Structure** – sets out the ownership and intra-group transactions with subsidiaries.
7. **Other Notes**

### 1.2 Basis of preparation and compliance statement

The consolidated financial statements of the Group are general purpose financial statements prepared in accordance with Australian Accounting Standards applicable to for profit entities, Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Australian Accounting Standards incorporate International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board. As such, the consolidated financial statements comply with IFRS. The accounting standards have been consistently applied to all financial years presented.

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

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

#### *Changes in accounting policy and disclosures*

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

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

# Section 1: Basis of Reporting

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 1.2 Basis of preparation and compliance statement (continued)

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

- (ii) As at 1 January 2017 the Group early adopted AASB 9 Financial Instruments (2014). AASB 9 (December 2014) is a new standard which replaces AASB 139 (as amended). This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

On adoption of AASB 9, there was no material changes in the classification of financial assets and liabilities. Fair value changes resulting from credit risk did not have a significant impact on future results. The introduction of the expected loss impairment model for determining credit provisions did not have a material impact.

The adoption of AASB 9 will mean the following key changes to the Group's hedge accounting:

- Effectiveness measurement testing will only be performed on a prospective basis.

As a result of adopting AASB 9, the accounting policies for financial instruments and hedging will be updated to align with AASB 9 and are applicable from 1 January 2017. The Group will apply AASB 9 on a retrospective basis.

### 1.3 Basis of consolidation

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of Australis and its controlled entities as at 31 December 2017 and the financial performance of the Company and its controlled entities for the year then ended.

- (i) Controlled entities are all those entities (including special purpose entities) the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of the controlled entities are included in the consolidated financial statements from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.
- (ii) Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of the subsidiaries are consistent with the policies adopted by the Consolidated Entity.
- (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.

# Section 1: Basis of Reporting

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 1.3 Basis of consolidation (continued)

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

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

- (v) Joint Operations – A joint arrangement is when two or more parties hold joint control in an arrangement. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties sharing control with a Joint Operation being a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Australis has an arrangement that meets this definition for its oil and gas leases.

In accordance with AASB 11, the arrangements have been classified as joint operations (whereby the jointly controlling parties have rights to the assets and obligations for the liabilities relating to the arrangement). The Group therefore recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations and have been incorporated into the consolidated financial statements under appropriate classifications. Details of joint operations can be found in Note 7.2.

### 1.4 Foreign currency

- (i) Functional and presentational currency

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

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

- (ii) Translation and balances

Foreign currency transactions are translated into functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency as at the exchange rate existing at reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year and the amortised costs in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency difference arising on retranslation are generally recognised in profit or loss.

# Section 1: Basis of Reporting

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 1.4 Foreign currency (continued)

#### (iii) Group Companies

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

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

### 1.5 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions about future events. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

#### Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined using a Black Scholes Option Pricing Model. Key inputs to the Black Scholes options pricing model include the expected price volatility and risk free interest rate. The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information. The risk interest is the risk free rate of securities with comparable terms to maturity.

Future restoration costs – note 3.1

Reserve estimates– note 3.1

Depletion and depreciation– note 3.1

Impairment– notes 3.1 & 3.2

### 1.6 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting year

Or

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting year

Or

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

The Group classifies all other liabilities as non-current.

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

# Section 1: Basis of Reporting

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 1.7 Fair Value Measurement

The Group measures financial and non-financial assets at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### 1.8 Financial and capital risk management

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

The financial risks that arise during the normal course of Australis' operations comprise market risk, foreign currency risk, credit risk and liquidity risk (see Notes 4.1, 5.1, 5.3, 5.4) 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.

The Board of Australis is responsible for approving Australis' policies on risk oversight and management and ensuring management has developed and implemented an effective risk management and internal control system. Whilst maintaining ultimate responsibility for financial risk management, the Board has delegated responsibility for effective implementation of the Risk Management Policy and objectives to the Audit and Risk Management Committee.

Australis' Audit and Risk Management Committee oversees compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Australis. The CEO, with the assistance of senior executives as required, has responsibility for identifying, assessing, treating and monitoring risks on a day to day basis and reporting to the Audit and Risk Management Committee and the Board on risk management on a regular basis.

### 1.9 New and amended standards and interpretations

Other than the earlier adoption of AASB 9 Financial Instruments there are several standards and amendments issued which are not applicable to the group and have no material effect on any of the amounts recognised in the current year or any prior period consolidated financial report.

### 1.10 Recently issued standards not in effect

The following recently issued standards, interpretations and amendments which are not yet effective and have not been applied, however the Company is in the process of assessing their impact:

- AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)
- AASB 16 Leases (effective 1 January 2019)
- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2018)
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
- AASB Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)



## Section 2: Results for the Year

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 2.1 Revenue and Other Income

#### Recognition and measurement

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from the sale of produced hydrocarbons is recognised when the significant risks and rewards of ownership have passed to the customer, which is typically at the point that title passes.

Revenue is recognised on the basis of the Group's working interest in a producing field (the entitlement method).

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

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Revenue from continuing operations		
<i>Sales revenue</i>		
Oil sales	24,243	–
Realised (loss) on forward commodity price contracts	(896)	–
Total revenue from continuing operations	23,347	–

#### Recognition and measurement

Policies on the accounting treatment of foreign exchange are detailed in Note 1.4.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Other Income		
Unrealised foreign exchange gain	430	771
Total other income	430	771

## Section 2: Results for the Year

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 2.2 Cost of sales & Other expenses

##### Recognition and measurement

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

	Notes	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
<b>Cost of sales</b>			
Production costs		(6,500)	–
Royalties		(4,669)	–
Production taxes		(951)	–
Oil stock inventory movements		(190)	–
<b>Total cost of sales</b>		<b>(12,310)</b>	<b>–</b>
<b>Other expenses</b>			
Administrative expenses	2.3	(7,737)	(3,819)
Exploration costs expensed	2.5	(1,673)	(983)
Depletion	3.1	(1,065)	–
Depreciation	3.3	(888)	(18)
Share based payments	2.4	(1,358)	(3,006)
<b>Total Expenses</b>		<b>(12,721)</b>	<b>(7,826)</b>

Material other expenses for the year ended 31 December 2017, relate to the following;

Employee benefits expensed – Note 2.4.

##### *Good and services tax*

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

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

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

##### *Foreign exchange risk*

The functional currency of the Group is US dollars (USD), however the Group operates internationally and is exposed to various currencies including the Australian Dollar (AUD), Euro (EUR) and Pound Sterling (GBP). The Group is primarily exposed to foreign exchange risk arising from fluctuations in AUD and USD. 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, 5.3 and 5.4.

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 Year

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 2.3 Administrative expenses

Administrative expenses of the Group include the following:

	Notes	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
<b>Administrative expenses</b>			
Personnel expenses (corporate)		(3,226)	(2,349)
Personnel expenses (indirect operating)		(1,017)	–
Total personnel expenses	2.4	(4,243)	(2,349)
IPO costs and listing fees		–	(597)
General & administration expenses (corporate)		(2,357)	(873)
General & administration expenses (indirect operating)		(1,137)	–
	2.2	(7,737)	(3,819)

Indirect operating expenses relate to operational costs not directly related to field expenses.

#### 2.4 Employee benefits expensed

##### Recognition and measurement

The Group's accounting policy for employee benefits other than superannuation is set out in Note 5.5. The policy for share based payments is set out in note 7.4. For Australian based employees the Group makes superannuation contributions in accordance with the Superannuation Guarantee (Administration) Act 1992 to plans nominated by employees. US-based employees receive a contribution towards retirement plans (401k) which matches their own contribution to such plans. In 2017, contributions for US-based employees were matched up to a maximum of 6% of the base salary of each employee.

Expensed employee benefits of the Group are as follows:

	Notes	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
<b>Employee benefits</b>			
Salaries and fees		(3,011)	(1,705)
Short term incentive accrual		(396)	(378)
Superannuation		(245)	(136)
Other payroll expenses <sup>(1)</sup>		(591)	(130)
	2.3	(4,243)	(2,349)
Share based payments		(1,358)	(3,006)
		(5,601)	(5,355)

<sup>(1)</sup> Includes movement in annual leave provision for the year of US\$126,000 (2016: \$86,000)

## Section 2: Results for the Year

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 2.5 Exploration expenditure

##### Recognition and measurement

The exploration expense represents expenditures which cannot be capitalised as exploration and evaluation assets under the Company's capitalisation policy which is set out in Note 3.2. This includes but is not limited to geological and geophysical costs.

Exploration expenditure also includes the costs associated with evaluation of projects which are not directly attributable to an acquisition.

Exploration expenditure of the Group includes the following:

	Notes	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Exploration expenditure			
Business development (employee remuneration allocation)		(420)	(595)
Portuguese exploration expenditure written off		(342)	(330)
Other expenses <sup>(1)</sup>		(911)	(58)
	2.2	(1,673)	(983)

<sup>(1)</sup> 2017 expenditure includes evaluation costs associated with the acquisition of the Encana assets – US\$911,000 (2016: \$nil).

#### 2.6 Segment Reporting

##### Recognition and measurement

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

##### Oil & Gas Production

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

##### Exploration

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

##### Other

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

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

## Section 2: Results for the Year

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 2.6 Segment Reporting (continued)

US\$000	Oil & Gas Production		Exploration		Other		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
External revenues	23,347	–	–	–	–	–	23,347	–
Direct operating costs	(12,310)	–	–	–	–	–	(12,310)	–
Indirect operating costs	(2,154)	–	–	–	–	–	(2,154)	–
Corporate	–	–	–	–	(5,583)	(3,819)	(5,583)	(3,819)
Foreign currency gains	–	–	–	–	430	771	430	771
Share based payments	–	–	–	–	(1,358)	(3,006)	(1,358)	(3,006)
EBITDAX <sup>(1)</sup>	8,883	–	–	–	(6,511)	(6,054)	2,372	(6,054)
Depletion	(1,065)	–	–	–	–	–	(1,065)	–
Depreciation	(761)	–	–	–	(127)	(18)	(888)	(18)
Exploration costs expensed	–	–	(1,673)	(983)	–	–	(1,673)	(983)
EBIT <sup>(2)</sup>	7,057	–	(1,673)	(983)	(6,638)	(6,072)	(1,254)	(7,055)
Net finance income/ (costs)	–	–	–	–	95	61	95	61
Segment profit / (loss)	7,057	–	(1,673)	(983)	(6,543)	(6,011)	(1,159)	(6,994)

<sup>(1)</sup> EBITDAX represents net loss for the year before income tax expense or benefit, finance costs, depletion, depreciation and exploration and evaluation expenses.

<sup>(2)</sup> EBIT represents net loss for the year before income tax expense or benefit and finance costs.

#### Capital expenditure

Exploration and evaluation assets	–	–	12,228	19,454	–	–	12,228	19,454
Oil and gas assets – production	62,156	–	–	–	–	–	62,156	–
Other plant and equipment	5,634	–	–	–	970	46	6,604	46
	67,790	–	12,228	19,454	970	46	80,988	19,500

US\$000	Oil & Gas Production		Exploration		Other		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Segment assets	71,546	–	39,827	27,468	18,192	21,716	129,565	49,184
Segment liabilities	(7,691)	–	(406)	–	(1,554)	(857)	(9,651)	(857)

#### 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		Non-current assets	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
United States of America	23,347	–	106,673	27,368
Portugal	–	–	–	100
Australia	–	–	584	55
	23,347	–	107,257	27,523

## Section 2: Results for the Year

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 2.7 Income tax expense

##### Recognition and measurement

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
(a) Income tax expense		
Current tax	–	–
Deferred tax	–	–
Income tax expense	–	–
(b) Reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(1,159)	(6,994)
Prima facie tax benefit at the Australian statutory tax rate of 30% (31 December, 2016: 30%)	(348)	(2,098)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Share-based payment expense	407	902
Other non-allowable deductions	3	368
Income tax rate difference	(256)	16
	(194)	(812)
Movements in unrecognised temporary differences	(1,212)	(216)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,406	(1,028)
Income tax expense / (benefit)	–	–

## Section 2: Results for the Year

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 2.7 Income tax expense (continued)

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

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
<b>(d) Deferred tax asset</b>		
Other provisions and accruals	1,148	88
Tax losses in Australia	1,455	749
Tax losses in USA	583	418
Tax losses in Portugal	373	214
Tax losses in UK	39	14
Deferred tax assets not recognised	3,598	1,483
<b>(e) Deferred tax liability</b>		
Other accruals	(1,028)	-
Unrealised foreign exchange gain	(129)	(272)
Deferred tax liabilities not recognised	(1,157)	(272)

Potential deferred tax assets have not been brought to account at 31 December 2017 (31 December 2016: Nil) as the directors do not believe that realisation of the deferred tax assets is probable at this point in time.

These benefits will only be obtained if:

- i. The 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 2017, 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.

## Section 2: Results for the Year

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 2.8 Earnings per share

##### Recognition and measurement

##### *Basic earnings per share*

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

##### *Diluted earnings per share*

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

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Loss per share attributable to members of the Company		
Basic loss per share	(0.18)	(2.71)
Diluted loss per share	(0.18)	(2.71)
Loss used in calculation of basic / diluted loss per share	US\$'000	US\$'000
Net (Loss) after tax	(1,159)	(6,994)
Weighted average number of ordinary shares used as the denominator in calculating:	Shares	Shares
Basic and diluted loss per share <sup>(1)</sup>	652,794,690	258,227,863

<sup>(1)</sup> Options and rights on issue are considered to be potentially ordinary shares and have not been included in the calculation of basic earnings per share. Additionally, only exercise of the options would be antidilutive as their exercise to ordinary shares would decrease the loss per share. In accordance with AASB 133, they are also excluded from the diluted loss per share calculation. Refer to note 7.4 for details of options and rights on issue.

#### 2.9 Dividends

No dividend has been paid or is proposed in respect of the year ended 31 December 2017 (31 December 2016: Nil).



## Section 2: Results for the Year

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Net Loss for the year	(1,159)	(6,994)
<i>(i) Add / (less) non-cash items</i>		
Depreciation, depletion and amortisation	1,953	18
Share based payment expense	1,358	3,006
Net foreign exchange (gain)	(430)	(771)
<i>(ii) Add / (less) items classified as investment / financing activities:</i>		
Net interest received	(95)	(61)
Transaction costs	1,484	–
<i>(iii) Change in assets and liabilities during the financial year</i>		
(Increase) in receivables	(3,897)	(38)
(Increase) in oil stock inventories	(571)	–
Increase in payables	3,801	298
Increase in employee provisions	126	86
Net inflow/(outflow) on operating activities	2,570	(4,456)

# Section 3: Invested Capital

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 3.1 Oil and Gas Properties

#### Recognition and measurement

##### *Assets in development*

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

##### *Producing assets*

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

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

##### *Amortisation and depreciation of producing projects*

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

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

#### Critical accounting estimates and judgements

##### *Future restoration costs*

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

##### *Reserve estimates*

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

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

##### *Depletion and depreciation*

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

## Section 3: Invested Capital

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 3.1 Oil and Gas Properties (continued)

#### Impairment

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

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
2017		
At cost	62,156	–
Accumulate depletion / depreciation	(1,065)	–
	61,091	–
Balance at 1 January 2017	–	–
Additions	23	–
Business combinations - additions <sup>(1)</sup>	60,533	–
Business combinations - restoration provision <sup>(1)</sup>	1,600	–
Depletion / Depreciation	(1,065)	–
Balance at 31 December 2017	61,091	–

<sup>(1)</sup> On 13 April 2017, Australis TMS Inc, a wholly owned subsidiary acquired 100% of the Tuscaloosa Marine Shale assets owned by Encana Oil & Gas USA. Additions represent the fair value of the oil and gas assets and acreage held by production. Refer to note 7.8 – Business Combinations for further information regarding the TMS Encana acquisition.

### 3.2 Exploration and evaluation assets

#### Recognition and measurement

Areas of interest are recognised at a field level. Exploration and evaluation expenditure other than the costs of acquisition are written off to the Consolidated Statement of Profit or Loss in the year that they are incurred.

The costs of acquiring, renewing or extending leases or concessions, together with associated expenses are capitalised:

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

#### Costs

Pre-lease or concession costs are expensed in the year in which they are incurred.

The costs of acquiring, renewing or extending leases or concessions, together with associated expenses are capitalised as exploration and evaluation assets. If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through profit or loss as exploration expenditure. All geological and geophysical costs, dry hole costs and unproved leasehold costs are also expensed as incurred in accordance with the successful efforts method of accounting for oil and gas exploration and evaluation expenditure.

If extractable hydrocarbons are discovered the exploration and evaluation costs are transferred to Oil and Gas Properties – Development Projects whilst further appraisal activity is undertaken to assess the commercial potential of a reservoir following the initial discovery of hydrocarbons. Costs associated with the drilling of development wells are also capitalised and depletion commences.

## Section 3: Invested Capital

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 3.2 Exploration and evaluation assets (continued)

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

In the year ended 31 December 2017, no exploration and evaluation expenditure was capitalised as Oil and Gas Properties (2016: \$nil).

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities and the cash flows associated with exploration expenditure including geological and geophysical and dry hole costs are included in cash flows from operating activities.

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

#### Impairment

All exploration and evaluation costs that meet the requirements of AASB 6 – *Exploration and Evaluation of Mineral Resources* are capitalised and carried at cost unless the Company becomes aware of an indicator of impairment.

Capitalised costs relating to Oil & Gas Properties are assessed for impairment at each reporting date. In the year ended 31 December 2017.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Opening balance	27,468	8,014
Capitalised expenditure <sup>(1)</sup>	12,228	2,809
Acquisition of Tuscaloosa Marine Shale <sup>(2)</sup>	–	16,645
Closing balance	39,696	27,468

<sup>(1)</sup> Capitalised Expenditure

Acquisition includes non-developed acreage of \$3,556,000 acquired as part of the Encana TMS acquisition. Refer to note 7.8 – Business Combinations

The other capital expenditure represents the costs associated with the acquisition of new leases and the renewal and extension of existing leases in the TMS during the year.

<sup>(2)</sup> Acquisition of Tuscaloosa Marine Shale

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

During January 2016, Australis completed the acquisition of an initial 20% working interest in the TMS leases, and in May 2016 acquired the balance to take its working interest to 50%. The total acquisition price of the 50% working interest in the TMS leases was US\$16.6 million. In early November 2017 the Company acquired the remaining 50% working interest from Paloma Partners IV, LLC.

# Section 3: Invested Capital

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 3.2 Exploration and evaluation assets (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.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Oil and gas exploration		
Payable:		
Within one year <sup>(1)</sup>	509	7,374
After one year, not more than five years	–	211
<b>Total exploration commitments</b>	<b>509</b>	<b>7,585</b>

<sup>(1)</sup> Payable within one year

*This figure is made up of the 2018 Annual Work Program and Budget of the working interest in Tuscaloosa Marine Shale and the 2018 Concession obligations in Portugal. The Tuscaloosa Marine Shale budget is primarily for acquisition of new leases and the renewal and extension of existing leases as well as associated brokerage costs and accordingly this expenditure will be dependent upon the success of the leasing activity currently underway in the US. The 2018 Portuguese Concession obligations make up the balance in the amount of 352,000 Euros (US\$419,000).*

#### Critical accounting estimates and judgements

##### Area of Interest

An area of interest (AOI) is defined by the Group as an individual geographical area whereby the presence of hydrocarbons is considered favourable or proved to exist. The Group has established criteria to recognise and maintain an AOI.

##### Impairment of exploration and evaluation assets

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective AOI. Each potential or recognised AOI is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of the capitalised costs. Where a potential impairment is indicated, assessment is performed using a fair value less cost to dispose method, to determine the recoverable amount for each AOI to which the exploration and evaluation expenditure is attributed.

This assessment requires management to make certain estimates and apply judgement in determining assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

## Section 3: Invested Capital

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 3.3 Property, plant and equipment

##### 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 year.

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

	Office Equipment US\$'000	Surface Equipment US\$'000	Motor Vehicles US\$'000	Total US\$'000
<b>2017</b>				
Opening net book amount	49	–	–	49
Additions	757	–	–	757
Business combinations <sup>(1)</sup>	–	5,634	213	5,847
Depreciation charge	(115)	(744)	(29)	(888)
Closing net book amount	691	4,890	184	5,765
<b>2017</b>				
At cost	824	5,634	213	6,671
Accumulated depreciation	(133)	(744)	(29)	(906)
Closing net book amount	691	4,890	184	5,765
<b>2016</b>				
Opening net book amount	21	–	–	21
Additions	46	–	–	46
Depreciation charge	(18)	–	–	(18)
Closing net book amount	49	–	–	49
<b>2016</b>				
At cost	67	–	–	67
Accumulated depreciation	(18)	–	–	(18)
Closing net book amount	49	–	–	49

<sup>(1)</sup> On 13 April, 2017 Australis TMS Inc, a wholly owned subsidiary, acquired the entire Tuscaloosa Marine Shale assets owned by Encana Oil & Gas USA. Addition represent the fair value of the surface equipment and multiple vehicles acquired.

## Section 4: Capital and Debt Structure

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 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:

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
<b>Held with Australian banks and financial institutions</b>		
Cash at bank and in hand	14,350	11,832
Deposits at call	–	9,043
<b>Held with Portuguese banks and financial institutions</b>		
Cash at bank and in hand	263	77
<b>Held with UK banks and financial institutions</b>		
Cash at bank and in hand	1	1
<b>Held with US banks and financial institutions</b>		
Cash at bank and in hand	1,988	521
	16,602	21,474

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

Cash on hand and balances at bank	16,602	12,430
Short term deposits	–	9,044
Cash and cash equivalents	16,602	21,474

## Section 4: Capital and Debt Structure

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 4.1 Cash and cash equivalents (continued)

##### Cash & cash equivalents held in foreign currency

	31 December 2017 Amount in Currency \$'000	31 December 2017 Amount in USD US\$'000	31 December 2016 Amount in Currency \$'000	31 December 2016 Amount in USD US\$'000
Cash & cash equivalents				
AUD Dollars	6,189	4,828	5,681	4,106
Euro	158	189	73	77
UK Pounds	1	1	1	1
		5,018		4,184

##### *Foreign exchange risk*

The Group held US\$5.0 million of cash and cash equivalents at 31 December 2017 (31 December 2016: US\$4.2 million) in currencies other than US dollars (predominantly AUD dollars).

A reasonable possible change in the exchange rate of the US dollar to the AUD 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 year or previous year. A reasonable possible change in the exchange rate of the US 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 year.

##### *Credit risk*

The maximum exposure to credit risk with respect to cash and cash equivalents and the bank guarantee at the end of the reporting year is the carrying amount of each class of cash and cash equivalents set out above. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent with the exception of the financial guarantee with Bank Inter, which is currently rated with Standard & Poor as BBB- (adequate capacity to meet its financial commitments).

##### *Interest rate risk*

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at and during the year ended 31 December 2017, the Group's interest-bearing assets consisted of cash and cash equivalents and a bank guarantee held with Australian and Portuguese banks and financial institutions and earned interest at 0.23% floating rate (31 December 2016: 0.27%). As such the impact on the Group's income and operating cash flows from movements in market interest rates is not considered material.

##### *Liquidity risk*

Prudent liquidity management involves the maintenance of sufficient cash and access to capital markets. It is the policy of the Board to ensure the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities by ensuring the Group has sufficient working capital and the preserving or resetting of the 15% share issue limit available to the Company under the ASX Rules.

##### *Capital risk management*

The Group manages its capital to ensure entities in the Group will be able to continue as a going concern while maximising the potential return to shareholders. The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and potential investment opportunities. At 31 December 2017, the Group has no interest-bearing loans or borrowings, and is not exposed to any externally imposed capital requirements.



# Section 4: Capital and Debt Structure

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 4.2 Contributed equity

On 13 April 2017 Australis Oil & Gas Limited (ATS) completed a A\$100 million (US\$74.995 million) share placement via a 434.8 million new fully paid ordinary share issue at A\$0.23/ share to fund the acquisition of all the TMS assets of Encana. Refer to note 7.8 – Business Combinations for further information regarding the TMS Encana acquisition.

In July 2016, the Company undertook an initial public offering to raise A\$30 million (US\$22.017 million). This followed a private placement in May 2016 that raised \$10 million (US\$7.375 million). The Company was admitted to the Official List of the Australian Securities Exchange (Ticker code: ATS) and commenced trading on 25 July 2016.

#### Recognition and measurement

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration

	31 December 2017 Securities	31 December 2016 Securities	31 December 2017 US\$'000	31 December 2016 US\$'000
Share capital				
Ordinary shares	776,339,475	341,556,866	125,253	53,219
Total contributed equity	776,339,475	341,556,866	125,253	53,219

#### Movements in contributed equity:

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

#### Ordinary shares

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

## Section 4: Capital and Debt Structure

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 4.3 Reserves and Accumulated Losses

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
<b>(a) Share based payment reserve</b>		
Balance at the beginning of the financial year	4,234	1,228
Share based payment expense arising during the year	1,358	3,006
Closing balance	5,592	4,234
<b>(b) Foreign exchange reserve</b>		
Balance at the beginning of the financial year	(467)	–
Currency translations differences arising during the year	–	(467)
Closing balance	(467)	(467)
<b>(c) Cash flow hedge reserve</b>		
Balance at the beginning of the financial year	–	–
Change in derivatives financial instruments at fair value through comprehensive income	(646)	–
Closing balance	(646)	–
<b>(d) Accumulated losses</b>		
Balance at the beginning of the financial year	(8,659)	(1,665)
Net (loss) for the year	(1,159)	(6,994)
Closing balance	(9,818)	(8,659)

## Section 5: Other Assets and Liabilities

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 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. As prescribed under AASB 9, the simplified approach has been to provide for expected credit losses, which requires the use of the lifetime expected loss provision for all trade receivables. There are no expected credit losses.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
<b>Current assets</b>		
Trade receivables	3,667	–
Cash flow hedge deposit	1,000	–
Other receivables	467	187
	5,134	187
<b>Non-current assets</b>		
Deposit exploration & oil and gas properties	506	–
Corporate deposits	199	6
	705	6

##### Trade and other receivables held in foreign currency

	31 December 2017 Amount in Currency \$'000	31 December 2017 Amount in USD US\$'000	31 December 2016 Amount in Currency \$'000	31 December 2016 Amount in USD US\$'000
Trade and other receivables				
AUD Dollars	153	119	149	108
Euro	156	186	81	85
		305		193

##### Fair value

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

##### Risks

###### *Liquidity Risk*

All amounts recognised as trade and other receivables are non-interest bearing and are expected to be received within the next 12 months.

## Section 5: Other Assets and Liabilities

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 5.1 Trade and other receivables (continued)

##### **Credit Risk**

Trade and other receivables are generally due for settlement within 30 days and therefore classified as current. No Group receivables were past due or impaired as at 31 December 2017 and there is no indication that amounts recognised as other receivables will not be recoverable in the normal course of business

A security deposit of US\$1,000,000 was provided to Commonwealth Bank of Australia as part of the cash flow hedge facility arrangements. This deposit is refundable at the end of the hedging period.

At 31 December 2017, other receivables consisted of security deposits and government tax refunds. Accordingly, the Group's exposure to credit risk arising from the default of third party debtors at 31 December 2017 is considered immaterial.

##### **Foreign exchange risk**

The Group held other receivables in AUD of US\$119,000 at 31 December 2017 (31 December 2016: US\$108,000) and EURO of US\$186,000 at 31 December 2017 (31 December 2016: US\$85,000). A reasonable possible change in the exchange rate of the US dollar to the AUD and 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 year.

#### 5.2 Inventories

##### **Recognition and measurement**

Inventories include hydrocarbon stocks, consumable supplies and maintenance spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Oil inventory <sup>(1)</sup>	90	–
Materials inventory <sup>(1)</sup>	482	–
	572	–

<sup>(1)</sup> On 13 April 2017, Australis TMS Inc, a wholly owned subsidiary acquired 100% of the Tuscaloosa Marine Shale assets owned by Encana Oil & Gas USA. Oil stock of US\$280,000 and inventory materials of US\$206,000 was recognised on acquisition and movements in inventory have been recognised in the profit & loss.

## Section 5: Other Assets and Liabilities

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 5.3 Trade and other payables

##### Recognition and measurement

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

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Trade payables <sup>(1)</sup>	4,577	74
Other payables	2,580	661
	<u>7,157</u>	<u>735</u>

<sup>(1)</sup> On 13 April 2017, Australis TMS Inc, a wholly owned subsidiary acquired 100% of the Tuscaloosa Marine Shale assets owned by Encana Oil & Gas USA. Suspended revenues held on behalf of royalty owners of US\$2,296,000 was recognised on acquisition.

	31 December 2017 Amount in Currency \$'000	31 December 2017 Amount in USD US\$'000	31 December 2016 Amount in Currency \$'000	31 December 2016 Amount in USD US\$'000
Trade and other payables				
AUD Dollars	784	611	615	444
Euro	200	238	1	1
UK Pounds	9	12	5	7
		<u>861</u>		<u>452</u>

##### Fair value

The carrying value of payables are assumed to approximate fair value due to their short term nature.

##### Risks

###### Liquidity risk

Trade and other payables are non-interest bearing and normally settled within 30 to 60 day terms except US\$2,613,000 (2016: US\$nil) held in suspense on behalf of royalty owners. This relates to royalty payments due to owners that is held by the operator until certain requirements are met. All amounts recognised as trade and other payables are non-interest bearing and are expected to be settled within the next 12 months.

###### Foreign exchange risk

The Group held US\$861,000 of trade and other payables at 31 December 2017 (31 December 2016: \$452,000) in currencies other than US dollars (being AUD dollars, Euros and British pounds). A reasonable possible change in the exchange rate of the US dollar to the Australian 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 US 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 US dollar / Sterling exchange rate is not considered significant.

## Section 5: Other Assets and Liabilities

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 5.4 Derivative Financial Instruments

##### Recognition and measurement

Derivatives are initially recognised at their fair value when the Group becomes a party to the contract. Oil price commodity contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales.

##### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve while any ineffective portion is recognised immediately in the statement of profit or loss. The Group uses oil price commodity contracts as hedges of its exposure to commodity price risk in forecast transactions. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss – when the sale occurs. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Forward commodity contracts – cash flow hedges	646	–
	646	–

##### Fair value

The derivative financial instruments relate to the Group's hedging activities to hedge against cash flow risks from movements in oil price, for which hedge accounting has been applied. The fair value of the derivative financial instruments are level 2 of the fair value hierarchy and are obtained from third party valuation reports. The fair value is determined using valuation techniques which maximise the use of observable market data.

##### Risks

##### Credit risk

The maximum exposure to credit risk with respect to cash flow hedges at the end of the reporting year is the carrying amount set out above. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

##### Commodity price and liquidity risk

The Group uses oil price commodity contract to manage some of its transaction exposures and reduce the variability of cash flows arising from oil sales during the year. These contracts are designated as cash flow hedges and are entered into for periods consistent with oil price exposure of the underlying transactions, generally from 1 to 6 months.

Commodity price risk arises from the sale of oil denominated in US dollars. The Group has sales at 31 December 2017 of \$23,347,000 (2016: \$nil). Impact on after tax profit would be as follows;

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
If the WTI + LLS average price was 10% higher	2,334	–
If the WTI + LLS average price was 10% lower	(2,334)	–

## Section 5: Other Assets and Liabilities

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 5.5 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 year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year 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 year in which the employees render the related service is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year. Expected future payments are discounted using market yields at the end of the reporting year on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Employee benefit provisions	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Opening balance	122	36
Arising during the year	300	147
Utilisation	(174)	(61)
Closing balance	248	122
Comprising		
Current	248	122
Non-current	–	–
	248	122

A breakdown of employee benefits and charges included in the income statement can be found in Note 2.4

## Section 7: Other Notes

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 5.6 Provisions – Non-Current

##### Recognition and measurement

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

	31 December 2017 US\$'000	31 December 2016 US\$'000
Restoration provision	1,600	–
<b>Reconciliation of movement in restoration provision</b>		
Balance at the beginning of the financial year	–	–
Provision made during the financial year arising from business combinations <sup>(1)</sup>	1,600	–
Balance at the end of the financial year	1,600	–

<sup>(1)</sup> On 13 April 2017, Australis TMS Inc, a wholly owned subsidiary acquired 100% of the Tuscaloosa Marine Shale assets owned by Encana Oil & Gas USA. Provision for restoration of US\$1,600,000 was recognised on acquisition.



# Section 6: Group Structure

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 6.1 Controlled Entities

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

	Principal activities	Country of Incorporation	% Equity interest
			1 December 2017 and 2016
Australis Europe Pty Limited	Oil & gas exploration	Australia	100%
Australis USA 1 Pty Limited	Oil & gas exploration	Australia	100%
Australis Oil & Gas UK Ltd	Oil & gas exploration	United Kingdom	100%
Australis Oil & Gas Portugal Sociedade Unipessoal Lda	Oil & gas exploration	Portugal	100%
Australis TMS Inc.	Oil & gas exploration	United States	100%
Australis Services Inc.	Oil & gas exploration	United States	100%

### 6.2 Transactions with controlled entities

Australis Oil and Gas Limited provides equity funding and working capital to its controlled entities. Transactions between Australis and other controlled entities in the wholly owned Group during the year ended 31 December 2017 consisted of:

- Equity funding to finance acquisition of Encana TMS assets on 13 April 2017
- Working capital advanced by Australis Oil and Gas Limited;
- Provision of services by Australis Oil and Gas Limited;
- Expenses paid by Australis Oil and Gas Limited on behalf of its controlled entities.

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

During the financial year:

- Australis Oil & Gas Limited resolved to convert the total indebtedness of its wholly owned subsidiary Australis Europe Pty Ltd in the amount of A\$2.47 million to equity by way of a contribution to equity in exchange for an extinguishment of the liability relating to the indebtedness.
- Australis Europe Pty Limited resolved to convert the total indebtedness of its wholly owned subsidiary Australis Oil and Gas UK Limited in the amount of A\$3.32 million to equity by way of a contribution to equity in exchange for an extinguishment of the liability relating to the indebtedness.
- Australis Oil and Gas UK Limited resolved to convert the total indebtedness of its wholly owned subsidiary Australis Oil and Gas Portugal Sociedade Unipessoal LDA in the amount of A\$3.22 million to equity by way of a contribution to equity in exchange for an extinguishment of the liability relating to the indebtedness.
- There was no conversion of debt to issued capital in any of the other subsidiaries other than those mentioned above.
- Australis Oil & Gas Limited provided equity funding of A\$95.98 million to Australis USA 1 Pty Ltd during the year. Australis USA 1 Pty Ltd subsequently provided equity funding of A\$95.98 million to Australis TMS Inc to fund the acquisition of Encana's TMS assets and meet its on-going capital commitments.

## Section 6: Group Structure

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 6.2 Transactions with controlled entities (continued)

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

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Sales of goods and services		
Management fees and expense recharges to subsidiaries	1,394	870
Advances to subsidiaries		
Balance at beginning of financial year	1,168	1,075
Advanced during year	2,882	20,844
Converted to equity	(1,888)	(20,751)
Closing Balance	2,162	1,168

#### 6.3 Parent entity information

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

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Summary financial information		
Current assets	15,300	20,769
Non-current assets	106,172	29,896
Total assets	121,472	50,665
Current liabilities	(932)	(549)
Total liabilities	(932)	(549)
Net assets	120,540	50,116
Contributed equity	125,253	52,587
Share-based payment reserve	5,592	4,178
Foreign currency translation reserve	10	-
Accumulated losses	(10,315)	(6,648)
Total equity	120,540	50,117
(Loss) for the year	(3,667)	(4,907)
Total comprehensive (loss) for the year	(3,667)	(4,907)

## Section 7: Other Notes

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 7.1 Operating leases

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Operating lease commitments – Group as Lessee		
Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:		
<b>Rent</b>		
Payable:		
Within one year	204	147
After one year, not more than five years	1,340	–
	1,544	147

### 7.2 Joint arrangements

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

During January 2016, Australis completed the acquisition of an initial 20% working interest in the TMS leases and in May 2016 acquired the balance to take its working interest to 50%. The total acquisition price of the 50% working interest in the TMS leases was US\$16 million. In early November 2017 the Company acquired the remaining 50% working interest from Paloma Partners IV, LLC.

Australis holds through an indirect wholly owned subsidiary approximately 94% working interest in 32 operated wells on average 10% working interest in 16 non-operated wells held in the TMS, onshore USA.

Australis holds through an indirect wholly owned subsidiary a 100% working interest (subject to a consultant incentive of 3% working interest) in two concessions located onshore in the Lusitanian Basin, Portugal, known as the Batalha and Pombal concessions which collectively cover an area of approximately 620,000 acres.

### 7.3 Oil and gas leases and concessions

Following the initial entry into the TMS in 2016 through an acquisition and an active leasing program, Australis started 2017 with a core position of approximately 19,000 net acres. Through the business combination completed 13 April 2017 and targeted acquisition and leasing program, Australis has now built this position to 95,000 net acres on highly attractive terms.

The two concessions were awarded on 30 September 2015 to a Portuguese incorporated company that was acquired by Australis on 31 December 2015. The concessions have independently assessed contingent and prospective resources allocated to them and are held under eight-year concession contracts with a minimum work program for each year.

## Section 7: Other Notes

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 7.4 Share based payments

The Group provides benefits to its employees (including KMP) in the form of share-based payments whereby employees render services for shares (equity-settled transactions).

At 31 December 2017, the Group has the following share based payment arrangements.

##### (i) Options

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

Grant Date	Type	Number	Exercise Price	Expiry Date
13-Nov-15	\$0.25 Options	19,675,000	A\$0.25	31-Dec-20
13-Nov-15	\$0.30 (Series A) Options	27,775,000	A\$0.30	31-Dec-20
28-Apr-16	\$0.30 (Series B) Options	1,000,000	A\$0.30	31-Dec-20
13-Nov-15	\$0.35 (Series A) Options	27,600,000	A\$0.35	31-Dec-22
13-Nov-15	\$0.35 (Series B) Options	1,600,000	A\$0.35	31-Dec-22
28-Apr-16	\$0.35 (Series C) Options	1,000,000	A\$0.35	31-Dec-22
28-Apr-16	\$0.35 (Series D) Options	1,000,000	A\$0.35	31-Dec-22
16-May-16	\$0.275 (Series A) Options	22,840,933	A\$0.275	30-Jun-19
24-May-16	\$0.275 (Series B, C and D) Options	420,000	A\$0.275	24-May-21
10-Apr-2017	\$0.3125 (Series A, B and C) Options	420,000	A\$0.3125	30-Nov-21
18-Dec-2017	\$0.285 Options	500,000	A\$0.285	31-Dec-22
18-Dec-2017	\$0.345 Options	500,000	A\$0.345	31-Dec-22
18-Dec-2017	\$0.400 Options	500,000	A\$0.400	31-Dec-22
		104,830,933		

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

The movement in the year is set out below:

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Balance at beginning of year	102,910,933	77,000,000
– granted	1,920,000	26,260,933
– expired	–	–
– exercised	–	–
– forfeited	–	(350,000)
Balance at end of year	104,830,933	102,910,933
Vested and exercisable at end of the year	77,830,000	48,450,000

## Section 7: Other Notes

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 7.4 Share based payments (continued)

##### Recognition and measurement

The fair value of options granted during the year was calculated using the Black Scholes options pricing model. The expense is apportioned pro-rata to reporting periods where vesting periods apply. Key inputs to the Black Scholes options pricing model used in the calculation of each grant of options during the year ended 31 December 2017 and 31 December 2016 were as follows:

Grant date:	Expected price volatility <sup>(1)</sup>	Exercise Price	Vest Date	Expiry Date	Share price at grant date	Risk free interest rate <sup>(2)</sup>	Fair value per option
<b>28 Apr 16</b>							
\$0.30 (Series B) Options	85%	A\$0.30	13-Nov-16	31-Dec-20	A\$0.20	1.88%	A\$0.10
\$0.35 (Series C) Options	85%	A\$0.35	13-Nov-17	31-Dec-22	A\$0.20	2.08%	A\$0.12
\$0.35 (Series D) Options	85%	A\$0.35	13-Nov-18	31-Dec-22	A\$0.20	2.08%	A\$0.13
<b>24 May 16</b>							
\$0.275 (Series B) Options	85%	A\$0.275	See note <sup>(3)</sup>	24-May-21	A\$0.20	1.64%	A\$0.11
\$0.275 (Series C) Options	85%	A\$0.275	See note <sup>(3)</sup>	24-May-21	A\$0.20	1.64%	A\$0.12
\$0.275 (Series D) Options	85%	A\$0.275	See note <sup>(3)</sup>	24-May-21	A\$0.20	1.64%	A\$0.13
<b>10 Apr 17</b>							
\$0.3125 (Series A) Options	85%	A\$0.3125	See note <sup>(4)</sup>	30-Nov-21	A\$0.26	2.05%	A\$0.13
\$0.3125 (Series B) Options	85%	A\$0.3125	See note <sup>(4)</sup>	30-Nov-21	A\$0.26	2.05%	A\$0.14
\$0.3125 (Series C) Options	85%	A\$0.3125	See note <sup>(4)</sup>	30-Nov-21	A\$0.26	2.05%	A\$0.15
<b>18 Dec 17</b>							
\$0.285 Options	43%	A\$0.285	18-Dec-17	31-Dec-22	A\$0.24	2.29%	A\$0.06
\$0.345 Options	43%	A\$0.345	18-Dec-18	31-Dec-22	A\$0.24	2.29%	A\$0.05
\$0.400 Options	43%	A\$0.400	18-Dec-19	31-Dec-22	A\$0.24	2.29%	A\$0.04

<sup>(1)</sup> For options granted prior to listing (July 2016), the expected volatility was based on historical peer group volatility and factors that may influence Australis future volatility. Since listing, any option grant is based on the historical volatility adjusted for any expected changes to future volatility based on publicly available information.

<sup>(2)</sup> Risk free rate of securities with comparable terms to maturity.

<sup>(3)</sup> Independent director options vest 33.3% on each anniversary from the date of grant of 24 May 2016, subject to the grantee remaining a director of the Company.

<sup>(4)</sup> Independent director options vest 33.3% on each anniversary from the date of grant, subject to the grantee remaining a director of the Company. 420,000 options were granted on 30 November 2016 subject to shareholder approval obtained 10 April 2017.

## Section 7: Other Notes

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 7.4 Share based payments (continued)

##### (ii) Performance Rights

A long term incentive plan operates to provide incentives to employees. Participation in the plan is for invited employees of the Group. Performance Rights were issued during the year at nil consideration. These rights vest in annual tranches over a three year period and upon vesting, each Performance Right can be exercised, within the following 2 years, into an ordinary share in the parent entity.

Testing of the Performance Rights will occur at the conclusion of each annual performance period and any Performance Rights remaining unvested from either the first or second annual performance period may be retested in accordance with the performance requirements of the third performance period.

The performance period is each calendar year beginning with the 2017 year. The 2017 Performance Rights granted will be tested for vesting on the basis of 1/7th, 2/7th and 4/7ths each year respectively. The performance hurdles for all Performance Rights is continued employment and for most recipients the additional hurdles for vesting of the granted rights is determined from the

- absolute total shareholder return (TSR) of Australis Oil & Gas Limited's share price from 1 January 2017 to the end of the relevant performance period – vesting will occur in increasing proportions based on the higher return above A\$0.25, and
- relative TSR where the Australis share price is ranked against a weighted average basket of absolute total shareholder returns of 16 peer companies listed on the Australian Stock Exchange.

If at the end of the relevant performance period, Australis Oil & Gas Limited is ranked lower in respect of TSR performance compared to the peer group (with measurement commencing from the December 2016 Volume Weighted Average Price for each peer company) than 50th percentile, then 0% of the eligible rights apportioned to the relative TSR test, will vest. If Australis Oil & Gas Limited is ranked greater than 50th percentile, then 12.5% of the eligible rights will vest for every ranking position above the 50th percentile.

As at reporting date, the Group has the following performance rights on issue:

Type of grant	Grant date	Tranche	Number	Vesting date	Expiry date	Exercise price	Value per right at grant date	Vesting condition
Performance Rights-2017 LTI Plan Award	15-June-17	1	398,046	31-Jan-18	31-Jan-20	Nil	A\$0.240	Service condition
							A\$0.049	Absolute TSR
							A\$0.076	Relative TSR
		2	796,094	31-Jan-19	31 Jan-21	Nil	A\$0.240	Service condition
							A\$0.079	Absolute TSR
							A\$0.108	Relative TSR
		3	1,592,185	31-Jan-20	31-Jan-22	Nil	A\$0.240	Service condition
							A\$0.090	Absolute TSR
							A\$0.127	Relative TSR
			<u>2,786,325</u>					

## Section 7: Other Notes

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 7.4 Share based payments (continued)

The movement in the year is set out below:

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Balance at beginning of year	–	–
– granted	2,982,427	–
– expired	–	–
– exercised	–	–
– forfeited	(196,102)	–
Balance at end of year	2,786,325	–
Achieved at end of the year	0	–

#### Recognition and measurement

The fair value of services received in return for the performance rights granted are measured by reference to the fair value of performance rights granted. The estimate of the fair value of the services received is measured through the use of a Monte-Carlo simulation model which determines the probability of the market conditions being fulfilled at the vesting dates and, as such, whether rights will vest.

#### Performance rights fair value assumptions

	15 June 2017
– Share price	A\$0.24
– Expected volatility <sup>(2)</sup>	33.9%
– Risk free rate <sup>(1)</sup>	1.66% to 1.75%
– Dividend yield	0%

<sup>(1)</sup> Risk free rate of securities with comparable terms to maturity.

<sup>(2)</sup> Expected price volatility is based on the historical volatility from the first date of trading to the valuation date and adjusted for any future impacts on volatility.

#### Expense arising from share based payment transactions

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

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Options expense	1,206,539	3,006,000
Performance rights expense	151,461	–
	1,358,000	3,006,000

#### Critical accounting estimates and judgements

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes Option Pricing Model. The expense is apportioned pro-rata to reporting periods where vesting periods apply.

## Section 7: Other Notes

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 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.

US\$9,051 was billed to Jonathan Stewart for professional services provided by the Company (2016: \$nil). At 31 December 2017 US\$nil was owed by Jonathan Stewart (2016: US\$nil) in respect of such transaction.

#### Key management personnel

Further detailed disclosures relating to key management personnel are set out in the Remuneration Report section.

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Short-term benefits (inc. annual leave provision)	1,628,856	921,729
Post-employment benefits	79,099	75,440
Share-based payments	1,092,544	2,640,347
	<u>2,800,499</u>	<u>3,637,516</u>

#### Subsidiaries

Interests in subsidiaries are set out in Note 6.1.

#### Transactions with wholly-owned controlled entities

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

#### Transactions with other related parties

No transactions with other related parties have been entered into in respect of the year ended 31 December 2017.

### 7.6 Contingencies

The company had no contingent liabilities as at 31 December 2017.



## Section 7: Other Notes

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 7.7 Auditor's Remuneration

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

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
BDO Audit (WA) Pty Ltd for		
Audit and assurance services:		
Audit and review of financial statements	68,088	50,639
Total remuneration of BDO Audit (WA) Pty Ltd	68,088	50,639
BDO LLP (UK) for		
Audit and assurance services:		
Audit and review of financial statements	7,674	6,605
Total remuneration of BDO LLP (UK)	7,674	6,605
BDO Corporate Finance (WA) Pty Ltd for:		
Other services		
Due Diligence services	-	5,137
Investigating accountants report	-	19,081
Total remuneration of BDO Corporate Finance (WA) Pty Ltd	-	24,218
<b>Total auditor's remuneration</b>	<b>75,762</b>	<b>81,462</b>

It is the Group's policy to engage BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are principally due diligence reporting on acquisitions. It is the Group's policy to seek competitive tenders for all major consulting projects.

## Section 7: Other Notes

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

#### 7.8 Business Combinations

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

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

The acquisition was settled with the cash consideration of US\$68.13 million, being the contract price of US\$80 million less the net effect of the various adjustments totalling US\$11.7 million, reflecting the operating period from contract effective date, 1 November 2016, through to 13 April 2017.

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

	US\$'000
Purchase consideration:	
Cash paid	68,126

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

	Fair value US\$'000
Exploration and evaluation assets – Undeveloped acreage	3,556
Oil and gas properties – Producing wells and HBP acreage	60,533
Oil and gas properties – Restoration asset	1,600
Oil and gas properties – Surface equipment	5,634
Other property, plant and equipment – motor vehicles	213
Inventory	486
Restoration provision	(1,600)
Suspended revenues	(2,296)
Net identifiable assets acquired	68,126

#### *Revenue and profit contribution*

If the acquisition had occurred on 1 January 2017, consolidated revenue and profit for the year ended 31 December would have been US\$32,539,000 and US\$1,237,000 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depletion that would have been charged assuming the fair value adjustments to oil and gas properties had been applied from 1 January 2017, together with the consequential tax effects.

#### *Acquisition related costs*

Acquisition related costs of US\$1,484,000 are included in evaluation expenses in the Statement of Profit or Loss and Other Comprehensive Income and in operating cash flows in the Statement of cash flows.

#### 7.9 Events after the reporting date

On 30 January 2018, Australis provided the market with an update to the Company's reserve and resource position in the TMS. This was independently assessed by Ryder Scott Company with an effective date of 31 December 2017.

The Ryder Scott reserve estimates based on the assessment of approximately 35% of the undeveloped core TMS acreage and 2C resource estimates based on the remaining 65% have converted in excess of 40 million barrels to the proved or probable reserve category compared to the assessment as at 1 February 2017. Refer to the Operations Review for further details.

Other than above, no other event has occurred since 31 December 2017 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

In the Director's opinion:

- a. The financial statements and accompanying notes set out on pages 53 to 96, are in accordance with the *Corporations Act 2001*, including:
  - i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date.
- b. There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;
- c. The financial statements and accompanying notes are presented in compliance with IFRS and interpretations adopted by the International Accounting Standards Board; and

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 31 December 2017.

For and on behalf of the Board



**Jonathan Stewart**

Chairman

Perth, Western Australia  
9 March 2018

# Auditor's Independence Declaration



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

As lead auditor of Australis Oil & Gas Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over a light blue horizontal line.

**Glyn O'Brien**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 9 March 2018

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees



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## INDEPENDENT AUDITOR'S REPORT

To the members of Australis Oil & Gas Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Australis Oil & Gas Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## Carrying Value of Oil and Gas Properties

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2017 the carrying value of Oil &amp; Gas properties was \$61.1 million, as disclosed in Note 3.1.</p> <p>The assessment of the carrying value of Oil &amp; Gas properties requires the Group to exercise judgement in identifying indicators of impairment for the purposes of determining whether the assets need to be tested for impairment.</p> <p>Refer to Note 3.1 for detailed disclosures, which include the related accounting policies and the critical accounting estimates and judgements.</p>	<p>We evaluated the Group's assessment of impairment indicators as at 31 December 2017 in accordance with AASB 136: <i>Impairment of Assets</i>. Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtaining and reviewing the reserve report prepared by management's external expert at 31 December 2017 to determine whether there were any significant changes that would impact the carrying value of the asset. This included assessing the competency and objectivity of management's expert;</li> <li>• Benchmarking and analysing the Group's oil and gas price assumptions against external market data, to determine whether they indicate a significant change that would impact the value of the asset;</li> <li>• Reviewing Director's minutes and ASX announcements for evidence of consistency of information with the Group's assessment of the carrying value;</li> <li>• Evaluating and assessing the accuracy of the Group's calculation of the depletion charge;</li> <li>• Considering whether there are any other facts or circumstances that exist to indicate impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 3.1 to the financial report.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 32 to 52 of the annual report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Australis Oil & Gas Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

# Independent Auditor's Report



## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO  
Glyn O'Brien

**Glyn O'Brien**

**Director**

Perth, 9 March 2018



The shareholder information set out below was applicable as at 6th March, 2018.

## 1. Twenty largest shareholders

Ordinary shares	Number	Percentage
JP Morgan Nominees Australia Limited	137,893,116	17.71%
National Nominees Limited	82,257,326	10.56%
Zero Nominees Pty Ltd	74,269,719	9.54%
Citicorp Nominees Pty Limited	73,894,737	9.49%
HSBC Custody Nominees (Australia) Limited	55,099,917	7.08%
JK Stewart Investments Pty Ltd <The Stewart Investment A/C>	33,392,858	4.29%
Epicure Superannuation Pty Ltd <Epicure Superannuation A/C>	26,150,001	3.36%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	23,708,291	3.05%
BNP Paribas Noms Pty Ltd < DRP>	12,952,606	1.66%
Everzen Holdings Pty Ltd <Lusted Family A/C	10,803,572	1.39%
Ms Treffina Joyce Dowland	10,803,571	1.39%
HSBC Custody Nominees (Australis) Limited <NT-Commonwealth Super Corp A/C>	10,511,791	1.35%
Precision Opportunities Fund Ltd <Investment A/C>	7,521,739	0.97%
Seneschal (WA) Pty Ltd <Winston Scotney Fam S/F A/C>	7,000,000	0.90%
BNP Paribas Nominees Pty Ltd HUB24 Custodial Service Ltd DRP	5,952,514	0.76%
Mr Kane Christopher Weiner	5,760,870	0.74%
Inkese Pty Ltd	4,750,000	0.61%
Mrs Catherine Patricia McKenzie	3,800,000	0.49%
Varedi Pty Ltd	3,600,000	0.46%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,531,437	0.45%
<b>Total top 20</b>	<b>593,654,065</b>	<b>76.25%</b>
Other	184,935,410	23.75%
<b>Total ordinary shares on issue as at 6 March, 2018</b>	<b>778,589,475</b>	<b>100.00%</b>

## 2. Substantial shareholders

Set out below are the names of the substantial holders and the number of equity securities held by those substantial holders (including those equity securities held by their associates), as disclosed in the substantial holding notices given to the Company:

Shareholder	Date lodged	As at Date of Lodgement	
		Number of shares	Percentage
Westoz Funds Management	30 Aug 2016	25,520,000	7.47%
Australis Oil & Gas Limited <sup>(1)</sup>	18 April 2017	61,971,203	7.98%
Jon Stewart, Carolyn Stewart, Epicure Superannuation Pty Ltd and JK Stewart Holdings Pty Ltd	18 April 2017	59,542,859	7.67%
JP Morgan Chase & Co	18 April 2017	51,423,428	7.20%
Eley Griffiths Group Pty Ltd	19 April 2017	46,423,896	6.50%
Paradice Investment Management	19 April 2017	50,000,000	6.44%
Commonwealth Bank of Australia	19 July 2017	39,882,309	5.58%
Ellerston Capital Limited	16 Aug 2017	43,269,992	5.57%
IOOF Holdings Limited	22 Nov 2017	42,304,368	5.45%
Kinetic Investment Partners Ltd	20 July 2016	18,000,000	5.27%

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

## ASX Additional Information

### 3. Distribution of equity securities

	Ordinary shares	%	No of Holders	%
1–1,000	1,281	0.00%	16	0.00%
1,001–10,000	589,406	0.08%	104	0.08%
10,001–100,000	19,949,303	3.06%	371	2.56%
100,001 and Over	758,049,582	96.86%	299	97.36%
	778,589,475	100.00%	790	100.00%
Unmarketable parcels	1,281	–	16	–

### 4. Voting rights

All ordinary shares carry one vote per share without restriction.

### 5. On-market buy back

There is currently no on-market buy back program for any of Australis's listed securities.

### 6. Company secretary, registered and principal administrative office and share registry

Details can be found in the Corporate Directory of the Annual Report.

### 7. List of interests in mining tenements and petroleum leases

Location	Tenement	Net Acres
Louisiana / Mississippi	Tuscaloosa Marine Shale	95,000
US TOTAL		95,000
Portugal	Batalha	307,480
Portugal	Pombal	312,886
PORTUGAL TOTAL		620,366

Australis holds a 100% working interest in the Batalha and Pombal Concessions, however this interest is subject to a 3% working interest option granted to a contractor.

## Directors

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

## Company Secretary

Ms Julie Foster

## Registered and Principal Office

Level 29, Allendale Square, 77 St Georges Terrace  
Perth, Western Australia 6000  
Telephone: +61 8 9220 8700  
Facsimilie: +61 8 9220 8799

## Office in North America

Australis TMS Inc.  
333 Clay Street, Suite 3680  
Houston, Texas, USA 77002-4107  
Telephone: +1 (346) 229 2525  
Facsimilie: +1 (346) 229 2526

## Share Registry

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth, Western Australia 6000  
Telephone: +61 8 9323 2000  
Facsimilie: +61 8 9323 2033

## Solicitor

Gilbert & Tobin  
Level 16, Brookfield Place Tower 2  
123 St Georges Terrace, Perth, WA 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

[www.australisoil.com](http://www.australisoil.com)  
[contact@australisoil.com](mailto:contact@australisoil.com)

