

For Immediate Release

ASX Announcement

23 August 2019

## First Half 2019 Financial Report

Australis Oil & Gas (“Australis” or “Company”) is pleased to provide consolidated financial results for the half year ended 30 June 2019.

### Financial Highlights for 1H 2019

- Achieved gross sales revenue of US\$28.2 million (before royalties)
- Average realised sales price of US\$63.80/bbl
- Field Netback of US\$15.1 million
- EBITDA of US\$7.2 million
- Net Profit after Tax of US\$4.5 million
- Capital expenditure of US\$43.5 million
- As at 30 June 2019:
  - Net working capital (excluding Borrowings) of US\$16.5 million
  - Total Borrowings (Macquarie Facility) of US\$20 million
  - Available undrawn debt of US\$45 million

### Operating Highlights for 1H 2019

- Production (before royalties) of 441,000 bbls (2,400 bopd) an increase of 73% from 1H 2018
- Four new wells from the Initial Drilling Program commenced production
- Independent Reserves<sup>1</sup> increased at commencement of the year to:
  - 1P reserves of 31.9 MMbbls
  - 2P reserves of 49.7 MMbbls
  - 3P reserves of 89.2 MMbbls
  - Only 38% of leased acres (110,000 net acres) assessed for development
  - Remaining undeveloped TMS core acreage was allocated a 2C resource of 107.8 MMbbl of oil.
- Land leasing program continued to renew and acquire leases increasing Australis land holdings to over 115,000 net acres within the TMS Core, with over 74% of the net acreage position held by production (HBP) or having a primary expiry in 2022 or later
- Increased leasehold position adds further 2C resource estimated at 9MMbbls<sup>2</sup>
- Initial drilling program
  - Demonstrated well productivity exceeding or consistent with expectation
  - Successfully tested solutions to historic TMS drilling challenges
  - Executed within the overall capital budget
- Progressed the Environmental Impact Assessment process to advanced stages in Portugal in preparation for proposed drilling operations

The financial statements for the six-month period ended 30 June 2019 are attached.

### AUSTRALIS OIL & GAS LIMITED

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## About Australis

Australis (ASX: ATS) is an ASX listed upstream oil and gas company seeking to provide shareholders value and growth through the strategic development of its quality onshore oil and gas assets in the United States of America and Portugal. Australis' 115,000 net acres within the production delineated core of the oil producing TMS provides significant upside potential with an estimated 425 net future drilling locations, and an independently assessed 50 MMbbl of 2P oil reserves (including 4 MMbbl producing reserves providing net free cash flow)<sup>1</sup> as well as 108 MMbbl of 2C contingent oil resource<sup>1</sup> (based on net acreage at the effective date of the independent report of 110,000 acres) and a further 9 MMbbls of contingent oil resource<sup>2</sup> attributable to the 5,000 net acres added since that report. The Company was formed by the founders and key executives of Aurora Oil & Gas Limited, a team with a demonstrated track record of creating and realising shareholder value.

## Footnotes

1. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2018 and generated for the Australis concessions to SPE standards. See ASX announcement released on 6 February 2019 titled "Reserves and Resources Update Year End 2018". The analysis was based on a land holding of 110,000 net acres. Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method which is based on a qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk based) approach estimate the quantities at each level of uncertainty discretely and separately.
2. The 2C Resource estimate has been generated by Australis effective 4 April 2019 in accordance 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) as revised in June 2018. The analysis was based on methodology applied within the report prepared by Ryder Scott as at 31 December 2018 (See ASX announcement released on 6 February 2019 titled "Reserves and Resources Update Year End 2018"). Ryder Scott presumed a 9% recovery factor from the mid case oil in place estimates when assessing the 2C Resources attributable to a land holding of 110,000 net acres. Maintaining the same average recovery factor, the additional 5,000 net acres is attributed a 2C Resource of 9 million barrels (Australis estimate). This contingent resource estimate is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Michael Verm, P.E., who is an employee (Chief Operating Officer) of Australis. Mr Verm is a member of the Society of Petroleum Engineers and a Professional Engineer in the State of Texas. The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this announcement has been issued with the prior written consent of Mr Verm in the form and context in which it appears.
3. Non-IFRS Financial Measures

References are made within this report to certain financial measures that do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS). Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non-IFRS financial measures. Field Netback and EBITDA are Non-IFRS financial measures commonly used in the oil and gas industry. Non-IFRS financial measures used by the Company, including Field Netback, may not be comparable with the calculation of similar measures by other companies.

**GLOSSARY**

<b>Term</b>	<b>Definition</b>
<b>Bbl(s)</b>	Barrel(s) of oil
<b>MM</b>	Prefix - Millions
<b>bopd</b>	Barrels of oil per day
<b>Field Netback</b>	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains and losses, field-based production expenses but excludes depletion and depreciation
<b>EBITDA</b>	Earnings before interest, tax, depreciation, depletion and amortisation expense.



## **AUSTRALIS OIL & GAS LIMITED**

ABN 34 609 262 937

### **CONSOLIDATED INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Page
Corporate directory	3
Directors' report	4
Auditors' independence declaration	9
Independent Auditor's review report	10
Directors' declaration	12
Consolidated statement of profit or loss and other comprehensive income	13
Consolidated statement of financial position	14
Consolidated statement of changes in equity	15
Consolidated statement of cash flows	16
Notes to the financial statements	17

## Corporate directory

### Directors

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

### Company Secretary

Ms Julie Foster

### Registered and Principal Office

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

### Office in North America

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3 Allen Center  
333 Clay Street, Suite 3680  
Houston, Texas 77002  
Telephone: +1 (346) 229 2525  
Facsimile: +1 (346) 229 2526

### Share Registry

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

### Solicitor

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

### Stock Exchange Listing

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

### Auditor

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

### Website and Email

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## Directors' report

The Directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the half-year ended 30 June 2019.

### Directors

The names of directors of the Company in office at any time during or since the end of the financial half-year ended 30 June 2019 are:

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

Each director held their office from 1 January 2019 until the date of this report.

### Results and review of operations

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

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

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## Directors' report

### OPERATING REVIEW

The Initial Drilling Program ("IDP") within the TMS, which commenced in late 2018, has now drilled 6 wells and production has commenced during the reporting period from 4 wells. Well 6, the Saxby 03-10 2H completed the horizontal section in early August 2019.

- The productivity results from the initial 4 wells is consistent with or has exceeded expectation. The benchmark against which the productivity of these wells was measured equates to the average of all 15 wells drilled by the previous operator in 2014 – "the TMS Type Curve". The Stewart 30H-1 and Taylor 27H-1 (wells 1 and 3) are both outperforming the TMS Type Curve and Williams 26H-2 (well ) is outperforming the TMS Type Curve on a 'normalised basis' (per lateral foot). The Bergold 29H-2 well (well 2) is now also outperforming the TMS Type Curve on a normalised daily production rate having recently been put on artificial lift. Completion operations are expected to commence on wells 5 and 6, Quin 41-30 3H and Saxby 03-10 2H, in late August 2019.
- Capital costs associated with drilling and completion activities remain within the overall IDP budget.
- The Company has achieved significant growth in production for the period primarily due to the IDP wells commencing production in the period. Production before royalties was 441,000 bbls (2,436 bopd) representing a 73% increase from the first half of 2018 (255,000 bbls).
- The Company received revenue of \$28.1 million and achieved a Field Netback of \$15.1 million during the reporting period following deductions for Royalties and Direct Operating Costs. Australis oil sales continued to benefit from the LLS benchmark, which averaged over \$6/bbl premium to WTI for the period and resulted in an average realised price of US\$63.80/bbl.
- The Company incurred capital expenditure of US\$43.5 million primarily in relation to the IDP and the land leasing program.
- The Company's active land leasing and permitting program continued to improve lease terms and consolidate its leasehold acreage position in the productive core area of the TMS. At balance date, Australis owned in excess of 115,000 net acres in the TMS Core with over 74% of the net acreage either held by production (HBP) or having a primary term expiry in 2022 or later, allowing flexibility for future development and HBP activities. The HBP acreage has increased during the period with wells now on production in new units as part of the IDP.
- In January 2019, Australis released its independently assessed reserves and resources estimates for the TMS as at 31 December 2018 with Proved reserves of 31.9 million bbls, Proved and Probable reserves of 49.7 million bbls and Proved, Probable and Possible reserves of 89.2 million bbls. The reserves report conservatively assessed only 38% of total TMS Core Australis acreage for development.<sup>1</sup> The remaining Australis TMS Core acreage was allocated a 2C Contingent Resource of 107.8 million bbls which Australis will assess for reserves allocation in future periods. Since the date of the independent report, the 2C Contingent Resource has increased to 117 million barrels following the leasing of an additional 5,000 acres since 31 December 2018.<sup>2</sup>
- In February 2019, the Company issued 87 million shares at A\$0.35 to institutional shareholders and certain Directors of the Company to raise approximately US\$22 million. These funds were used together with existing capital and free cashflow from operations to fund the IDP, acquire additional de-risked TMS core area leaseholds and strengthen the balance sheet's working capital.
- During the period, the Company's lender, Macquarie Bank, confirmed the increase in available funds from Tranche 1 of the Credit Facility from US\$35 million to US\$65 million. A total of US\$20 million was drawn as at the date of this report. A further US\$10 million will become available under Tranche 2 of the Facility following further well results.
- In Portugal, the Company has progressed the Environmental Impact Assessment ("EIA") to the advanced stages prior to lodging for approval for the proposed drilling operations within the Company concession areas.



## Directors' report

### **FUTURE DEVELOPMENTS**

With the existing cash balance and available debt capacity, Australis remains well funded to progress the IDP and continue to demonstrate the productivity and economics of the TMS asset. Australis is undertaking a pause in drilling operations within the IDP for a 6 to 8 week period. During this time the operations team will be consolidating the knowledge gained and lessons learned as well as re-tendering for providers of certain equipment and services to maximise the efficiency of drilling and completion execution for future wells.

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

## Directors' report

### FINANCIAL AND CAPITAL MANAGEMENT

During the period, the Consolidated Entity made a net profit after tax of US\$4,459,000 (30 June 2018: Loss US\$395,000).

As at 30 June 2019, Australis has cash and cash equivalents of US\$29.7 million (31 December 2018: US\$37.9 million).

During the period ended 30 June 2019, Australis issued 87 million new shares at A\$0.35 per share raising A\$30.5 million before costs of the issue. The funds raised will predominately be applied to the next phase of the initial drilling program in the Tuscaloosa Marine Shale. Australis also issued 2 million shares to the employee share trust and 1 million shares upon the exercise of options.

Australis TMS Inc, a wholly owned subsidiary, drew an additional US\$10 million under the Macquarie credit facility during the period, bringing the total amount drawn to date to US\$20 million.

The operating results for Australis for the period ending 30 June 2019 is as follows:

#### Summary Financial Results

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>US\$ millions</b>	<b>US\$ millions</b>
Revenue (including hedging gain/(loss))	\$28.18	\$16.03
Royalties	(\$5.03)	(\$3.30)
Direct Operating Costs & taxes	(\$8.02)	(\$6.35)
<b>Field Netback</b>	<b>\$15.13</b>	<b>\$6.38</b>
Corporate Costs (net of other income)	(\$7.47)	(\$5.26)
Exploration costs expensed	(\$0.22)	(\$0.17)
<b>Earnings before non-cash items</b>	<b>\$7.44</b>	<b>\$0.95</b>
Share based payments	(\$0.66)	(\$0.28)
Depreciation and depletion	(\$1.92)	(\$1.07)
Amortised borrowing costs	(\$0.40)	-
<b>Profit / (Loss) before taxation</b>	<b>\$4.46</b>	<b>(\$0.40)</b>

#### Significant changes in the state of affairs

The significant changes in the state of affairs of the Consolidated Entity during the financial period and to the date of this report are set out in the review of operations above and the events after the reporting date below.

#### Dividends

In respect of the period ended 30 June 2019, no dividends have been paid or declared and the Directors do not recommend the payment of a dividend in respect of the financial period.

#### Events after the reporting date

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

#### Rounding off of amounts

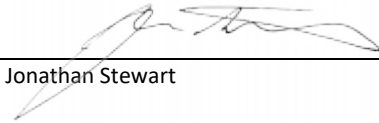
The Directors' Report and Financial Statements are rounded off to the nearest thousand dollars as permitted under Corporations Instrument 2016/191, unless otherwise indicated.

#### Auditor's independence declaration

The auditor's independence declaration is included on page 9 of the half-year report.

## Directors' report

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



Jonathan Stewart

23 August 2019

<sup>1</sup> The TMS estimates have been taken from the independent Ryder Scott report, effective 31 December 2018 and announced on 6 February 2019 titled 'Reserve and Resource Update – Year end 2018'. 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) as revised in June 2018. 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.

<sup>2</sup> The 2C Resource estimate has been generated by Australis effective 4 April 2019 in accordance 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) as revised in June 2018. The analysis was based on methodology applied within the report prepared by Ryder Scott as at 31 December 2018 (See ASX announcement released on 6 February 2019 titled "Reserves and Resources Update Year End 2018"). Ryder Scott presumed a 9% recovery factor from the mid case oil in place estimates when assessing the 2C Resources attributable to a land holding of 110,000 net acres. Maintaining the same average recovery factor, the additional 5,000 net acres is attributed a 2C Resource of 9 million barrels (Australis estimate). This contingent resource estimate is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Michael Verm, P.E., who is an employee (Chief Operating Officer) of Australis. Mr Verm is a member of the Society of Petroleum Engineers and a Professional Engineer in the State of Texas. The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this announcement has been issued with the prior written consent of Mr Verm in the form and context in which it appears

### GLOSSARY

Term	Definition
<b>Bbl(s)</b>	Barrel(s) of oil
<b>Bopd</b>	Barrel of oil per day
<b>Field Netback</b>	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains or losses, field based production expenses but excludes depletion and depreciation
<b>LLS</b>	Louisiana Light Sweet Oil Benchmark Price
<b>WTI</b>	West Texas Intermediate Oil Benchmark Price

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## Auditors' independence declaration



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

As lead auditor for the review of Australis Oil & Gas Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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



**Glyn O'Brien**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 23 August 2019

## Independent review report



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### INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australis Oil & Gas Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Australis Oil & Gas Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the Half-Year Financial Report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independent review report



### Independence

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

**BDO Audit (WA) Pty Ltd**

BDO  


**Glyn O'Brien**

**Director**

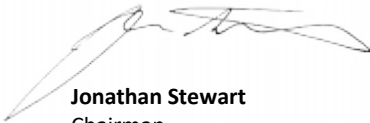
Perth, 23 August 2019

## Directors' declaration

In the Directors' opinion:

- (a) the financial statements and accompanying notes set out on pages 13 to 32, are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date.
  
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;

This declaration has been made after receiving the declarations from the Chief Executive Officer and the Chief Financial Officer that are consistent with the requirements of section 295A of the *Corporations Act 2001* for the period ended 30 June 2019.



**Jonathan Stewart**  
Chairman  
Perth, Western Australia

23 August 2019

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the half-year ended 30 June 2019

	Notes	Half-year ended 30 June 2019 US\$'000	Half-year ended 30 June 2018 US\$'000
Revenue	2.2	<b>28,182</b>	16,028
Cost of sales	2.3	<b>(14,896)</b>	(10,607)
<b>Gross profit</b>		<b>13,286</b>	5,421
Other expenses	2.4	<b>(8,051)</b>	(5,892)
<b>Profit / (loss) from operating activities</b>		<b>5,235</b>	(471)
Net finance (expense) / income	2.5	<b>(776)</b>	76
<b>Profit / (loss) before income tax</b>		<b>4,459</b>	(395)
Income tax expense		-	-
<b>Net profit / (loss) after income tax</b>		<b>4,459</b>	(395)
<b>Other comprehensive (loss)</b>			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedges		<b>(2,350)</b>	(148)
Other comprehensive (loss) for the period net of tax		<b>(2,350)</b>	(148)
<b>Total comprehensive income / (loss) for the period attributable to owners of the Company</b>		<b>2,109</b>	(543)
<b>Profit / (loss) per share attributable to owners of the Company</b>			
Basic profit / (loss) per share (cents per share)	2.6	<b>0.47</b>	(0.05)
Diluted profit / (loss) per share (cents per share)	2.6	<b>0.41</b>	(0.05)

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



## Consolidated Statement of Financial Position

### As at 30 June 2019

	Notes	30 June 2019 US\$'000	31 December 2018 US\$'000
<b>Current assets</b>			
Cash and cash equivalents		29,700	37,943
Trade and other receivables		6,697	7,100
Inventory		325	254
Derivative financial instruments		560	2,160
<b>Total current assets</b>		<b>37,282</b>	<b>47,457</b>
<b>Non-current assets</b>			
Oil and gas properties	3.2	125,851	86,181
Exploration and evaluation	3.1	48,712	47,336
Property, plant and equipment	3.3	8,652	7,849
Other receivables		728	698
Derivative financial instruments		211	961
<b>Total non-current assets</b>		<b>184,154</b>	<b>143,025</b>
<b>Total assets</b>		<b>221,436</b>	<b>190,482</b>
<b>Current liabilities</b>			
Trade and other payables		(20,320)	(23,872)
Provisions		(460)	(372)
Borrowings	4.3	(4,000)	(2,000)
<b>Total current liabilities</b>		<b>(24,780)</b>	<b>(26,244)</b>
<b>Non-current liabilities</b>			
Provisions	5.1	(2,660)	(2,380)
Borrowings	4.3	(14,118)	(5,818)
<b>Total non-current liabilities</b>		<b>(16,778)</b>	<b>(8,198)</b>
<b>Total liabilities</b>		<b>(41,558)</b>	<b>(34,442)</b>
<b>Net assets</b>		<b>179,878</b>	<b>156,040</b>
<b>Equity</b>			
Contributed equity	4.1	176,421	154,996
Treasury shares	4.1	(415)	(59)
Share based payment reserve	4.2	8,842	8,182
Foreign currency translation reserve		(467)	(467)
Cash flow hedge reserve		771	3,121
Accumulated losses		(5,274)	(9,733)
<b>Total equity</b>		<b>179,878</b>	<b>156,040</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 half-year ended 30 June 2019

	Contributed Equity	Treasury Shares	Other Reserve	Accumulated (Losses)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2018</b>	125,253	-	4,479	(9,818)	119,914
Loss for the period	-	-	-	(395)	(395)
<b>Other comprehensive income</b>					
Change in fair value of cash flow hedges	-	-	(148)	-	(148)
<b>Total comprehensive income for the period</b>	-	-	(148)	(395)	(543)
<b>Transactions with owners, in their capacity as owners</b>					
Contributed equity net of transaction costs	29,316	-	-	-	29,316
Option expense recognised during the period	-	-	282	-	282
<b>Balance as at 30 June 2018</b>	154,569	-	4,613	(10,213)	148,969
<b>Balance at 1 January 2019</b>	154,996	(59)	10,836	(9,733)	156,040
Profit for the period	-	-	-	4,459	4,459
<b>Other comprehensive income</b>					
Change in fair value of cash flow hedges	-	-	(2,350)	-	(2,350)
<b>Total comprehensive income for the period</b>	-	-	(2,350)	4,459	2,109
<b>Transactions with owners, in their capacity as owners</b>					
Contributed equity net of transaction costs	21,425	-	-	-	21,425
Purchase of treasury shares	-	(356)	-	-	(356)
Share based payments	-	-	660	-	660
<b>Balance as at 30 June 2019</b>	176,421	(415)	9,146	(5,274)	179,878

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

## Consolidated Statement of Cash Flows

### For the half-year ended 30 June 2019

	Notes	Half-year ended 30 June 2019 US\$'000	Half-year ended 30 June 2018 US\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		29,264	17,014
Payments to suppliers and employees		(19,611)	(15,186)
<b>Net cash inflow from operating activities</b>		<b>9,653</b>	<b>1,829</b>
<b>Cash flows from investing activities</b>			
Payment for exploration and evaluation activities		(1,778)	(3,256)
Payment for capitalised oil and gas assets		(44,670)	-
Payment for property, plant and equipment		(2,110)	(656)
Receipt of security deposits and bonds		97	-
Interest received		186	82
<b>Net cash (outflow) from investing activities</b>		<b>(48,275)</b>	<b>(3,830)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		22,340	30,633
Share issue costs		(916)	(1,317)
Treasury shares acquired		(356)	-
Proceeds from borrowings		10,000	-
Debt facility costs		(661)	(342)
<b>Net cash inflow from financing activities</b>		<b>30,407</b>	<b>29,030</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(8,215)</b>	<b>26,973</b>
Cash and cash equivalents at the beginning of the financial period		37,943	16,602
Effect of exchange rates on cash holdings in foreign currencies		(28)	(475)
<b>Cash and cash equivalents at the end of the financial period</b>		<b>29,700</b>	<b>43,100</b>

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

## Section 1: Basis of Reporting

### For the half-year ended 30 June 2019

#### 1.1 Basis of preparation and compliance statement

The consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

The accounting policies adopted are consistent with those adopted and disclosed in the Company's 2018 Annual Report for the year ended 31 December 2018 except for the adoption of AASB 16 Leases ("AASB 16").

The Group has adopted AASB 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principals of AASB 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The reclassification and the adjustments from the new leasing standard were not material to the Group with no adjustment recognised to the financial statements.

## Section 2: Results For The Period

### For the half-year ended 30 June 2019

#### 2.1 Segment Reporting

##### Recognition and measurement

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

##### *Oil & Gas Production*

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

##### *Exploration*

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

##### *Other*

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

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

US\$000	Oil & Gas Production		Exploration		Other		Total	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	<b>External revenues</b>	<b>28,182</b>	16,028	-	-	-	-	<b>28,182</b>
Direct operating costs	<b>(13,041)</b>	(9,643)	-	-	-	-	<b>(13,041)</b>	(9,643)
Corporate	-	-	-	-	<b>(7,076)</b>	(4,843)	<b>(7,076)</b>	(4,843)
Unrealised foreign currency gains / (losses)	-	-	-	-	<b>(29)</b>	(488)	<b>(29)</b>	(488)
Share based payments	-	-	-	-	<b>(660)</b>	(282)	<b>(660)</b>	(282)
Exploration costs expensed	-	-	<b>(221)</b>	(175)	-	-	<b>(221)</b>	(175)
<b>EBITDA<sup>(1)</sup></b>	<b>15,141</b>	6,385	<b>(221)</b>	(175)	<b>(7,765)</b>	(5,613)	<b>7,155</b>	772
Depletion	<b>(1,199)</b>	(441)	-	-	-	-	<b>(1,199)</b>	(441)
Depreciation	<b>(656)</b>	(523)	-	-	<b>(65)</b>	(104)	<b>(721)</b>	(627)
<b>EBIT<sup>(2)</sup></b>	<b>13,286</b>	5,421	-	-	<b>(7,830)</b>	(5,717)	<b>5,235</b>	(471)
Net finance (costs) / income	<b>(962)</b>	(6)	-	-	<b>186</b>	82	<b>(776)</b>	76
<b>Segment profit / (loss)</b>	<b>12,324</b>	5,415	<b>(221)</b>	(175)	<b>(7,644)</b>	(5,635)	<b>4,459</b>	(395)

<sup>(1)</sup>EBITDA represents net profit / (loss) for the year including net realized hedging gain of \$77,000 (2018: \$1.1 million loss) before income tax expense or benefit, finance costs, depletion and depreciation.

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

## Section 2: Results For The Period

### For the half-year ended 30 June 2019

#### 2.1 Segment Reporting (continued)

US\$'000	Oil & Gas Production		Exploration		Other		Total	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<b>Capital expenditure</b>								
Exploration and evaluation assets	-	-	2,911	3,256	-	-	2,911	3,256
Oil and gas assets								
- production	39,054	-	-	-	-	-	39,054	-
- rehabilitation provision	280	-	-	-	-	-	280	-
- transfer from exploration and evaluation	1,535	-	(1,535)	-	-	-	-	-
Other plant and equipment	1,450	34	-	-	75	445	1,525	497
	<b>42,319</b>	34	<b>1,376</b>	3,256	<b>75</b>	445	<b>43,770</b>	3,753

## Section 2: Results For The Period

### For the half-year ended 30 June 2019

#### 2.1 Segment Reporting (continued)

US\$000	Oil & Gas Production		Exploration		Other		Total	
	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018
Segment assets	141,965	103,763	48,836	47,588	30,635	39,131	221,436	190,482
Segment liabilities	(21,343)	(24,290)	(218)	(136)	(19,997)	(10,016)	(41,558)	(34,442)

#### 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 oil commodity markets.

US\$'000	Revenue		Non-current assets	
	Half-year ended 30 June 2019	Half-year ended 30 June 2018	30 June 2019	31 December 2018
United States of America	28,182	16,028	175,266	134,231
Portugal	-	-	8,363	8,278
Australia	-	-	525	516
	<b>28,182</b>	<b>16,028</b>	<b>184,154</b>	<b>143,025</b>
			<b>30 June 2019</b>	<b>30 June 2018</b>
			<b>US\$'000</b>	<b>US\$'000</b>

#### 2.2 Revenue

Revenue:

Oil sales	27,870	17,128
Marketing fee	235	-
Hedge gain / (loss)	77	(1,100)
Total Revenue	<b>28,182</b>	<b>16,028</b>

#### Recognition and measurement

Revenue is largely generated from oil sales. Revenue from the sale of produced hydrocarbons is recognised when or as the Group transfer control of goods or services to a customer at the amount to which the Group expects to be entitled. Australis enters into contracts with oil marketing groups for the sale of oil produced from its operated properties including the sale of production for and on behalf of the joint property partners. A sale is recognised upon transfer of the product to the purchasers transportation mode, currently via truck, at the Company operated oil production facilities which is the point that title passes.

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

## Section 2: Results For The Period

### For the half-year ended 30 June 2019

	<b>30 June 2019 US\$'000</b>	30 June 2018 US\$'000
<b>2.3 Cost of sales</b>		
<i>Cost of production:</i>		
Production costs	(7,214)	(5,288)
Royalties	(5,025)	(3,295)
Production taxes	(833)	(863)
Inventory movements	31	(197)
	<b>(13,041)</b>	(9,643)
<i>Depreciation, depletion and amortisation expense:</i>		
Oil & gas assets	(1,855)	(964)
<b>Total cost of sales</b>	<b>(14,896)</b>	(10,607)
<b>2.4 Other expenses</b>		
	<b>30 June 2019 US\$'000</b>	30 June 2018 US\$'000
Administrative expenses	(7,076)	(4,843)
Exploration costs expensed	(221)	(175)
Depreciation	(65)	(104)
Share based payments	(660)	(282)
Unrealised foreign exchange loss	(29)	(488)
	<b>(8,051)</b>	(5,892)
<b>2.5 Net finance costs</b>		
	<b>30 June 2019 US\$'000</b>	30 June 2018 US\$'000
Interest income	186	82
Amortised debt finance transaction costs	(400)	(6)
Debt finance interest costs	(562)	-
	<b>(776)</b>	76



## Section 2: Results For The Period For the half-year ended 30 June 2019

### 2.6 Earnings per share

	<b>30 June 2019 US Cents</b>	30 June 2018 US Cents
<b>Profit / (loss) per share attributable to members of the Company:</b>		
Basic earnings / (loss) per share	<b>0.47</b>	(0.05)
Diluted earnings / (loss) per share	<b>0.41</b>	(0.05)
<b>Profit / (loss) used in the calculation of basic / diluted loss per share</b>		
	<b>US\$'000</b>	US\$'000
Net profit / (loss) after tax	<b>4,459</b>	(395)
	<b>Shares</b>	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic profit / (loss) per share	<b>955,172,616</b>	835,571,740
Weighted average number of ordinary shares used as the denominator in calculating diluted profit / (loss) per share	<b>1,100,797,890</b>	835,571,740

### 2.7 Dividends

No dividend has been paid or is proposed in respect of the six month period to 30 June 2019 (six months to 30 June 2018: Nil).

## Section 3: Invested Capital

### For the half-year ended 30 June 2019

#### 3.1 Exploration and evaluation

	30 June 2019 US\$'000	31 December 2018 US\$'000
At cost	<b>48,712</b>	47,336
Opening balance	<b>47,336</b>	39,696
Capitalised expenditure <sup>1</sup>	<b>2,911</b>	7,803
Transfer to oil and gas properties	<b>(1,535)</b>	(163)
Closing balance	<b>48,712</b>	47,336

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

#### 3.2 Oil and Gas Properties

	Producing Projects US\$'000	Development Projects US\$'000	Total US\$'000
<b>2019</b>			
Balance at 1 January 2019	60,362	25,819	86,181
Additions	33,062	5,992	39,054
Transfer from development projects to producing projects	9,833	(9,833)	-
Transfer from exploration and evaluation assets	995	540	1,535
Increase in restoration provision	140	140	280
Depletion / Depreciation	(1,199)	-	(1,199)
<b>Balance at 30 June 2019</b>	<b>103,193</b>	<b>22,658</b>	<b>125,851</b>
<b>2018</b>			
Balance at 1 January 2018	51,226	9,865	61,091
Additions	9,067	15,954	25,021
Transfer from exploration and evaluation assets	163	-	163
Increase in restoration provision	780	-	780
Depletion / Depreciation	(874)	-	(874)
<b>Balance at 31 December 2018</b>	<b>60,362</b>	<b>25,819</b>	<b>86,181</b>

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## Section 3: Invested Capital

### For the half-year ended 30 June 2019

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

	Office equipment US\$'000	Production Equipment US\$'000	Motor Vehicles US\$'000	Total US\$'000
<b>2019</b>				
Opening net book amount	269	7,429	151	7,849
Additions	75	1,451	-	1,526
Depreciation charge	(52)	(656)	(15)	(723)
<b>Balance at 30 June 2019</b>	<b>292</b>	<b>8,224</b>	<b>136</b>	<b>8,652</b>
<b>2018</b>				
Balance at 1 January 2018	691	4,890	184	5,765
Additions	283	3,472	-	3,755
Write down in year	(615)	-	-	(615)
Depreciation	(90)	(933)	(33)	(1,056)
<b>Balance at 31 December 2018</b>	<b>269</b>	<b>7,429</b>	<b>151</b>	<b>7,849</b>

## Section 4: Capital and Debt Structure

### For the half-year ended 30 June 2019

#### 4.1 Contributed equity

	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Share capital	Securities	Securities	US\$'000	US\$'000
Ordinary shares	985,963,678	895,936,178	176,421	154,996
Treasury shares	(1,276,208)	(290,215)	(415)	(59)
<b>Total contributed equity</b>	<b>984,687,470</b>	<b>895,645,963</b>	<b>176,006</b>	<b>154,937</b>

#### Movements in contributed equity:

	Number of Securities	Issue Price A\$	US\$'000
<b>Balance at 1 January 2018</b>	776,339,475		125,253
Issued on 29 March 2018 <sup>(1)</sup>	115,280,000	0.340	30,164
Share issue costs	-	-	(1,317)
Exercise of options	4,316,703	0.275	896
<b>Balance at 31 December 2018</b>	<b>895,936,178</b>		<b>154,996</b>
Exercise of options	1,027,500	0.275	197
Issued in February 2019 <sup>(2)</sup>	83,857,142	0.350	21,012
Issue in April 2019 <sup>(3)</sup>	3,142,858	0.350	776
Share issue costs	-	-	(916)
Share issue – Employee share trust	2,000,000	0.250	356
<b>Balance at 30 June 2019</b>	<b>985,963,678</b>		<b>176,421</b>

1. On 29 March 2018 Australis completed a A\$39 million share placement issuing 115million new fully paid ordinary shares at A\$0.34 per share.
2. On 27 February 2019 Australis completed tranche one of a A\$30.5 million share placement issuing 84 million new fully paid ordinary shares at A\$0.35 per share.
3. On 30 April 2019 Australis completed tranche two of a A\$30.5 million share placement issuing 3 million new fully paid ordinary shares at A\$0.35 per share.

#### Ordinary shares

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

## Section 4: Capital and Debt Structure

### For the half-year ended 30 June 2019

#### 4.1 Contributed equity (continued)

##### Treasury shares

Treasury shares are shares in Australis Oil & Gas Limited that are held by the Australis Oil & Gas Limited Employee Share Trust for the purpose of issuing shares under the Australis Oil & Gas Limited Employee Executive Incentive Plan.

	Number of Treasury Shares	Purchase Price A\$	Cost US\$'000
<b>Balance at 1 January 2018</b>	-		-
Share Trust acquisition	140,000	0.241	27
Share Trust acquisition	60,000	0.258	12
Share Trust acquisition	100,000	0.260	20
Performance rights exercised	(9,785)		-
<b>Balance at 31 December 2018</b>	<b>290,215</b>		<b>59</b>
Share issue	<b>2,000,000</b>	0.250	<b>356</b>
Performance rights exercised	<b>(1,014,007)</b>		-
<b>Balance at 30 June 2019</b>	<b>1,276,208</b>		<b>415</b>

## Section 4: Capital and Debt Structure

### For the half-year ended 30 June 2019

#### 4.2 Share-based payment reserve

	30 June 2019 US\$'000	31 December 2018 US\$'000
Balance at beginning of period	8,182	5,592
Share based payment expense arising during the period	660	1,332
Transaction cost – Macquarie options	-	1,258
<b>Balance at 30 June 2019</b>	<b>8,842</b>	<b>8,182</b>

Performance Rights	Number of Securities
<b>Balance at 1 January 2018</b>	2,786,325
Granted	10,321,907
Exercised	(51,523)
Forfeited	(421,008)
<b>Balance at 31 December 2018</b>	<b>12,635,701</b>
Granted	9,160,803
Forfeited	(716,159)
Exercised	(1,212,379)
<b>Balance at 30 June 2019</b>	<b>19,867,966</b>

During the half year ended 30 June 2019 Australis issued 9,160,803 performance rights (2018: 10,321,907) to certain employees and senior executives of the Company under the Australis Oil & Gas Limited Employee Equity Incentive Plan. The performance rights granted during the half year ended 30 June 2019 have the following terms and conditions:

Type of grant	Grant date	Tranche	Number	Vesting date	Expiry date	Exercise Price	Value per right at grant date	Vesting condition
Performance Rights	1 May 2019	1	1,165,830	Jan 20	Two years from vesting	Nil	0.28	Service
– 2019 LTI Plan Award								
		2	2,331,660	Jan 21	Two years from vesting	Nil	0.172 0.148 0.28	Absolute TSR* Relative TSR* Service
		3	4,663,313	Jan 21	Two years from vesting	Nil	0.171 0.15 0.28	Absolute TSR* Relative TSR* Service
							0.149 0.135	Absolute TSR* Relative TSR*
2019 Senior Executive Grant	1 May 2019	1	400,000	Jan 22	Two years from vesting	Nil	0.012	Service & Share Price performance hurdles
		2	400,000	Jan 22	Two years from vesting	Nil	0.020	Service & Share Price performance hurdles
		3	200,000	Jan 22	Two years from vesting	Nil	0.024	Service & Share Price performance hurdles

\*A continued service condition also applies in addition to the applicable TSR vesting condition.

## Section 4: Capital and Debt Structure

### For the half-year ended 30 June 2019

#### 4.2 Share-based payment reserve (continued)

##### Options

	Number of Securities
<b>Balance at 1 January 2018</b>	104,830,933
Granted	30,000,000
Exercised	(4,316,703)
<b>Balance at 31 December 2018</b>	<b>130,514,230</b>
Expired <sup>(1)</sup>	<b>(17,496,730)</b>
Exercised <sup>(2)</sup>	<b>(1,027,500)</b>
<b>Balance at 30 June 2019</b>	<b>111,990,000</b>

<sup>(1)</sup> A\$0.275 options expired 30 June 2019

<sup>(2)</sup> A\$0.275 options exercised during the period

#### 4.3 Borrowings

##### Recognition and measurement

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

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

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

	30 June 2019 US\$'000	31 December 2018 US\$'000
<b>Interest bearing loans and borrowings</b>		
Borrowings <sup>(1)</sup> Current	<b>4,000</b>	2,000
Borrowings <sup>(2)</sup> Non Current	<b>14,118</b>	5,818
<b>Balance at 30 June 2019</b>	<b>18,118</b>	7,818

<sup>(1)</sup> Under the Macquarie Facility Agreement, Australis is required to make repayments of US\$1 million each quarter for the period of the loan, commencing in the September quarter 2019. Australis expects to make four repayments of US\$1 million for the next twelve month period.

<sup>(2)</sup> Net of capitalised transaction costs of \$2.41 million, of which \$1 million (net of amortisation) relates to the fair value of the 20 million options granted to Macquarie Bank Limited which vested on the initial drawdown of Tranche 1 funding, expiring on 4 June 2021.

On 5 June 2018, Australis TMS Inc, a wholly owned subsidiary entered in to a credit agreement with Macquarie providing for a three-year senior secured US\$75 million term credit facility (Facility). This Facility is being applied to the initial drilling program within the Groups' significant TMS acreage position in Mississippi and Louisiana. Drilling commenced at the beginning of Q4 2018. The initial commitment under the Facility is US\$75 million, with an additional US\$25 million available, if requested by Australis, subject to further credit approval by Macquarie.

## Section 4: Capital and Debt Structure

### For the half-year ended 30 June 2019

#### 4.3 Borrowings (continued)

Key Terms of the Facility include:

- US\$75 million has been committed and is available in two tranches:
  - o Tranche 1: US\$65 million available immediately (conditions already satisfied), and
  - o Tranche 2: US\$10 million available upon satisfactory initial well results.
- Interest rate of LIBOR plus 6.0% p.a.
- Quarterly principal repayments of US\$1 million commencing 9 months after the initial draw down, with the balance of the principle due on maturity date.
- Senior secured non-revolving facility, with security over US based assets.
- The Facility may be cancelled by the Company at any time without penalty once any drawn funds are repaid.

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

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

At 30 June 2019, \$20 million was drawn under the Facility and future draw downs are at the discretion of the Board and management of Australis. As such 20 million options have vested at the reporting date and an expense of \$1.26 million has been recognised in borrowings and is amortised over the life of the facility.

Australis TMS Inc obligations under the Facility are guaranteed by pledged security from the parent entity, Australis and Australis USA 1 Pty Limited a wholly owned subsidiary of Australis (Obligors). At 30 June 2019 the following remained pledged as security:

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

The security package includes mortgages on leases held by Australis TMS Inc. within existing PDP units and leases within units of the Initial Drilling Plan locations.

Under the Facility there are industry standard financial covenant which include minimum liquidity, ratios and PDP reserves ratios.

Australis is in compliance with all covenants.



## Section 5: Other Assets and Liabilities

### For the half-year ended 30 June 2019

#### 5.1 Provisions – Non-Current

##### Recognition and measurement

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

	<u>30 June 2019 US\$'000</u>	<u>31 December 2018 US\$'000</u>
Restoration provision	<u>2,660</u>	<u>2,380</u>
<b>Reconciliation of movement in restoration provision</b>		
Balance at the beginning of the financial period	<b>2,380</b>	1,600
Provision made during the financial period	<b>280</b>	780
<b>Balance at 30 June 2019</b>	<b><u>2,660</u></b>	<b><u>2,380</u></b>

#### 5.2 Fair Value of Financial Instruments

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

## Section 6: Other Notes

### For the half-year ended 30 June 2019

#### 6.1 Related party disclosures

##### Transactions with key management personnel

The following performance rights (Rights) have been issued to key management personnel during the half year ended 30 June 2019. The Rights were issued under the Company's long term incentive plan. The Rights granted to executive directors were approved by Shareholders at the Annual General Meeting of the Company held on 29 April 2019. The terms and conditions associated with the plan are detailed in the AGM Notice.

	Grant date	Vesting period	Number	Exercise price	Total fair value A\$ <sup>(1)</sup>	Expiry	Vesting condition	Expense recognised at 30 June 2019 US\$
Ian Lusted – Executive director	1 May 2019	Jan 20	158,730	Nil	30,159	Two years from vesting	Service Absolute TSR	5,256
	1 May 2019	Jan 21	317,461	Nil	60,437	Two years from vesting	Service Absolute TSR	4,213
	1 May 2019	Jan 22	634,920	Nil	112,063	Two years from vesting	Service Absolute TSR	4,882
Graham Dowland – Executive director	1 May 2019	Jan 20	103,401	Nil	19,646	Two years from vesting	Service Absolute TSR	3,424
	1 May 2019	Jan 21	206,803	Nil	39,370	Two years from vesting	Service Absolute TSR	2,744
	1 May 2019	Jan 22	413,606	Nil	73,002	Two years from vesting	Service Absolute TSR	3,181
Michael Verm – Chief Operating Officer	1 May 2019	Jan 20	120,985	Nil	25,165	Two years from vesting	Service Absolute TSR	4,386
	1 May 2019	Jan 21	241,970	Nil	50,402	Two years from vesting	Service Absolute TSR	3,514
	1 May 2019	Jan 22	483,937	Nil	95,432	Two years from vesting	Service Absolute TSR	4,158
	1 May 2019	Jan 22	100,000	Nil	1,200	Two years from vesting	Service & Share price performance hurdles	52
	1 May 2019	Jan 22	100,000	Nil	2,000	Two years from vesting	Service & Share price performance hurdles	87
	1 May 2019	Jan 22	50,000	Nil	1,200	Two years from vesting	Service & Share price performance hurdles	52

## Section 6: Other Notes

### For the half-year ended 30 June 2019

#### 6.2 Related party disclosures (continued)

##### Transactions with key management personnel (continued)

	Grant date	Vesting period	Number	Exercise price	Total fair value A\$ <sup>(1)</sup>	Expiry	Vesting condition	Expense recognised at 30 June 2019 US\$
Darren Wasylucha – Chief Corporate Officer	1 May 2019	Jan 20	68,530	Nil	14,254	Two years from vesting	Service Absolute TSR Relative TSR	2,484
	1 May 2019	Jan 21	137,060	Nil	28,550	Two years from vesting	Service Absolute TSR Relative TSR	1,990
	1 May 2019	Jan 22	274,121	Nil	54,057	Two years from vesting	Service Absolute TSR Relative TSR	2,355
	1 May 2019	Jan 22	100,000	Nil	1,200	Two years from vesting	Service & Share price performance hurdles	52
	1 May 2019	Jan 22	100,000	Nil	2,000	Two years from vesting	Service & Share price performance hurdles	87
	1 May 2019	Jan 22	50,000	Nil	1,200	Two years from vesting	Service & Share price performance hurdles	52

(1) Fair value of the performance rights is in Australian Dollars.

#### 6.3 Commitments

There have been no material changes to the commitments reported at 31 December 2018.

#### 6.4 Contingencies

As at 30 June 2019 the Group has a contingent liability of \$180,000 relating to confirmation of title on leased acreage associated with sophisticated mineral owners. This contingent liability is due upon satisfactory confirmation of title.

The Company has no other material contingent liabilities at 30 June 2019.

#### 6.5 Events after the reporting date

No event has occurred since 30 June 2019 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

#### 6.6 Rounding of amounts

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