For Immediate Release
ASX Announcement

29 February 2024

2023 Annual Report and Audited Financial Statements

Australis Oil & Gas ("Australis" or "Company") is pleased to provide its 2023 Annual Report including the audited consolidated financial statements for the year ended 31 December 2023.

2023 was a year in which Australis focused on managing its existing TMS asset in a safe and economic manner whilst seeking a partner for new drilling activity within the Company's large but undeveloped asset position in the play.

The Company generated surplus cashflow from operations, which was used to service debt and undertake minimal yet strategic leasing. Existing cash reserves were utilised to reduce principal debt by US$4 million to $8 million by year end resulting in net debt remaining as it was at the commencement of the year at US$4.2 million.

The capital expenditure discipline program required certain leases (non HBP) expiring without renewal leading to the write down of US$9.4 million of previously capitalised expenditure. The intention is to re-lease many of these areas subject to capital availability.

The Company's net loss after tax of US$15.3 million was largely the result of the abovementioned write down of expired leaseholds and a significant increase in the depletion expense (non cash) due to a change in calculation methodology.

The positioning of the Company's large undeveloped TMS Core area and the diminishing Tier 1 undeveloped locations within the established and maturing plays, provides the board with continuing confidence an appropriate partner or partners for the development and unlocking of the value of the Company's TMS asset will be achieved.

A summary of financial and operating results for the year are as follows:

Financial Results 2023 - (US$)

Gross revenue from oil sales (before royalties& hedges)	$21.8 million
Loss from hedging	$(1.1) million
Average realised sales price (including hedges)	$75/bbl
Field Netback* (US$)	$7.5 million
Field Netback (Working Interest)* (bbl)	$27.12/bbl
Adjusted EBITDA*	$1.0 million
Net loss after taxation	$(15.3) million
Year end cash position	$3.8 million
Total Facility borrowings	$8.0 million

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Operating Results 2023

Oil sales (Working Interest)	277,000 bbls
Net oil sales (after royalties)	225,000 bbls
TMS year end independent PDP reserves (Net)[1]	2.1 MMbls
Year end independent mid case(2C) contingent resources[1]	86 MMbbls
Total Acreage leased within the TMS Core	61,400 net acres
Acreage leased and HBP within the TMS Core	38,900 net acres

*Field Netback and Adjusted EBITDA are considered non-IFRS measures. Please refer to Non-IFRS Financial Measures below.

The 2023 Annual Report and Appendix 4E is attached.

Australis Oil & Gas Limited advises that in accordance with Clause 6.1 of the Australis constitution and ASX Listing Rule 3.13.1:

a) The 2024 Annual General Meeting (AGM) will be held at 11.00am (WST) on Tuesday 14 May 2024, and
b) the closing date for the receipt of nominations from persons wishing to be considered for election as a director is 21 March 2024. Any nominations must be received in writing no later than 5.00 pm (WST) on 21 March 2024 at the Company's registered office.

Shareholders of the Company (Shareholders) will be advised of further details regarding the AGM in a separate Notice of Meeting, which will be provided to Shareholders in April 2024. The Notice of Meeting will also be available on the ASX Company Announcements Platform and on the Company's website at www.australisoil.com.

This ASX announcement was authorised for release by the Australis Disclosure Committee.

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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.
The Company's acreage within the core of the oil producing TMS contains 2.7 million bbls of producing reserves (mid case) providing free cash flow and approximately 86.3 million bbls of mid case 2C recoverable oil.

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 2023 and generated for the Australis concessions to SPE standards. See ASX announcement released on 31 January 2024 titled "Activities Report and Year End Reserves Update". The analysis was based on a land holding of 61,400 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.

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 Adjusted 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 and Adjusted EBITDA, may not be comparable with the calculation of similar measures by other companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted EBITDA represents net income /(loss) for the period before income tax expense or benefit, finance costs, depletion, depreciation and amortisation charges, expire lease write off and impairment provision.
EBITDAX represents Adjusted EBITDA before exploration expenditure.

The following table reconciles net profit after tax to Adjusted EBITDA and EBITDAX:

	31 December 2023
	US$'000
Net profit after tax	**(15,315)**
Adjustments:	
Net finance expenses	1,027
EBIT	**(14,288)**
Depletion	2,920
Depreciation – production equipment	2,733
Depreciation	319
Expired ease write off	9,362
Adjusted EBITDA	**1,046**
Exploration expenditure	3
EBITDAX	**1,049**

FIELD NETBACK

Field Netback represents 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.

GLOSSARY

Term	Definition
TMS	Tuscaloosa Marine Shale
bbl(s)	Barrel(s) of oil
MM	Millions
PDP	Proved Producing Reserves
2C	Most Likely Contingent Resource
TMS Core	The Australis designated productive core area of the TMS delineated by production history
HBP	Leased minerals deemed held by production by an existing producing well.

29 February 2024

APPENDIX 4E
FINANCIAL YEAR ENDED 31 DECEMBER 2023

AUSTRALIS OIL & GAS LIMITED (ASX: ATS)

ABN or equivalent company reference

34 609 262 937

This information should be read in conjunction with the Australis Oil & Gas Limited 2023 Annual Report (which contains the 2023 audited Financial Report and other information required for Appendix 4E)

Results for Announcement to the Market

Revenue from ordinary activities	Decreased by 27%[1] from US$28.4 million in 2022 to US$20.7 million in 2023	
Loss / Profit from ordinary activities after tax attributable to members	Decreased by 879%[1] from a profit of US$2.0 million for 2022 to a loss of US$15.3 million for 2023	
Net loss / profit for the period attributable to members	Decreased by 879%[1] from a profit of US$2.0 million for 2022 to a loss of US$15.3 million for 2023	
An explanation of the results is contained within the 2023 Annual Report which can be found on the ASX website or the Australis website at www.australisoil.com (1) Comparisons are made to the financial year ended 31 December 2022		
Dividends		
No dividends have been paid or proposed for the year ended 31 December 2023 (2022: nil)		
Net Tangible Asset per Security	**31 December 2023**	**31 December 2022**
	US$0.04	US$0.05
This report is based on audited accounts		

This ASX announcement was authorised for release by the Australis Disclosure Committee.

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AUSTRALIS
OIL & GAS

2023
ANNUAL REPORT

Australis Oil & Gas Limited
ABN 34 609 262 937

CONTENTS

CHAIRMAN'S LETTER

We believe that diminishing Tier 1 oil locations in other maturing plays will reinforce the uniqueness of the TMS Core, given its productivity, attractive commercial characteristics and substantial remaining undeveloped inventory.

Your Board's objective has been and remains the creation and realisation of shareholder value. We have a strategy to deliver this and remain committed to it. Our strong preference remains the use of our largely undeveloped acreage as currency to generate funded activity on our asset base that will lead to an upward revaluation.

The macro environment for oil in the US and wider has been complex in recent years and remains so. The US industry does, however, remain large, active and crucially important to both the economy and domestic politics.

We share the view of many that, U.S. oil is likely headed toward a period of decreasing growth and increasing upward price pressure. U.S. oil's drilling inventory and reserves are showing some signs of increasing in value and demand, with recent transactions referencing these components as being key drivers. We have regularly commented that top shale locations are dwindling, and it seems quality oil reserves are now commanding a premium.

Oilfield services firms' reports are a useful guide to industry activity levels. They are reporting a downward drift in activity, while capital expenditure planning overall presents a flat yet mixed picture, particularly outside the Permian, an area now dominated by large operators. Larger firms are focusing more on acquiring assets with their cash flow whilst at the same time reducing debt. Smaller firms are seeking to grow or at least maintain production.

Clearly there has been a shift of institutional development capital away from the oil space due to ESG and carbon emissions thereby reducing capital available for growth. This is problematic for development scenarios and in particular exploration that cannot be undertaken outside of operating cashflow. Will this increase interest, demand and premiums paid for future drilling inventory (as distinct from exploration)? We think so and perhaps the recent acquisition of Hess by Chevron is illustrative of this. Whereas most oil-based transactions in recent years having been centered around current production and profitability, this transaction included a significant element of undeveloped reserves value.

We believe that diminishing Tier 1 oil locations in other maturing plays will reinforce the uniqueness of the TMS Core, given its productivity, attractive commercial characteristics and substantial remaining undeveloped inventory. The production history available for our wells paints a very clear picture as to performance and nature of our production, without taking in to account the potential upside associated with technological and operating practice advances in recent years.

We remain confident about oil's role in the international economy for some time and it being a valuable commodity in 2024 and beyond as energy in due course transitions to a post hydrocarbons era.

CHAIRMAN'S LETTER

Australis' 2023 operational cashflow has largely enabled the maintenance of our significant largely undeveloped asset and shareholder exposure to the opportunity it represents, as well as service of our debt obligations. Our financial results are covered in detail within this report. You will see that cashflow for the year was lower than last year due to lower production, principally as a result of natural production decline, and overall lower commodity prices. A material write down was made related to leases that expired during the year that were not retained.

Our operations and management teams again deserve credit for the manner in which operations have been managed. Throughout this financial year all operations were executed with an excellent environmental, health and safety record.

Your Board remains committed in their roles and offer significant knowledge and experience to our circumstances. Management and staff have again worked very hard during 2023 and I would like to acknowledge their contribution and service.

As in previous years, I would like to take this opportunity to welcome new shareholders and express my appreciation for your confidence and commitment. For our longer standing shareholders, thank you again for your loyalty and continued support.

Yours sincerely,

Jon Stewart
Chairman

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

BUSINESS STRATEGY & THE TUSCALOOSA MARINE SHALE

Australis was formed in 2014 by the former Australian employees of Aurora Oil & Gas, which was sold that year to Baytex for A$1.6 billion. The team sought a new US unconventional asset which

- had oil weighted production
- had demonstrable reservoir quality and production deliverability
- provided a low entry cost and the potential for material scale
- had existing or easily accessed infrastructure and proximity to sales markets.

Over the next two years a large number of opportunities were considered but none could meet all of the key criteria management had designated. Entry costs to the more established plays continued to be prohibitive, even with the prevailing oil prices markedly lower than the levels seen in early 2014, exploration plays inherently had too much uncertainty on reservoir performance and most early activity carried out on available appraisal opportunities had already identified key barriers to development.

In 2016 the Company listed on the ASX with the acquisition of an initial leased position in the Tuscaloosa Marine Shale (TMS), based on management's belief that the TMS had all the qualities necessary for an emerging unconventional asset to evolve to mainstream and full development status. At the time, there had been approximately 80 wells drilled in the play which had delineated a core area with superior and consistent reservoir characteristics and TMS production data over a 2-3 year period for the most recently drilled wells showed deliverability on par with the best parts of the established unconventional oil plays. The play's location in southwest Mississippi is within 60 miles of significant refining capacity and multiple pipelines with capacity were already running through the area. Furthermore, there was very little competition for acreage and hence the entry costs were low allowing Australis to target a material position. Finally, the state oil and gas regulations and field rules were highly supportive for development activities.

Through a series of transactions and an active leasing program Australis built a controlling position within the production-delineated core where reservoir quality and well design had delivered consistent results.

Australis also aggregated all the available data and analysis to better understand why the TMS core area worked and what differentiated it from the rest of the depositional play where earlier results had been highly variable. This understanding would be vital to addressing the existing industry views that the TMS, as a whole, was a challenging resource play.

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

The Australis acquisition of the Encana position in 2017 was particularly useful, as the large cap Canadian oil and gas company had done a substantial amount of technical work in 2013 / 2014 and had already internally designated the play as commercial and were moving to full field development. The precipitous oil price drop later in 2014 suspended those plans and, ultimately, led to Encana selling 7 non- core assets within their portfolio of which their TMS position was the last. That acquisition also allowed Australis to access unique technical information through a Schlumberger-led consortium, where the principal operators in the TMS had pooled data and shared analysis. This database has provided considerable insight into the key drivers for well performance.

In 2018/19 Australis completed a six-well work program which had four key aims, which are discussed below.

1. **Confirm well deliverability.** On a per foot basis the wells delivered oil production as per expectation (see Figure 1 with results).
2. **Convert term lease acreage to longer term HBP status.** Australis converted approximately 10,000 net acres to HBP (with a term that coincides with the producing life of the well, estimated at >20 years).
3. **Demonstrate consistency in well execution.** Whilst two wells were drilled as planned and below budget, Australis encountered operational challenges on two other wells leading to shorter well lengths than planned. Australis attempted to implement a new fluids design on the final two wells which did not lead to successful execution. Post-mortem analysis of the program clearly showed cause of issues on the shorter wells and confirmation of engineering design when executed correctly.
4. **Achieve Incremental production and revenue increase to support operations and strategy.** This was achieved, albeit the levels of incremental production (and resulting revenue) were heavily influenced by the total producing footage achieved in the campaign.

The Company's corporate business strategy has been clear and consistent since inception: to identify a quality unconventional oil play located onshore in the USA and secure a low-cost entry, build a material position before finding a partner to help fund development activity and finally maximise shareholder value by developing the asset or seeking exit opportunities through sale to a larger operating entity.

Following the conclusion of drilling operations in late 2019, our strategic focus switched to finding a partner for further development activities. The events surrounding the COVID pandemic in Q1 2020 were unforeseen and required significant restructuring of costs and overheads. The global pandemic also introduced substantial caution to business development activities in the industry in general during 2020 and the first part of 2021. The oil price and business confidence recovered in late 2021, and by 2022 Australis was able to recommence targeted partnering efforts within the industry which have continued through 2023. It has been a challenge to convince industry participants to invest in the TMS during this period. The reasons for this reluctance have typically not been technical in nature, but have ranged from issues around corporate strategic focus on cash flow and returns over exploration and early stage development, to concerns over stakeholder perception of the TMS based on its development history, rather than a contrary technical view on the productivity and potential of the TMS. Australis has completed diligence processes with a variety of public and private oil and gas companies who ultimately advised that the timing was not yet right for a play such as the TMS within their portfolio. Potential financial partners have typically felt that the play is too early stage for their desired low risk returns and with funding generally harder to find there is demand within the established plays for this type of capital. Whilst frustrating for shareholders and management alike, Australis has continued to receive interest in the TMS play and continues to hold discussions with potential participants. The technical confirmation of the play's credentials during counterparty diligence reviews reinforces the fundamentals of the TMS and market conditions continue to evolve to a point where quality early stage oil plays will have to be developed. The key market conditions are discussed below.

- the US unconventional oil industry continues to rely heavily on three key plays with over 87% of the oil produced originating from the Permian, Eagle Ford and Bakken.
- the Eagle Ford and Bakken are increasingly mature, with the majority of quality Tier 1 locations already drilled. These areas were already in decline prior to the oil price drop in 2020 and have seen only modest recoveries since the COVID pandemic.
- Whilst the Permian still has a significant inventory of future wells, in Q3 2022 Permian operators reported the first indications of maturing stock and reduced average new well performance. As can be seen in the chart below generated from data sourced from the US Energy Information Administration (EIA), production growth within the Permian has plateaued.

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

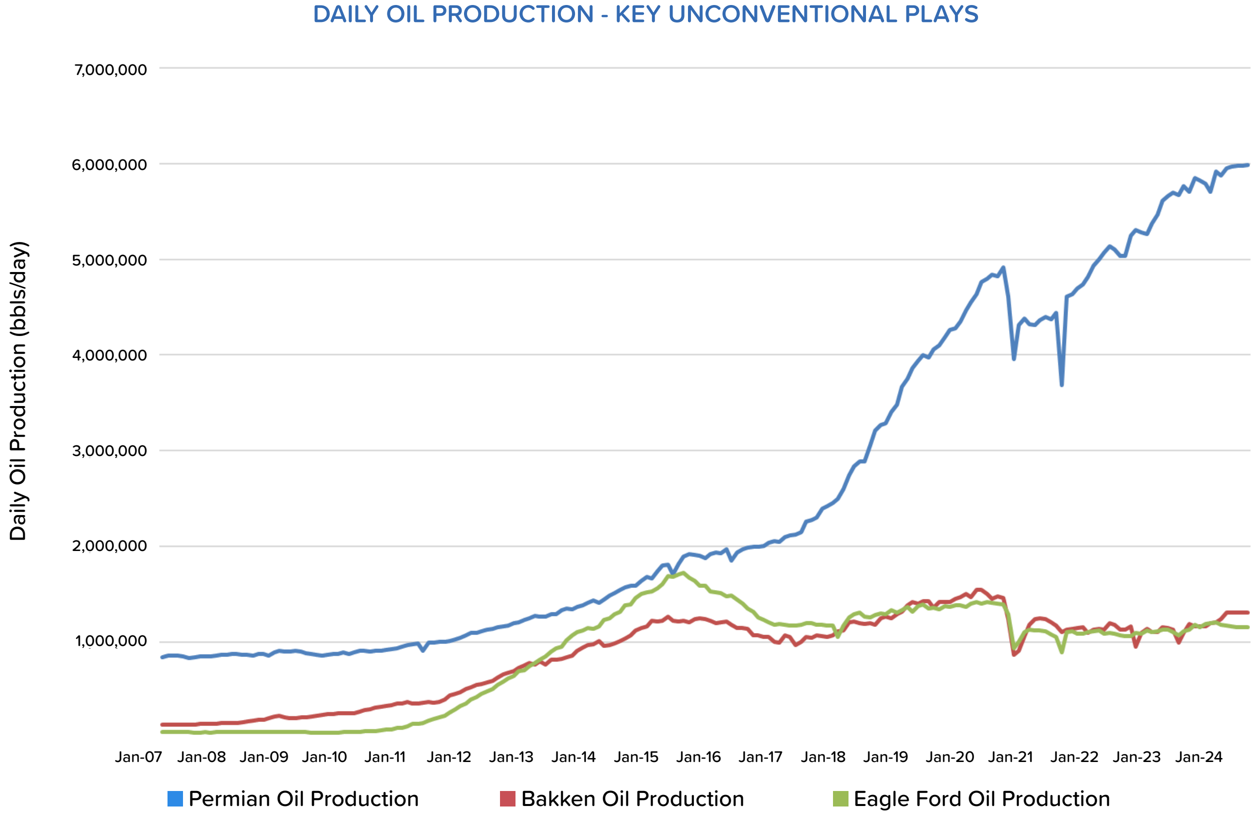


Figure 1: Key unconventional oil play production rates (bbls/day). Source EIA

- Public US oil and gas companies have been under considerable shareholder pressure in recent years to change their business model from one focused on production growth to one that prioritises increased shareholder returns. Data show they remained disciplined during 2023, with little or no production growth reported. As can be seen in the above chart, only the Permian production had any material growth during 2023, which continued to be largely driven by private companies that adopted a more traditional approach to the higher oil prices and possibly attempting to grow their production base to make themselves an attractive transaction target.
- Consolidation in the established plays has continued and consensus amongst industry commentators is that there are very few remaining options for establishing or growing a position in a material way in in such basins apart from a limited number of private companies in the Permian or significant transactions and mergers involving large public companies.
- Australis continues to believe that companies with limited Tier 1 drilling inventory will be forced to look outside these three well-established oil plays and, with unconventional exploration largely complete in North America, undeveloped but discovered and delineated plays such as the TMS will be highly sought after. Our confidence in a transaction is supported by the successful diligence processes we have concluded. Recent examples of the industry recognising these known but undeveloped assets is the large scale entry in to the oil window of the Utica Shale by EOG and Continentals recent transition to a private company and their focus on the Powder River Basin.

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

TUSCALOOSA MARINE SHALE (TMS) ASSETS

TMS BRIEF HISTORY

The unconventional oil and gas industry has been built upon the application of modern development technology such as horizontal drilling and fracture stimulation, to known hydrocarbon bearing source rocks. The TMS has long been identified as the source rock for conventional reservoirs in the area and following the early success of the nearby and similarly aged Eagle Ford Shale in 2009 – 2011 a number of companies took substantial positions in the TMS and drilled several appraisal wells in order to assess its technical and economic viability. The TMS is depositionally a large area and in order to focus their efforts, companies used the Eagle Ford Shale as an analogue and targeted the equivalent characteristics that had proved to be the most productive in that play. In the TMS, these target horizons were considerably deeper and hotter than in the Eagle Ford, which generally made the drilling more difficult and expensive. Furthermore, the production results of these early wells were variable and ultimately companies such as EOG and Devon elected to exit their position at that time (between 2012 and 2013) and pursue other delineated and lower cost options within their portfolios. As a result, the TMS began to develop a reputation as being a challenging play.

A number of operators remained active in the play and over the next two years approximately 50 wells were drilled which helped delineate an area of consistent productivity in a shallower part of the TMS than that initially targeted. They also largely resolved the early technical and operational challenges that all unconventional reservoirs face when first being developed.

By 2014, activity levels were picking up in the play with 7 rigs operating at one point during that year. Encana in particular implemented a structured appraisal program of leasing and drilling within the delineated core area. In late 2014 the oil price dropped dramatically from highs of ~US$100/bbl to as low as US$35/bbl and industry activity slowed considerably and practically stopped in emerging plays such as the TMS. All of the incumbent operators in the TMS went through some form of debt restructuring or bankruptcy process and the play's reputation was further tarnished, such that no TMS drilling activity took place between early 2015 and late 2018.

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

However, the wells that were drilled and completed in 2014, using a design that reflects the start of the optimisation process and benefiting from having targeted the TMS Core area generated extended production profiles. This long production history allowed high confidence and favourable comparisons to the more established and evolved plays with thousands of wells drilled within them. The comparisons clearly showed quality rock productivity within that core area. The Chart below (Figure 2) shows production data from areas within the key US oil plays, ie. Permian, Bakken and Eagle Ford. The chart is taken from a Novilabs report issued in late 2022.   The lines show the cumulative production in the initial 12 months, normalised for horizontal length, for wells placed on production in each of the years shown. The lines represent different areas of those established plays and the line thickness shows the number of wells that started production in that year. In total there had been over 80,000 wells drilled in these three plays at the time the data was collected. The thickest three lines (Yellow – Delaware, Red – Midland and Dark blue – Other Williston) have all shown flat productivity or even a decrease over the last 4 years. The central Eagle Ford peaked in 2017 but has been on a downward trend since. Then smaller discrete areas such as the Elm Coulee has had a peak in productivity before being drilled out and then declining over the last three years. It is a slightly different format, but the red dots show the TMS productivity in the same way and on the same scale. There have only been 90 wells drilled in total and if a line were used it would be very thin, the dots are shown for emphasis. It can be clearly seen that on a comparative basis the TMS has equivalent productivity to the best of the established plays, including the wells drilled by Australis in 2019.

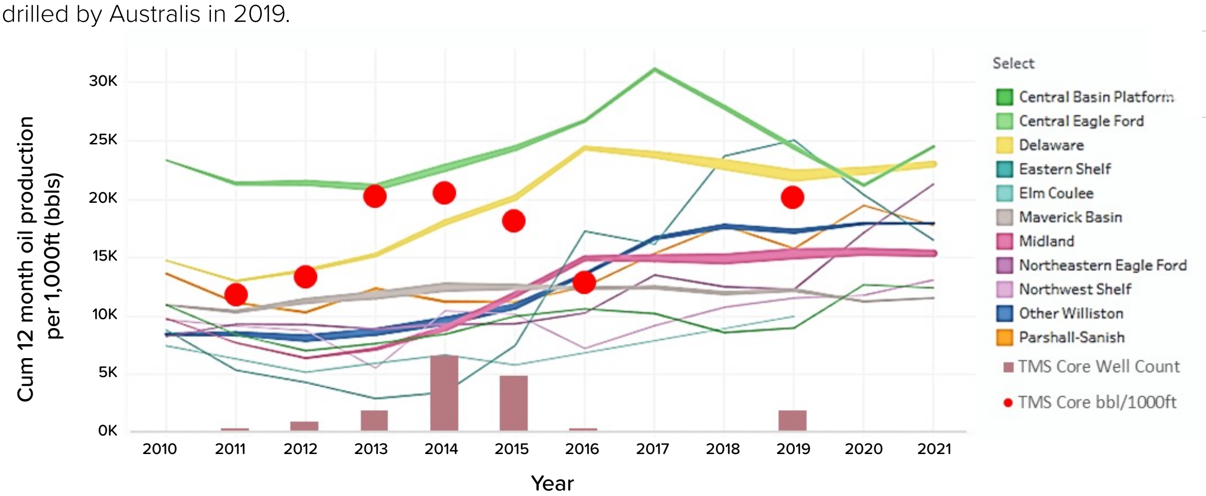


Figure 2 : Chart comparing Novilabs analysis of the established oil plays to the TMS

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

OPERATIONS IN 2023

SAFETY AND ENVIRONMENTAL PERFORMANCE

During 2023 Australis only had one reportable spill and four non-reportable spills totaling 10.23 bbls (4.19 bbls of oil and 6.04 bbls of water), all contained within the wellsite pads and all remediated. These figures represent an improvement on the already commendable environmental performance achieved in 2022 of 2 recordable and 4 non recordable spill incidents across the 31 operated wellbores. The reportable spill occurred when approximately 1 bbl of crude oil and 2 bbls of water leaked from a pressure gauge fitting. The connection was immediately repaired and the spill, which was entirely contained on the pad site, was cleaned up the same day.

In early 2023, there was a contractor OSHA reportable incident on a workover rig operating on one of our well sites, after a period of 1,065 days without incident. One of the contractor rig crew slipped off a step and required stiches on a cut he received as a result. The individual returned to restricted work duties the next day. The Company and contractor investigated the incident in accordance with each of its policies and there have been no further reportable safety incidents during the year.

The Australis team places the utmost importance on our safety and environmental culture and awareness. 2023 yet again demonstrates the field teams focus and performance in this critical area of operations. Further information is provided in the sustainability section within this annual report on these incidents.

PRODUCTION OPERATIONS

Production operations continued throughout 2023 without any major disruptions. There were no major weather events during the hurricane season and, other than regular minor power losses shutting in production for short periods of time, there were no other external impacts on production.

Production performance from the existing wells was largely in line with management's expectation and this is confirmed by the Company's recently released 2023 Year End Reserve Report, which showed only very modest adjustments in anticipated production volumes. There were several wells that were produced at lower than maximum production rates during the year due to deferral of well intervention strategies to restore to full production rates. With increased capital availability these workover programs would be scheduled.

During the year Australis sold one operated well to a local operator. The well required a workover and is located outside the TMS Core area and was therefore deemed non-material. The projected economic returns on the workover were marginal and the sale also transferred the abandonment liabilities associated with the well.

Overall sales volumes for 2023 are summarised in the table below. The drop in Q4 production was primarily driven by delayed workover programs leading to longer shut-in periods than planned for key wells. Our crude offtaker experienced some scheduling difficulties during December, which led to an increase of over 4,000 bbls of produced but not sold crude during that month. These issues were rectified in early January and field crude inventory levels are now back at normal rates.

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	TOTAL
Sales Volumes WI (bbls)	76,200	73,000	69,000	59,000	**277,200**

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

LEASE OPERATING EXPENSES (LOE)

The 2023 year saw considerable pressure on service and equipment costs. Despite this and as in previous years, the operations team have continued to seek ways to optimise production operations at the lowest effective cost, this has included:

- several key contract services were re-tendered during the year and awarded to lower cost providers, generating cost savings for the Company; and
- a number of functions for which we have historically used external service providers are now being managed by the existing field staff.

As a result, the LOE costs have been kept largely flat compared to 2022 as can be seen in the chart below (Figure 3).

Production costs consist of Lease Operating Expenses (LOE) and Workover Expenses (WOE) and are split into three categories.

- Fixed LOE Costs – shown in blue in the chart below. These are largely labour costs and repair and maintenance. As can be seen those costs were actually reduced by 19% in 2023 compared to the previous year. The field staff numbers were reduced early in 2023.
- Variable LOE Costs – shown in orange in the chart below. These are mainly third-party costs. The majority of this component is attributed to power costs and produced water disposal, both of which have seen cost pressure during 2023. There has been a modest increase in this component of 4% compared to 2022.
- WOE Costs – shown in grey on the chart below. There were 10 workovers during 2023, the same figure as 2022, and the overall costs for 2023 were 17% higher than 2022 but this was primarily due to significantly higher steel and hence tubing costs during the early part of the year.

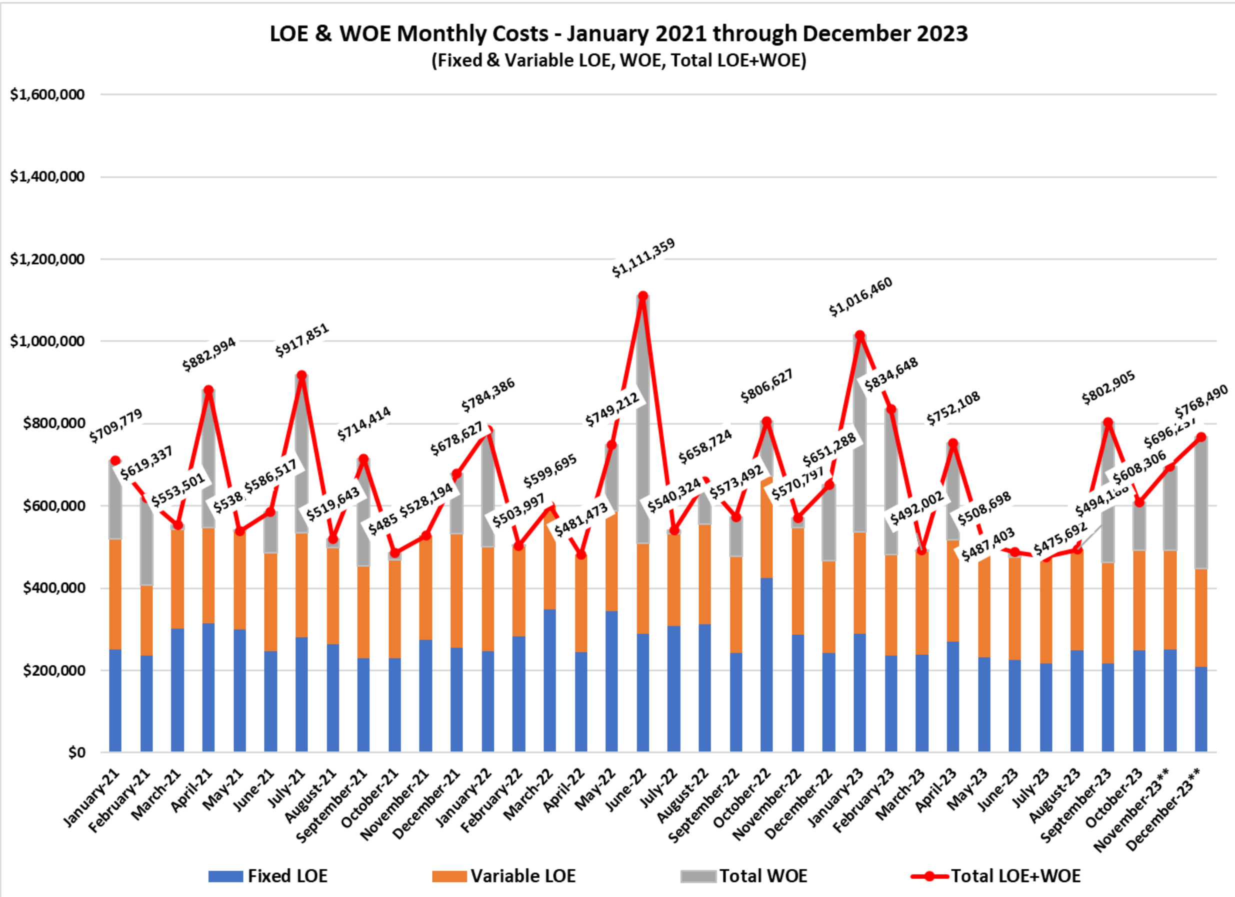


Figure 3: LOE 2021 – 2023 (Gross or 8/8ths)

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

The production team have continued to focus on reducing well workover frequency as a key driver in both costs and future well economics for reserve purposes. The chart below shows that the number of workovers was kept at only 10 during 2023.

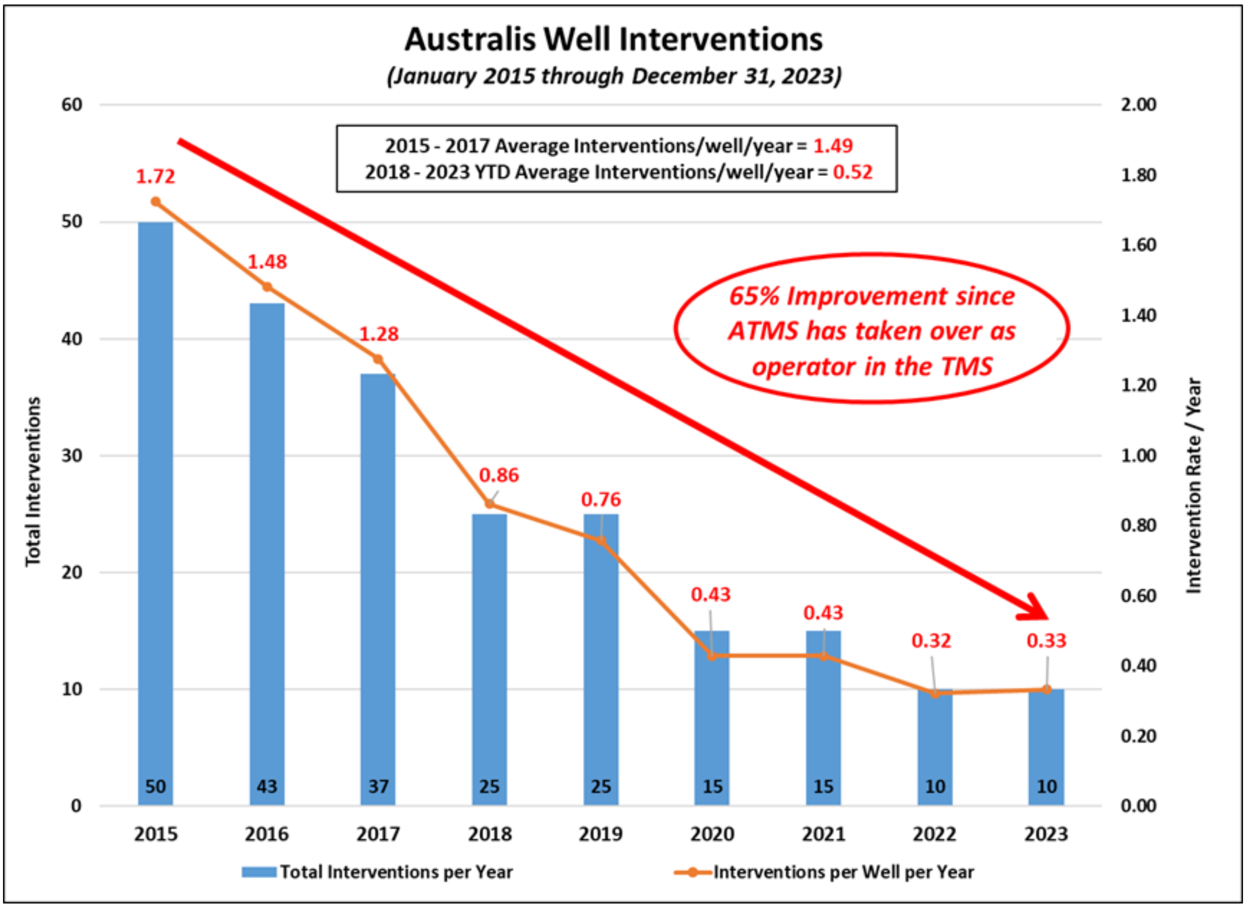
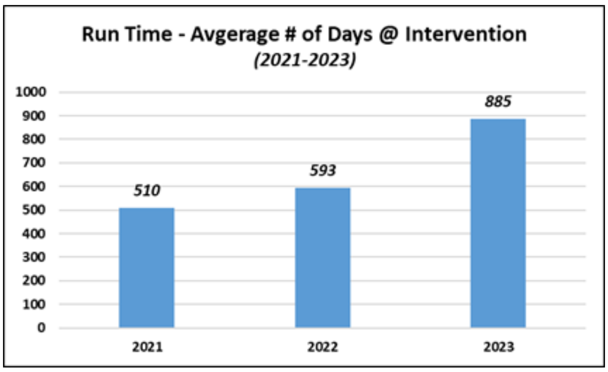


Figure 4: Operated well intervention (workovers) frequency 2015 – 2023 (Australis became operator in 2017)

With an operated well inventory of 31 wells this means that the time between workovers on any given well continues to extend.



As can be seen in the chart opposite, in 2023 the average time since the last intervention on the 10 wells worked over was 885 days. This figure can be compared to 593 days in 2022 and 510 days in 2021 which shows continued improvement in this facet of operations.

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

TMS EMISSIONS

Australis monitors and reports emissions annually to the state regulatory authorities in the US. Our CO2e emission volumes are now below the reporting threshold for the US Federal Environmental Protection Agency, but we continue to set corporate targets then calculate and monitor these figures to measure our performance in this critical area. Australis also continues to run pilot programs that reduce emissions to gather data for use in full field development and more details are provided in the Sustainability Report.

THIRD PARTY ACTIVITY IN THE PLAY

There was limited third party activity in the play during 2023. Australis has monitored the performance of those wells completed in 2022 which used variations on a slickwater frac design. After only periodic production due to completion issues on the Reese 11H well, production has stabilized at rates consistent with Australis type curve projections for a year 3 profile. Well performance on the Painter and West Alford, where Australis holds a 10% non-operated interest, have been consistent with early assessments, namely the Painter has shown similar productivity as historical TMS Core wells but the West Alford, which lies at the periphery or outside of the TMS Core, has underperformed type curves.

We are aware of lease renewal activity (~10-13,000 acres) during 2023 by entities already active in the area.

SECURING A PARTNER FOR DEVELOPMENT ACTIVITY IN THE TMS

Outside of the management of existing production, the primary objective of 2023 was to secure a partner for new development activities within the TMS. Whilst we have not been successful in these efforts, which is frustrating for both staff and shareholders, we have had considerable interest and interaction with potential partners during this period and continue to be engaged in early 2024. The nature of these third parties has ranged from private oil and gas entities, including private families through to large public companies. The TMS asset has been subjected to significant diligence through these engagements and has withstood this detailed scrutiny. The decision by several parties in 2023 not proceed with a play entry has been driven by timing and perception issues rather than the fundamentals of the play.

As outlined above, the market conditions of maturing established plays and limited opportunity for material acquisitions/mergers all mean that emerging plays will become a focus for the industry and management take confidence from the positive feedback we have received following these diligence processes.

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

AUSTRALIS TMS LEASE POSITION

With ~61,400 net acres and 63% of its acreage position in the TMS Core held by production (HBP), Australis retains a material position within the delineated high quality core area.

During the course of 2023 approximately 22,900 net acres expired and Australis acquired, leased, renewed or extended a little under 4,200 net acres giving a holding as at 31 December 2023 of 61,400 net acres.

Australis has operated within budgetary constraints during 2023 and taken a disciplined and targeted approach to leasing. The limited leasing activity focused in the TMS Core area and in specific permitted units or other areas which have been high graded based on subsurface attributes and for strategic reasons.

Australis also carried out a limited permitting program during the year with 3 units permitted for drilling in preparation for the restart of development operations.

When Australis elects to accelerate discretionary capex expenditure on leasing, the Company is confident that it can quickly and contiguously build the position. The Company closely monitors third party leasing activity in the area, which would be a contributing factor to any such decision to accelerate.

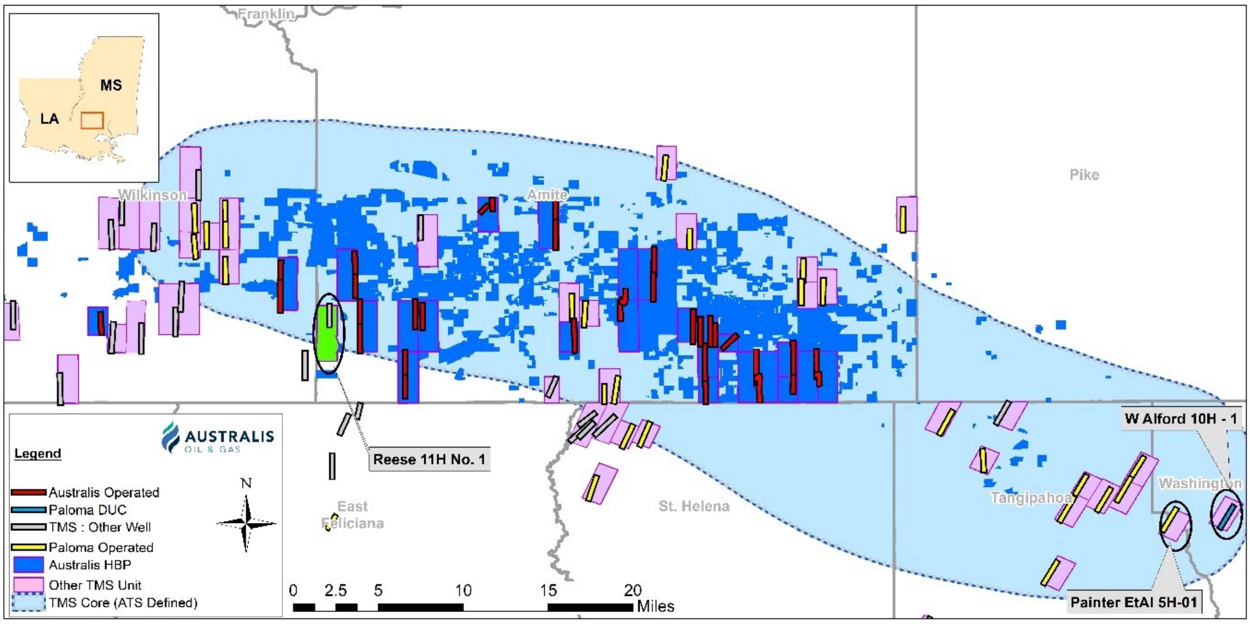


Figure 5: Australis acreage as at 31 December 2023, with well locations and the State Line Reese 11H and the Paloma wells

The acreage expiry profile is shown in the pie chart below.

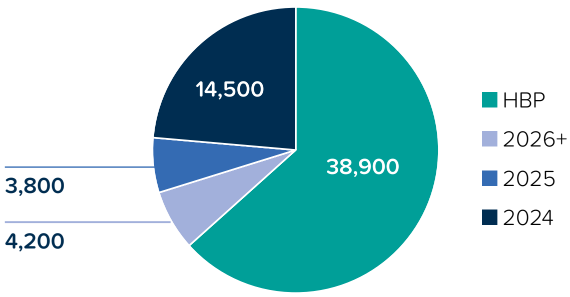


Figure 6: Australis TMS lease expiration year – TMS Core Net Acres as at 31 December 2023

BUSINESS STRATEGY, TMS ASSET AND 2023 OPERATIONS

RESERVES AND CONTINGENT RESOURCES

The year end 2023 reserve and resource estimate was independently prepared by Ryder Scott Company, L.P. in accordance with the Society of Petroleum Engineers – Petroleum Reporting Management System ("PRMS") as revised in June 2018. Consistent with our stated business strategy, the Board elected to adopt the position that any development plan is subject to securing a partner to participate in that development and hence requested that Ryder Scott evaluate producing reserves only for the year end 2023 report. The Board intends to commission an updated reserves report once a partner has been identified and a forward drilling program agreed, which can then be more accurately reflected in the reserve report. Therefore, all recoverable volumes not attributable to the existing developed wells but associated with the Company's large acreage position is deemed a contingent resource, subject only to a qualifying development plan. Using the acreage position at year end 2023 and the assumed well spacing, derived from over seven years of production history, Australis estimates there are approximately 220 net future well locations associated with the 2C contingent resource estimates below.

	Net Oil (Mbbls) [1]	% change YE23 vs YE22
Proved Developed	2,115	(16%)
Proved + Probable Developed	2,699	(14%)
Proved + Probable + Possible Developed	3,429	(13%)
1C Contingent Resource	19,743	(6%)
2C Contingent Resource	86,291	(26%)
3C Contingent Resource	156,252	(26%)

[1] Contingent Resources and Reserves estimated with an effective date of 31 December 2023 are taken from the Independent Ryder Scott report dated 31 January 2024 and announced on 31 January 2024, titled "Activity Report and 2023 Reserves 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 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.

GOVERNANCE AND ASSURANCE

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

The estimates provided in the above "Reserves and Contingent Resources" in this report pertains to the Tuscaloosa Marine Shale and 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.

FINANCIAL & CORPORATE REVIEW

SUMMARY OF FINANCIAL RESULTS AND POSITION

OVERVIEW

Through prudent operating and financial management, the Company met its financial objective in 2023 of continuing to safeguard the TMS asset with minimal capital spend whilst meeting all interest, amortisation payments and covenants associated with our Credit Facility. This objective was necessary to enable the continued efforts to introduce a strategic or financial partner to the TMS. It also enabled the Company's continued control of the largest leasehold position in the TMS core area, which required a targeted leasing program to partially offset expiring undeveloped leaseholds, albeit with a reduced budget.

Australis reported a net loss of US$15.3 million for the year ended 31 December 2023 (2022: profit US$2.0 million), which included a write down of US$9.4 million relating to expired TMS leaseholds that were not renewed as part of the disciplined capital program.

Adjusted EBITDA of US$1.0 million (2022: US$6.1 million) was lower than the previous year due to the lower sales volumes and lower achieved oil price resulting a reduced Field Netback. Operating cashflow of US$2.8 million was achieved despite the lower sales volume and oil pricing and losses incurred from oil price hedge settlements. The hedges were originally acquired during the low oil price period in mid-2020 and 2021 to meet the minimum hedging requirements under our Credit Facility.

Revenue of US$21.8 million funded all hedge settlements (US$1.1 million), royalties and taxes (US$5.2 million), operating expenditure (US$8.0 million), corporate G&A and overhead (US$5.4 million), financing expenses (US$1.0 million) and the capital expenditure program including lease maintenance of (US$1.1 million). Existing cash reserves repaid US$4 million of principal debt during the year to reduce the outstanding principal to US$8 million and at year end the net debt position remained unchanged from 31 December 2022 at US$4.2 million.

A review of Group operating results and financial position at year end is summarised below.

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000	% Change Favourable/ (Unfavourable)
Sales volumes (working interest)* bbls	277,000	347,000	(20%)
Revenue before oil hedges	21,771	33,557	(35%)
Oil hedge (loss) / profit	(1,059)	(5,179)	80%
Field Netback	7,521	12,055	(38%)
Operating Cashflow	2,793	6,655	(58%)
Adjusted EBITDA**	1,046	6,122	(83%)
Net (loss) / profit before taxation	(15,315)	1,967	(879%)
Net (loss) / profit after taxation	(15,315)	1,967	(879%)

* Volumes rounded to the nearest thousand barrels

** Adjusted EBITDA is a non-IFRS measure and represents net profit /(loss) for the period before income tax expense or benefit, finance costs, depletion, depreciation, expired lease write off and impairment.

FINANCIAL & CORPORATE REVIEW

SALES AND REVENUE

Revenue from oil sales (before hedges) for the year was US$21.8 million, which was 35% lower than 2022 due to sales volumes being 20% lower and the average achieved oil price (before hedges) being 20% lower on average throughout 2023 compared to 2022. Revenue was further reduced by the impact of realised hedging losses settled during 2023 of US$1.1 million, a significantly reduced loss compared to the 2022 loss on hedging of US$5.2 million.

The sales volumes reduction compared to 2022 was primarily due to the natural decline of wells.

Sales volume and average realised and achieved oil prices per barrel of oil by quarter and for the full year in 2023 were as follows:

	2023 by Qtr	Q1	Q2	Q3	Q4	2023 Total	2022 Total
Oil Sales (WI)	bbls'000	76	73	69	59	277	347
						2023 average	**2022 average**
Realised oil price (excl. hedges)	US$/bbl	$77	$74	$83	$81	$78	$97
Achieved oil price (incl. hedges)	US$/bbl	$73	$72	$77	$78	$75	$82

The Australis average achieved oil price of US$75/bbl in 2023 was 9% lower compared with US$82/bbl in 2022 due to the lower WTI benchmark pricing throughout 2023. The average 2023 WTI price was US$78/bbl, a 17% reduction from the average WTI price in 2022 of US$94/bbl.

Whilst the LLS-based premium to WTI achieved by Australis was lower during 2023, it continued to provide higher realised pricing than other plays in onshore USA. The monthly premium to WTI averaged over US$2.68 per barrel in 2023 (2022: US$4.15/bbl).

FINANCIAL & CORPORATE REVIEW

FIELD NETBACK, OPERATING CASHFLOW AND ADJUSTED EBITDA

Field Netback, operating cashflow and Adjusted EBITDA, all decreased compared to 2022 due to reduced sales volumes and lower achieved oil prices.

Production costs (lease operating and workover expenses) of US$8.0 million (2022: US$8.3 million) were within the Company's internal budget. Lease operating expenses, however, were higher on a per barrel basis than the prior year due to lower volumes as various fixed costs (such as labour) do not decrease despite the lower volumes produced. Total workover expenses for the year were higher than the previous year and the lower volumes produced also led to a higher cost per barrel for workovers than in 2022.

Australis TMS Production Costs (WI)

	2023		2022		Change Favourable/(Unfavourable)	
	US$000	US$/bbl	US$000	US$/bbl	Change US$000	% Change US$/bbl
Operating expenses	6,050	21.82	6,718	19.34	668	(13%)
Workover expenses	1,908	6.88	1,627	4.68	(281)	(47%)

G&A expenditure of US$5.4 million was consistent with 2022 (US$5.6 million), as many of the Company's more significant cost reduction measures were implemented in prior years. Labour costs are a significant component of G&A and as previously disclosed the Company competes for labour in the US oil industry where wages and employee costs remain high.

NET PROFIT / (LOSS)

The Company reported a loss of US$15.3 million for the 2023 year (2022: profit of US$2.0 million) reflecting the expensing of exploration costs (US$9.4 million) previously capitalised and the lower Field Netback. The write down of exploration costs related to the cost of TMS leases that have expired over the past few years and have not been renewed.

FUNDING & BALANCE SHEET

	As at		
Balance Sheet Summary	31 December 2023 US$'000	31 December 2022 US$'000	US$'000 Change Favourable/(Unfavourable)
Current assets	6,863	12,025	(43%)
Non-current assets	63,914	78,358	(18%)
Current liabilities	(10,739)	(13,412)	20%
Non-current liabilities	(6,839)	(10,932)	37%
Equity	53,199	66,039	(19%)

FINANCIAL & CORPORATE REVIEW

The Company adopted a strict financial discipline regime throughout 2023 with all focus on maintaining positive operating cashflows and servicing and reducing debt obligations under the Credit Facility. Minimal capital expenditure (US$0.6 million) was incurred for strategic TMS leasing and lease maintenance.

Included within the Company's current asset working capital deficit of US$3.9 million are the four current scheduled principal debt repayments due in 2024 totaling US$4.0 million (US$1.0 million per quarter) under the Credit Facility. Under amendments to the Credit Facility made in December of 2023, these repayments would be waived until 30 September 2024 and from that date would be reduced to US$0.5 million per quarter (with only US$1.0 million due in 2024) in the event Australis exercises its election to make a draw under the additional facility added to the Credit Facility pursuant to such amendments (See discussion below under "Credit Facility"). Also included in current liabilities are suspended revenues (US$3.7 million) held by Australis that are due to working interest and royalty owners who are currently unable to be paid, typically because the owners cannot be located. Based on the Company's experience in administering the disbursement of suspended revenues over the past 6 years, it is expected that around 10% of the total suspended amount will be paid out in any 12 month period.

At year end, the Company had US$3.8 million (2022: US$7.8 million) in cash, total Credit Facility debt of US$8.0 million (2022: US$12 million) and working capital, excluding Credit Facility debt, of US$0.1 million (2022: US$2.6 million).

Credit Facility

The balance of the Company's secured indebtedness under the Credit Facility at year end is US$8.0 million, down from US$12 million at the commencement of the year.

During the year, the Company continued to meet all required covenants under the Credit Facility.

In December 2023 the Credit Facility was amended, enabling the Company access to additional liquidity (net additional liquidity of approximately US$4 million) through the establishment of a new committed facility as a result of the value of the Company's Proved Developed Producing asset value. With the reduction in the principal amount under the Credit Facility over the past three years, the Company's collateral position has improved allowing access to additional liquidity. In the event Australis does draw under the new facility, it will benefit from an amortisation holiday until 30 September 2024 and reduced quarterly debt amortisation payments (from US$1 million to US$0.5 million) from that date until an extended maturity date (from May 2025 to May 2026). The Company has until early March 2024 to elect to access the additional debt. These amendments better align the debt repayment profile with projected cash flows from existing production. More complete details of the amendments to the Credit Facility can be found in the Company's ASX announcement dated 8 December 2023.

Australis retains the ability, without penalty, to refinance or repay the entire Facility at any earlier time.

Oil Price Hedging

Hedging contracts covering a total of 134,100 bbls (2022: 174,000 bbls) settled for a loss of US$1.1 million in 2023, compared to the prior year loss of US$5.2 million. The average protected floor price of the settled hedges for 2023 increased to US$57/bbl (2022: US$50/bbl) as a result of hedges executed in 2022 during the period of rising oil price futures. WTI swap contracts comprised 32% (2022: 41%) of the settled oil price hedges in 2023 with the balance being WTI zero cost collar (ZCC) contracts. These settled ZCC hedges provided a weighted average put (floor) price of US$54/bbl but importantly retained the benefit of higher oil pricing with an average call (ceiling) price of US$80/bbl. The Company benefited from its policy to weight its hedge profile to ZCC hedge contracts as the Company maintained the upside above the average floor price up to the call price (ceiling price) whilst being protected in the event the oil price fell below the ZCC floor price.

The majority of the hedge loss for 2023 resulted from hedge contracts taken out to meet the minimum hedging requirements under the Credit Facility during the low oil futures pricing environment in mid 2020 and 2021.

FINANCIAL & CORPORATE REVIEW

During 2023, the Company executed additional oil price hedges covering 75,500 bbls with settlement to occur between January 2024 to December 2026 as follows:

- 44,000 bbls WTI zero cost collars
- 31,500 bbls WTI swaps

At the commencement of 2024, Australis has a total of 155,000 bbls hedged over the next 3 years as summarised in the table below.

Australis' current WTI oil price hedge position as at 1-Jan-24

	WTI Swaps		WTI Collars		
Qtr/Year	Volume 000bbls	Protected Price US$/bbl	Volume 000bbls	Protected Price[(A)] US$/bbl	Ceiling Price[(A)] US$/bbl
Q1/2024	9	$70	22	$57	$84
Q2/2024	9	$68	15	$58	$86
Q3/2024	8	$61	15	$54	$83
Q4/2024	9	$72	12	$54	$81
Q1/2025	6	$68	8	$48	$83
Q2/2025	6	$67	8	$48	$82
Q3/2025	6	$65	4	$50	$79
Q4/2025	6	$64	4	$50	$79
Q1/2026	2	$61	0	$0	$0
Q2/2026	2	$61	0	$0	$0
Q3/2026	2	$61	0	$0	$0
Q4/2026	2	$61	0	$0	$0
	68		**87**		

A Based on weighted average monthly price

FINANCIAL & CORPORATE REVIEW

The "mark to market value" of the hedge position as at 31 December 2023 was US$(0.3) million (2022: US$(1.7) million) reflecting the strengthening hedge contract values executed over the past 18 months and stable WTI futures pricing at year-end. This value is recognised as a liability on the balance sheet.

It is anticipated that additional barrels will continue to be hedged throughout 2024 consistent with Australis' hedging strategy to manage commodity price risk and meet the requirements of a minimum hedge volume covenant pursuant to the Credit Facility.

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 and maximising shareholder value. In conducting business with this objective, 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 and maintains 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 the 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 size and activities 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 the Australis website, **www.australisoil.com**.

FINANCIAL & CORPORATE REVIEW

MATERIAL BUSINESS RISKS

Australis has established a framework to identify, manage and report risks. The Board has responsibility for overseeing our risk management framework and monitoring material business risks and the Audit and Risk Management Committee assists the Board in ensuring there is an appropriate risk management system and process that identifies risks and any mitigation measures. Due to the nature of the Company's operations, there are many factors that could impact its operations and financial results. A description of the nature of material business risks that could have an adverse impact on the Company's financial prospects or performance, and how such risks are managed, is set out below. This list is not exhaustive of all risks Australis faces. 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 renewed interest in undeveloped quality onshore US based oil plays due to the maturing of the established fields. The Company owns high quality, oil-weighted developed and undeveloped assets that have been acquired to provide potential additional leveraged upside to capital employed at a modest oil price.

There is no guarantee the oil price will be sustained for any period of time. Therefore, there is no guarantee that the Company's assets will be economically developed or increase in value.

(b) Title risk – Mineral Interests

Australis has acquired and may continue to acquire leasehold and other interests in and to mineral rights from owners in Louisiana and Mississippi, USA. These interests form the basis of the Company's right to develop, produce and sell hydrocarbons from the TMS and are material to the current and potential value of the Company. Generally leasehold interests expire at the end of a primary term unless commercial production from a well on the lease is achieved and maintained or the lease is otherwise extended or renewed. Certain of our leasehold interests 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. In the event any of the Company's leasehold or other interests in TMS mineral rights are negatively impacted due to title issue and/or are not renewed, extended, or replaced with similar interests, the Company' right to exploit such mineral interest will terminate and size of the Company's undeveloped reserves and resources are likely to decrease.

(c) Commodity price

The prices of crude oil, natural gas and other hydrocarbon commodities are volatile. As a producer of oil and natural gas, changes in the prices of these commodities will affect Australis' financial position, financial results, cash flows, access to capital, ability to grow, and the level of Australis' reserves. Commodity prices have in recent years been characterised by significant price fluctuations driven by the market's expectations of demand for oil and natural gas, which are influenced by geopolitical events and other global phenomena beyond Australis' control, including global events such as the COVID-19 pandemic, economic downturns and geopolitical conflicts or hostilities.

The impact of such global events can affect global demand for oil and gas, and the market's expectations on future demand, for long periods of time even after the event has subsided. These factors could result in higher volatility in crude oil pricing that negatively impacts the Company's revenue and cashflows from production and sustained declines in pricing could also lead to a reduction in reserves and the carrying value of our assets.

Australis has and will continue to enter into hedging arrangements as a way to address its commodity risk exposure and has adopted a hedging policy to manage the way in which the Company seeks to mitigate downside commodity price risk. Details of the current hedges in place are detailed in this Financial & Corporate Review.

(d) Hedging activities

The Company has and will continue to enter into hedging arrangements for a portion of future estimated oil production which may include forward sales and derivatives such as puts, collars and fixed price swaps. Changes in the fair value of derivative instruments are recognised in earnings and accordingly, earnings may fluctuate as a result of changes in the fair value of the Company's derivative instruments.

Derivatives arrangements can also expose the Company to the risk of financial loss in some circumstances, including when production is less than the volume covered by the derivative instruments, or the counterparty to the derivative instrument defaults on contract obligations.

Hedging arrangements entered into by the Company are in accordance with the hedging policy approved and regularly reviewed by the Audit and Risk Management Committee. Details of the current hedges in place are detailed in this Financial & Corporate Review.

(e) Operational risks

Australis' future financial condition and results of operations will depend on the success of its exploration, development, and production activities, which are subject to numerous risks.

Exploration and early development activities carry a degree of risk associated with the failure to find hydrocarbons in commercial quantities or at all. Selection of a drilling location and well design are influenced by the interpretation of available geological, geophysical, and seismic data, which is a subjective science and has varying degrees of success for the production of hydrocarbons. Other factors, including mineral rights, land ownership and regulatory rules, may impact the Company's decisions with respect to well locations. Further, no known technologies provide conclusive evidence prior to drilling a well that oil or natural gas is present or may be produced economically. New wells drilled may not be productive or may not recover all or any portion of the Company's investment in such wells. The cost of drilling, completing, equipping, and operating wells is typically uncertain before drilling commences. Australis employs well-established industry evaluation methodologies and when selecting drilling locations and when designing new wells. The Company also has accumulated a significant and comprehensive technical information database on TMS subsurface characteristics and has access to operational data relating to substantially all horizontal wells that have been drilled in the TMS.

The Company is exposed to the risk that existing wells may not produce hydrocarbons in quantities estimated for a variety of reasons, including the need for significant maintenance and repair or the occurrence of an adverse event impacting production due to accident or other sudden causes, and the Company may determine that the cost to repair, rework or recomplete such wells is uneconomic. A failure to maintain production could result in significant loss of revenue and operational costs to bring production back on line. The loss of revenue and/or increased capital costs could result in the requirement for Australis to obtain additional debt or equity funding and increases the risk of a default of the financial covenants and repayment obligations under its credit facilities.

Australis manages operational risk through the implementation of its procedures and policies that are based on appropriate industry standards and practices, employee training, a developed risk management system (including the use of insurance policies where prudent) and a focus on health and safety.

(f) Global event risks

Global events such as the COVID-19 pandemic and geopolitical conflicts or hostilities can pose a material risk to our operations. These events could result in significant employee absences due to illness or quarantine requirements and significantly impede the ability of our operational and management teams to travel in support of our operations. The Company is able to employ its crisis and emergency management plans, health emergency plans and business continuity plans to manage this risk, including ongoing monitoring and response to government directions and advice. This enables the Company to take proactive steps to manage risks to the Company's staff and stakeholders and to mitigate risks to production operations.

Global supply chain shortages that result from these global events can result in an ability to source important equipment, material and services leading to a material adverse impact on our ability to conduct operations and/or materially increase our costs to acquire same. Supply chain issues did impact in 2023 with inflationary effect on pricing of certain goods and services necessary for our operations. It is expected that the negative impact of these inflationary pressures will be reduced in 2024. The emergence of new global events could materially increase the negative impact of supply chain, inflationary and other economic issues on our operations. To assist in mitigating this risk, Australis, where practicable, pre orders various materials into inventory in advance of requirements and retains, where possible, multiple suppliers of critical materials and inventory items.

(g) Hydrocarbon spills

Oil and gas operational activities involve the production, storage and transport of the produced oil and gas as well as waste materials. Hydrocarbon spills may lead to damage to the environment, as well as potential safety issues and damage to Australis' reputation and fines. Please refer to the Sustainability Report for more detail around how the risk of hydrocarbon spills is managed.

(h) 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. To address this risk, we have implemented employment arrangements, such as a long-term incentive plan, that are specifically designed to secure and retain key personnel.

(i) Funding

The oil and natural gas industry is capital intensive. Australis has made, and expects to make, substantial capital expenditures for the acquisition, development and exploration of oil and natural gas reserves. As and when further funds are required the Company may need to raise additional capital, including from one or more of: the issue of equity securities; the incurrence of further debt finance; or the contribution of capital from one or more operational or financial partners in exchange for a portion of Australis' interests in its assets, if and as appropriate. There is no assurance that the Company will be able to access and secure additional funding on reasonable terms or at all. A failure to access funding may result in the loss of mineral interests and the inability to development current mineral interests.

Australis manages financial risk through the implementation of policies and procedures that address areas such as hedging and liquidity management. Furthermore, as operator of a substantial majority of its assets, Australis has the flexibility to manage its capital program to help mitigate liquidity risks.

(j) Regulatory and political

Exploration for and development, exploitation, production and sale of oil and natural gas in the United States of America is subject to numerous federal, state, and local laws and regulations, including in the areas of taxation, environmental protection and labour and employment. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations could adversely affect the Company. Compliance with such laws or regulations may significantly increase the Company's operating expenses and the failure to comply may result in material penalties and fines. In addition to governmental action, private parties may in certain circumstances pursue legal actions to enforce these laws and regulations against industry participants.

Whilst the USA is considered by Australis to be politically stable, changes in federal, state, or local government regulations and policies (whether through change in governments or change in policy from an existing government) may adversely affect the financial performance or the current and proposed operations generally of the Company.

For example, Australis engages in the practice of hydraulic fracturing to stimulate production of hydrocarbons from tight geological formations. Public debate exists regarding the potential surface and sub-surface impact of hydraulic fracturing, including concern about the impacts of hydraulic fracturing on drinking water and seismic activity tied to re-injection of associated liquids. Additionally, hydraulic fracturing requires large volumes of water (the availability and regulation of which may change over time). Hydraulic fracturing may be subject to additional regulations or restrictions from local, state, or federal governmental authorities, resulting in increased compliance costs or even prohibitions on hydraulic fracturing in certain regions or on certain lands. Any modification to the current regulatory regime may materially adversely impact the value of the Company's assets and future financial performance.

The ability to develop and produce oil and gas, as well as industry profitability generally, can be affected by such changes, which are beyond the control of the Company and the Company's operations, financial performance and future prospects may thereby be materially adversely affected. Australis closely monitors changes in relevant regulations and engages with regulators and governments (directly and through associations and other appropriate representation) to ensure policy and law changes are appropriately influenced and understood.

(k) Reserves and resource estimation

Calculation of recoverable oil and gas reserves and resources contain significant uncertainties which are inherent in the reservoir geology, well data, operating costs and oil prices and require management to make a series of assumptions for the purposes of preparing reserve reports. Although such assumptions may be reasonable at the time they are made and may be subject to review by independent reserves auditors, future drilling results and costs and oil prices may differ significantly from those assumptions. There is a risk that resource estimations will not convert into reserves or any actual production may significantly vary from such estimates. Australis manages the risk associated with reserves estimates through the engagement of qualified, experienced internal engineers and the engagement of independent auditors on at least an annual basis to certify reserves.

(l) Debt facility and interest rate

The Company has incurred indebtedness under the credit agreement with Macquarie Bank Limited. The requirements to make payments of interest and principal on such indebtedness, and to remain in compliance with the covenants under the credit agreement, may adversely affect the Company's cash flows and ability to operate its business.

Our ability to make required payments on our indebtedness and to remain in compliance with the credit agreement covenants will depend largely on our ability to generate cash flow available for such purpose in the future. Lower net revenues will reduce such cash flow. The Company has an oil price hedging policy in place and executes hedges to assist in mitigating lower net revenues in a low oil price environment. If we are unable to generate sufficient cash flow to service our debt and meet our other commitments and are unable to negotiate alternative arrangements with the providers of debt, we may need to refinance all or a portion of our debt, sell material assets or operations or raise additional debt or equity capital.

We cannot assure investors that we could affect any of these actions on a timely basis, on commercially reasonable terms or at all, or that these actions would be sufficient to meet our debt repayment or capital requirements. In addition, the terms of our existing or future debt agreements may restrict us from effecting any of these alternatives. If we are not able to service our debt and other commitments, we may seek or be forced into bankruptcy, or forced to reduce our operations or discontinue our operations in their entirety.

Australis' exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate under the credit agreement. A significant fluctuation in market interest rates could have an impact on Australis' financial position. The potential exposure to interest rate fluctuations could be expected to increase to the extent Australis' debt position increases.

(m) Access to services, equipment, and infrastructure

Australis' future operating and financial performance will be impacted by its ability to procure services and access to equipment and infrastructure (including drilling and completion equipment and personnel, hydrocarbon transportation systems and processing facilities) provided or owned by third parties, in order to commercialise its oil and gas reserves and resources. At the present time there are limited development activities by other oil and gas operators in the region where the Company is active. Although the Company has in the past been able to procure such services and access such equipment and infrastructure, our continued ability to do so economically, or at all, depends in large part on the desire and ability of third parties to provide them in our operating area, and any inability to access necessary services, equipment or infrastructure may have an adverse impact on future performance.

(n) Environmental regulation

The Company is subject to numerous United States federal, state, and local laws and regulations to minimise the environmental impact of its oil and gas operations, including those that govern ongoing operations as well as those that require the rehabilitation of any areas affected by such operations. Compliance with these laws can be costly and penalties for failure to comply can be substantive.

Aside from the cost of compliance, regulatory requirements can add operational restrictions and risk on the Company, including amongst other things, the need for permits for drilling operations and reports concerning operations, restrictions on flaring of gas production, disposal of produced water and abandonment of drilled wells. The need to acquire permits and follow such requirements may limit the rate at which oil and gas could otherwise be produced from the Company's leasehold interests and may restrict the number of wells that may be drilled on a particular lease or in a particular field. Failure to obtain drilling approvals may prevent the Company from achieving its business objectives.

(o) 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 maintain or increase its reserves in the future will depend not only on its ability to develop its leasehold and other mineral interests, but also on its ability to select and acquire or renew its leasehold interests associated with suitable producing properties or prospects for drilling.

(p) Severe Weather Events and Climate Change

Oil and gas production and transportation can be impacted by natural disasters and other severe weather events or trends which can result in hydrocarbon leaks or spills, equipment failure and loss of well control. Potential failure to manage these risks could result in injury or loss of life, damage or destruction of wells, production facilities and other property, damage to the environment, legal liability and damage to Australis' reputation. Additionally such events can lead to protracted periods without power supply, leading to shut in production and loss or delays of revenue. Losses and liabilities arising from such events could significantly reduce revenues or increase costs and have a material adverse effect on the operations and/or financial conditions of the Company. Australis employs risk management framework and specific policies and processes to identify and manage risks in this area. Insurance policies, standard operating procedures, contractor management processes and facility design, amongst other things, are important elements of the system that supports mitigation of these risks.

Australis recognises that climate change is an important global challenge and poses certain physical risks to its operations, including those arising from an increase in severity and/or frequency of such severe weather events. In addition, the Company may be subject to increasing regulation and costs associated with climate change and management of carbon emissions. Please refer the Company's Sustainability Report for more detail.

(q) Cybersecurity

Our operations are and will continue to be reliant on various computer systems, software, databases and interfaces with external networks and other systems. Failures or breaches of these systems (including by way of virus and hacking attacks) have the potential to materially and negatively impact our operations. The Company, in consultation with third party experts has put in place a cybersecurity strategy that will be subject to periodic external review and, in the event of an incident, the Company would be supported by an external incident response and forensics firm. Employees are required to undertake cyber awareness training, including how to identify phishing emails and keep data safe. Notwithstanding the protections and risk management systems the Company has or will put in place, there are inherent limits to the effectiveness of such plans and systems in protecting against sophisticated cyber-attacks.

FINANCIAL & CORPORATE REVIEW

Further, the Company has no control over the cyber security plans and systems of third parties which may interface with our operations, or upon whose services our operations are reliant.

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 Annual 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 Annual Report will 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 Annual 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

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

Abbreviation / Term	Description
TMS	Tuscaloosa Marine Shale
TMS Core	The Australis designated productive core area of the TMS delineated by 9 years production history
Permitted Drilling Units	Acreage within a formed and approved drilling unit but is yet to be HBP as a production well has not been drilled and commenced production
Tier 1 Location	Means an area for drilling that is considered to have a high potential for high returns on investment due to rates of oil and/or gas production, and accessibility and ease of development.
WI	Working Interest; the Company beneficial interest before royalties
Gross	Means 100% (or 8/8ths) interest
C	Contingent Resources – 1C/2C/3C – low / most likely/ high
Net or NRI	Working interest after deduction of Royalty Interests
NPV(10)	Net Present Value (discount rate), before income tax
HBP	Held by Production - within a formed unit a producing well meets all lease obligations within that unit. Primary term remains valid whilst at least one well in the unit is on production
EUR	Estimated Ultimate Recovery per well
WTI	West Texas Intermediate Oil Benchmark Price
LLS	Louisiana Light Sweet Oil Benchmark Price
Opex / Operating Costs	Field operating expenditure including LOE and WO
PDP	Proved Developed Producing, a subset of Proved Reserves
PDNP	Proved Developed Non-Producing, a subset of Proved Reserves
PUD	Proved Undeveloped Producing
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
D, C & T	Drilling, Completion, Tie In and Artificial Lift
Capex	Capital expenditure
Ryder Scott	Ryder Scott Company LP

GLOSSARY

Abbreviation / Term	Description
SOFR	Secured Overnight Financing Rate
Field Netback	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
EBIT	Net income or (loss) for the year before income tax expense and finance costs
Adjusted EBITDA	EBIT before depreciation depletion, expired lease write off and impairment
Performance EBITDA	Adjusted EBITA excluding share based payments and short term incentive expense
EBITDAX	Adjusted EBITDA before exploration costs
ESG	Environmental, Social and Governance
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	Land the Company has leased and currently holds the mineral rights
Type Curve	The estimated ultimate recovery (EUR) and associated production profile for a future development well location
TMS Type Curve	The history matched production performance of 14 wells drilled in the TMS in 2014 and corresponds to an average treated horizontal length of 7,200ft
G&A	General & Administrative Expenditure
IRR	Internal Rate of Return
DUC	Drilled uncompleted well
LOE	Lease operating expenditure comprising fixed and variable costs
OD	Outer Diameter of a tubular
WO or WOE	Expense for "working over" (repairing) an existing well.
CO2	Carbon dioxide
CH4	Methane
N2O	Nitrous oxide
CO2e	Carbon dioxide equivalent
EHS	Environmental, Health and Safety

GLOSSARY

NON-IFRS FINANCIAL MEASURES

References are made within this report to certain financial measures that do not have a standardised meaning prescribed by Australian Accounting Standards and International Financial Reporting Standards (collectively, IFRS). Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non–IFRS financial measures. EBIT, Adjusted EBITDA, EBITDAX, Field Netback and Earnings excluding non-cash items are Non-IFRS financial measures commonly used in the oil and gas industry that Australis believes provide useful information to readers in assessing the financial performance and condition of the Company. Non-IFRS financial measures used by the Company, such as EBIT, Adjusted EBITDA, EBITDAX, Field Netback and Earnings excluding non-cash items, may not be comparable with the calculation of similar measures by other companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

EBIT, ADJUSTED EBITDA & EBITDAX

EBIT represents net (loss) / income for the year before income tax expense or benefit and finance costs. Adjusted EBITDA represents EBIT before depletion, depreciation, expired lease write off and impairment. EBITDAX represents Adjusted EBITDA excluding exploration costs.

The following table reconciles net (loss) / profit after tax to EBIT, Adjusted EBITDA and EBITDAX:

	31 December 2023 US$'000	31 December 2022 US$'000
Net (loss) / profit after tax	(15,315)	1,967
Adjustments:		
Net finance expenses	1,027	1,113
EBIT	**(14,288)**	**3,080**
Depletion and Depreciation	5,972	3,043
Expired lease write off	9,362	-
Adjusted EBITDA	**1,046**	**6,123**
Exploration expenditure	3	78
EBITDAX	**1,049**	**6,200**

GLOSSARY

FIELD NETBACK

Field Netback represents 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.

EARNINGS EXCLUDING NON-CASH ITEMS

A reconciliation of net (loss) / profit to earnings excluding non-cash items is set out below.

	31 December 2023 US$'000	31 December 2022 US$'000
Net (loss) / profit after tax	(15,315)	1,967
Adjustments:		
Depletion	2,920	1,621
Depreciation – production equipment	2,733	1,153
Depreciation	319	269
Share based payments	1,121	892
Unrealised foreign exchange loss	49	206
Disposal or write off of assets	9,409	91
Inventory adjustment	(18)	(20)
Earnings excluding non-cash items	**1,218**	**6,179**

SUSTAINABILITY

At Australis, our corporate vision is to generate shareholder value in a sustainable and responsible manner, whilst meeting expectations of all stakeholders in our business. As an active participant in the upstream oil and gas industry, we recognise our responsibility to present data relating to our activities in a transparent and concise manner, to set targets that ensure our performance is measured against industry or regulatory standards and to demonstrate commitment to improve that performance. To achieve this, we have implemented considered and appropriate procedures and policies to facilitate and assist in sustainable business practices which permeate all levels of the organisation including management and are factored into business decisions and processes.

The results of these efforts are presented in this section of the Annual Report. The Company includes measurable targets against which we will continue to report annually and further integrate into our executive and staff remuneration structures. This Sustainability Report includes climate related disclosures that are prepared in line with the recommendations from the Taskforce on Climate Related Financial Disclosures (**TCFD**).

1. At Australis we view sustainability as integral to all facets of our business, including:
2. our business strategy and corporate culture;
3. the health and safety of those working for us and those affected by our operations;
4. the environmental impact we have on the areas within which we operate; and
5. the social and economic impact of our operations on stakeholders in the local community and beyond.

Our performance across a number of these business elements has been monitored since Australis assumed operatorship of our producing TMS asset in 2017 and are covered in this report. For the past few years, we have included reporting of Scope 1 and Scope 2 emissions in line with TCFD recommendations and our fiscal contribution to the community through royalties and severance tax payments and secondary economic impact arising from the use of vendors, employees and service contractors from within the local communities. We believe this level of reporting provides the reader with a clear insight into the various forms of interaction that occur.

SUSTAINABILITY

PURPOSE AND VALUES

The Company's Purpose and Values are consistent with the corporate business strategy and culture which has been implemented since the Company was formed in 2015.

The Company's Purpose is as follows:

"Having identified and secured entry into an undervalued upstream oil opportunity the Company's purpose is to realise material value on behalf of shareholders through the disciplined use of capital whilst protecting the safety of those who work for us and the environment in which we operate".

The Company's Values help define the way in which Australis pursues our Purpose. They seek to encapsulate the principles, culture, ethics and standards which the Company upholds and are set out below.

1. Generate an entrepreneurial culture that values collaboration, accountability and initiative from all employees and contractors.
2. Respect our stakeholders by communicating with clarity and honesty at all times.
3. Seek out opportunities to make positive impacts on the local communities within which we operate.

The Board of Australis is committed to ensuring that our Purpose and Values continue to be reviewed and, if necessary, evolve based on communication and feedback from employees and stakeholders. The Board and Management are committed to reinforcing our Values through all levels of the organisation.

ENVIRONMENTAL, HEALTH AND SAFETY

To ensure the continual improvement in the sustainability of our operations, Australis adopts specific and measurable initiatives to embed a cultural commitment Company-wide and continuously seeks ways to improve all facets of our operations with respect to EHS performance. A key initiative that Australis has adopted since 2018 has been establishing the Company's EHS performance as the overarching financial multiplier within the Company's annual Short-Term Incentive Plan ("STI Plan"), scaling the achieved bonus amounts up or down based on EHS performance. Under the STI Plan, the EHS multiplier, which ranges from 30% (poor performance) to 140% (excellent performance), is applied to all key performance indicators relating to all aspects of the Company's business, including corporate goals and targets linked to Company strategy as well as individual generic and specific targets. This helps ensure that EHS is incorporated into every facet of our business by staff, as opposed to being a stand-alone discrete component of any bonus structure, by providing a direct correlation between environmental and safety performance and remuneration. The Company believes this structure contributed to the excellent EHS performance achieved in 2023 and preceding years. Australis maintained a CO_2e Emissions target as part of the EHS multiplier assessment for the STI Plan in 2023 aimed at achieving reductions in our emissions compared to prior periods.

ENVIRONMENT

CLIMATE CHANGE

The Australis Board and management acknowledge that CO_2e emissions from global fossil fuel production and consumption is contributing to climate change. Australis also recognises the challenges and risks facing the oil and gas industry and our role as a responsible operator as the global community transitions towards a lower emissions future.

However, the consumption of oil and gas is an important part of daily life all over the world, whether it be used for transportation and power generation or as part of the manufacture of industrial and everyday products such as electronics, textiles, medical supplies and household products. This is highlighted by the growth in global oil and liquids production and consumption volumes above pre COVID levels to historical highs in 2023, which are expected to increase further into the decade (source EIA). The Board believes that oil and gas will continue to be an essential source of energy and feedstock for global development and will play an important role in the transition to a lower carbon future over the coming decades.

SUSTAINABILITY

The impact of climate change is recognised as part of the Risk Management process and included in strategy development and corporate planning.

The Company has identified key climate related risks and opportunities over the short (<2 years), medium (2-6 years) and long term (>6 years).

	Physical Risks	Possible Impact	Time Frame
Operational	Increased frequency and severity of extreme weather events resulting in potential increase in equipment damage, interruptions to operations or HSE incidents	Increased downtime in operations resulting in additional cost and delay to production Additional capital expenditure may be required to refurbish or augment onshore facilities and infrastructure to minimise potential damage and downtime	Short to long term
	Transitional Risks	**Possible Impact**	**Time Frame**
Market	Changing ESG strategies of equity investors and debt providers	Additional ESG requirements on investors and debt providers potentially reduces the Company's ability to access capital for future project development leading to increased financing cost.	Short to long term
Market	Accelerated transition away from the use of fossil fuels	Leading to reduced global demand for oil and gas potentially leading to lower oil prices and Company future revenue	Long term
Technology	Improvements in technology leading to accelerated transition to lower carbon alternative energy and feedstock sources.	Leading to reduced global demand for oil and gas potentially leading to lower oil prices and Company future revenue	Long term
Regulatory	Changing ESG Regulatory and Legislative framework around climate change in the jurisdiction Australis operates.	Delay in timing and increased cost of development or prohibit future development of unconventional resources	Medium to long term
	Physical Opportunities	**Possible Impact**	**Time Frame**
Operational	Opportunities to further reduce emissions through operating efficiencies and field development	Potential to access additional revenue streams to offset some development costs	Short to medium term
	Transitional Opportunities	**Possible Impact**	**Time Frame**
Market & technology	Continue to examine opportunities to reduce or offset emissions that are complimentary to existing operations	Reduce costs to offset emissions or generate revenue from un-utilised resource	Medium Term

SUSTAINABILITY

Australis has included Scope 1 and 2 emissions as an STI Plan target and will consider other suitable targets to manage climate related risks in the future whilst continuing to evaluate opportunities to reduce and offset emissions.

AIR QUALITY & EMISSIONS: MONITORING AND MANAGING THE EMISSIONS PRODUCED THROUGH OUR OPERATIONS

As a minimum, Australis ensures that all operations are conducted in line with local government and federal regulations, including operating production sites under state government-issued air emissions permits when required.

We are proactive with authorities such as the Mississippi Department of Environmental Quality (DEQ) to streamline the permit process and modernise permit requirements and we seek to identify opportunities to improve on regulatory requirements. For instance, Australis has transitioned our flares from steady-on pilot lights to auto-ignition systems to reduce pilot fuel consumption.

In 2022, Australis participated in the US Federal Environmental Protection Agency's (EPA) Greenhouse Gas (GHG) Reporting Program by submitting data on operations. Australis has prepared and included its estimated 2023 data in this report, even though the Company does not need to report to the EPA because GHG emissions have fallen below the minimum reporting threshold.

Australis generated the following Scope 1 greenhouse gas emission volumes from our operations in 2022 and 2023.

Scope 1 Emissions	2022 [1]	2023
mt CO2e	24,465	21,591
Scope 1 Intensity		
mt CO2e /bbl of oil equivalent	0.064	0.069

[1] In our 2022 Annual Report, we provided an estimate of our Scope 1 emissions at 26,000 mt CO2e. In accordance with US EPA directed calculation methodology adjustments, this has reduced to 24,465 mt CO2e which in turn reduces the carbon intensity of our Scope 1 emissions to 0.064 mt CO2e /bbl oil equivalent.

Australis produced the following gross volumes during 2022 and 2023 (note these are production volumes and not sales volumes) from our operated assets in Mississippi.

	Oil Production (bbls)	Gas Production (MMscf)	Total Production (boe)	Water Production (bbls)
2022	336,000	300	384,000	488,000
2023	274,000	246	315,000	474,000

Operated locations where Australis conducted development activities are designed and equipped with modern air emissions control equipment to minimise emissions. As part of our commitment to reducing emissions Australis continued its program of implementing periodic gas leak surveys at these locations using forward-looking infrared (FLIR) cameras to identify any sources of emission to allow remedial action to be taken.

Australis continues to actively evaluate alternatives for reducing greenhouse gas emissions generated from operations.

Nearly all of our locations operate on electricity supplied by local utility companies, which eliminates the need for engines and generators on locations, further minimising our on-site air emissions footprint.

In 2021, Australis began reporting Scope 2 Emissions according to the TCFD framework reporting. All of the Company's Scope 2 Emissions are from electricity usage for field operations (wells operated by Australis) and for the Perth, Houston and field offices. The table below summarises Scope 1 and Scope 2 Emissions for 2022 and 2023. Note the emissions are based on the field wide emissions (i.e. including other owner interests in wells operated by Australis)

SUSTAINABILITY

		2022	2023
Scope 1 Emissions	mt CO2e	24,465	21,591
Scope 2 Emissions	mt CO2e	86	72
Scope 1 & 2 Emissions	mt CO2e	24,561	21,663
Production	bbl of oil equivalent	384,000	315,000
Scope 1 & 2 intensity	mt CO_2e /bbl of oil equivalent	0.064	0.069

WATER MANAGEMENT: RESPONSIBLY SOURCING AND MANAGING THE WATER WE UTILISE

Water is a precious commodity and Australis is conscious of the quantities of water consumed during drilling and completion operations as well as the volume of produced saline water from our oil wells. Australis has worked proactively with Mississippi DEQ in formulating a water sourcing strategy that satisfies the DEQ's strict industrial use requirements while ensuring plentiful supply to support our operations. For development operations Australis has invested in a dedicated water facility that sources water from below the potable water aquifer so as not to interfere with local fresh water supplies. This facility services part of the field and the Company anticipates replicating the model in other areas under a full field development scenario.

OPERATIONS WASTE MANAGEMENT: DISPOSING RESPONSIBLY OF PRODUCED WATER AND WASTE TO MINIMISE OUR ECOLOGICAL IMPACT

Australis produces less than two bbl of saline water for each bbl of oil that is produced. The volumes for 2022 and 2023 are shown in the tables on the previous page. Australis only utilises the services of permitted third-party disposal contractors to manage all of our solid wastes including water. Australis ensures all water produced through our operations is managed responsibly whilst adhering to legal requirements. At present, we use a licensed water disposal contractor, who injects the produced water into deep saline aquifers to minimise its impact on the surrounding environment. Whilst produced water volumes are relatively modest, field development plans contemplate recycling water for fracture operations and technical work to evaluate this option has taken place.

SPILL PREVENTION & REMEDIATION: MINIMISING THE RISK OF ACCIDENTAL FLUID OR WASTE SPILLS AND ENSURING A FOCUS ON REMEDIATION

To prevent spills that impact the environment, Australis operates using best practice initiatives such as full secondary fluid containment bounding around all onsite storage tanks and sophisticated data monitoring systems with alarms and automatic shut-downs. Our advanced tank battery containment systems consist of steel walls with a synthetic liner. These resist weathering, wear and tear and are easily repaired when required. Australis maintains Spill Prevention, Control and Countermeasure (**SPCC**) Plan documents for all operated locations, which is independently reviewed and audited every five years and was completed during 2022 as part of our regulatory compliance.

By ensuring that we operate with the latest and safest technology, we reduce the impact on the areas surrounding our operations and minimise the need for remediation in the future. Where remediation is required, Australis performs remediation work as soon as practicable and in full compliance with all regulatory requirements. To demonstrate Australis' understanding of the importance of adequate remediation, anticipated remediation costs for the end of each well's life are provided for and are incorporated in the Company's Statement of Financial Position and reserve estimates.

SUSTAINABILITY

The following table provides a summary of the spill performance of Australis operations in 2022 and 2023.

	2022	2023
Non-reportable spills [1]	4	4
Reportable spills [2]	2	1
Oil volume spilled inside containment (bbls)	1.6	0
Oil volume spilled outside containment (bbls)	3.7	1.2
Produced water spill volume (bbls)	0	6

[1] Non-Reportable Spill: < 1 bbl
[2] Reportable Spill: meets the applicable government reporting threshold of at least one bbl of oil or five bbls of water on land

2023 EHS PERFORMANCE

In 2023, Australis met or exceeded all EHS related targets under the STI Plan. Throughout the year there was one reportable safety incident involving a contractor, four non-reportable spills and one reportable spill.

The one reportable spill was deemed at the reporting threshold of 1 bbl oil and was caused by a leak at a pressure gauge connection on the wellhead. The well was immediately shut in, the gauge and nipple changed out the production reinstated. The released fluids were all contained on the pad, none escaped into the environment and were immediately cleaned up. The four non reportable spills amounted to a total of 0.2 bbls of oil and 4 bbls of produced water.

There was one other spill at our location, it occurred after custody transfer from Australis to our crude offtaker when a valve was left open on one of the tankers used to haul our crude to the refinery. In total 3 bbls of oil were spilled from the tanker vent line, but the spill was immediately noted and pumping operations suspended allowing the spill to be cleaned up. As the owner and operator of the crude, this spill was reported to regulatory authorities by our crude offtaker.

PEOPLE

HEALTH AND SAFETY: ENSURING A SAFE WORKING ENVIRONMENT FOR ALL EMPLOYEES AND CONTRACTORS

At Australis, the safety and protection of people and the environment in which we operate has been a core principle since the Company was founded in 2014 and is included in the Company's Purpose Statement. Working safely is a condition of our employment contracts and the Company EHS Policy requires that EHS-related considerations are prevalent in all business decisions and processes. Company leadership strives to foster a culture of responsibility and EHS excellence.

Underpinning Australis' EHS framework is the Safety Observation Suggestion (SOS) program, which is a behavioural based observation program designed to document EHS-related observations and encourage active participation by all employees and contractors in building a strong EHS culture. The program aids the identification of potential hazards requiring corrective action, either immediately, if warranted, or helps identify trends which can then be targeted before they lead to an actual incident. The program also rewards positive recognition of behaviour demonstrating strong EHS leadership and increases accountability across all Australis operations. Negative EHS outcomes financially impact all employees, and thus the SOS program is a proactive component of Australis' STI Plan calculations.

Typically, corrective action is taken at the time of the safety observation, but if trends are identified then broader corrective actions can be taken. SOS cards are also addressed at regular team meetings and specific safety meetings. In 2023, the Australis team in both the field and the office logged a total of 541 SOS forms.

Tools such as the SOS program help drive safety performance, the following table summarises the employee and contractor safety performance in 2022 and 2023.

SUSTAINABILITY

	Incident Type	2022	2023
Employees	Near Miss	0	1
	First Aid	1	0
	OSHA Recordable [1]	0	0
	Lost Time	0	0
	Lost Time Days	0	0
	TRIR [2]	0.00	0.00
	Hours Worked	38,657	33,550
Contractors [3]	Near Miss	0	0
	First Aid	0	0
	OSHA Recordable [1]	0	1
	Lost Time	0	0
	Lost Time Days	0	0

[1] OSHA: Occupational Safety and Health Administration (USA government agency)
[2] TRIR: Total Recordable Incident Rate = Total number of OSHA Recordable Incidents * 200,000 / Total hours worked
[3] Australis does not report contractor hours.

The near miss incident occurred when a vehicle reversed into a parked company truck whilst the occupant was inside. A small panel dent resulted and the incident was investigated and designated a near miss.

The OSHA recordable contractor injury occurred when a workover rig crew member slipped off the first step on a derrick ladder and fell approximately three feet onto the base beam. The crew member received a cut above his eye and was taken to the local medical centre for assessment. He received 10 stiches to close the cut but was not deemed to have suffered any concussion or broken bones as a result of the trip. The crew member returned to light yard duties with the contractor the next day. Following the incident activities on the workover rig were suspended until an initial investigation by the contractor and our supervisor staff had occurred. Following that investigation and a further safety briefing with the rig crew, operations recommenced. The incident was fully investigated over the subsequent days with several procedural recommendations being identified and implemented by the rig contractor.

The Company also engages in the following Health and Safety initiatives.

- compulsory Company-specific EHS orientation training for all new field employees and contractors before commencing work, as well as role-specific core safety and environmental training based upon hazard exposure at all levels within the organization;
- use of a third-party verification service, to screen and assess contractors' safety policies, EHS performance and risk management measures as an integral and mandated part of the procurement process;
- Stop Work Authority as a core safety function for all employees and contractors, which authorises any employee or contractor to stop work and correct an unsafe condition without fear of retribution.
- advanced driver safety training for employees that operate any Company vehicles;
- a Company-wide Emergency Response Plan for operations in the USA, as well as a field operations-specific Well Control Emergency Response Plan. The former was initiated in 2017, and the latter in 2018, during active drilling operations. All plans were rolled out with ongoing training exercises that include mock scenarios and collaboration with local government authorities; and
- GPS monitoring devices in our operation's fleet vehicles for location identification and to monitor driving behaviour such as speed, acceleration and braking patterns and assign driver-specific scores based upon performance. Scores are evaluated and reported monthly via internal management reports. In total operations staff drove a total of 192,000 miles in 2023 (183,178 miles in 2022) without any driving incidents, and compiled an average score (measuring the above mentioned driving behaviours) from the third-party monitoring system 98.5% (96.1% in 2022), which corresponds to a low risk assessment performance

SUSTAINABILITY

OPERATING WITH INTEGRITY: UNDERSTANDING THE IMPORTANCE OF TRUST IN THE WAY WE CONDUCT OUR BUSINESS AND INTERACT WITH STAFF, CONTRACTORS AND OTHER STAKEHOLDERS

The Company's Code of Conduct outlines the principles and standards of behavior expected of its directors, employees and contractors when working with each other and when interacting with 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 Australis operates. Any breaches of the Code of Conduct may be brought to the attention of management in accordance with the Whistleblower Policy, without fear of recrimination or reprisal.

The Code of Conduct and Whistleblower Policy are accessible to all employees at any time via the Company's internal intranet site and are also available for other stakeholders via the Company's website.

DEVELOPMENT & RETENTION: PROVIDING APPROPRIATE OPPORTUNITIES AND INCENTIVES FOR EMPLOYEES TO DEVELOP AND GROW THEIR CAREER WITHIN THE COMPANY

Each year, the Australis leadership team in conjunction with the Board set the general Company goals. These goals are then cascaded down through the organisation so that departmental and personal goals are set for each employee, ensuring that all targets are aligned with Australis' strategy. Employees are financially rewarded in their STI Plan for achieving and exceeding these goals.

Under Australis' Employee Equity Incentive Plan ("LTI Plan"), eligible employees are awarded performance rights annually which vest over a three-year period and can be exercised into shares once vested. In addition to aligning employee compensation with the shareholder return of the Company, the LTI Plan has the objective of rewarding employees for continuing their employment with the Company. A portion of the rights are also linked to the Company share price performance during the vesting period, the percentage that is performance tested increases with seniority.

DIVERSITY: BUILDING A DIVERSE AND TALENTED TEAM BASED ON PERFORMANCE AND MERIT

Australis understands the variety of employee backgrounds in an organisation can increase overall performance, sustainability, teamwork and creativity. To help generate this value in our business, Australis has a Diversity Policy, which is designed to augment business success by recognising and utilising the contribution of diverse skills and talent whilst fostering an environment of inclusion. The Diversity Policy is available via the Company's website.

We value gender and cultural diversity, and so Australis utilises a number of recruitment agencies to assist in obtaining a wider network of possible candidates for open positions. To encourage diversity in our team, Australis facilitates alternative working hours to accommodate for employees with family and other personal responsibilities. We are an international Company, with offices in multiple jurisdictions, which adds to our cultural and ethnic diversity.

STAKEHOLDER RELATIONS

In addition to Australis' EHS performance indicators mentioned above, the Company continues to actively engage with external stakeholders relating to EHS and other matters. We value our stakeholder relationships with high regard and seek to uphold positive and frequent community engagement throughout our operations.

COMMUNITY ENGAGEMENT: MAINTAINING TRANSPARENCY IN OUR COMMUNICATIONS AND ENGAGEMENT WITH LOCAL COMMUNITIES AND STAKEHOLDERS

Mississippi:

- Australis' management team proactively meets with government regulators and legislative representatives in Mississippi to update them on the Company's progress and obtain information on specific regulatory programs pertinent to our operations.
- We maintain a 24-hour emergency hotline with posted signage for the public and landowners at all of our operated locations.
- We frequently collaborate with local governments to address public road maintenance issues at or around our field locations.
- Australis carries out Emergency Response drills in collaboration with local authorities and when required, actively supports local emergency response efforts in the community.

- Australis maintains an owner relations webpage that allows royalty and mineral owners to communicate with Australis via the portal, email or an owner relations hotline regarding their ownership interests or their account information.

OIL HAULAGE AND ROAD USE

For most of the year, Australis' produced oil was trucked to a local refinery near Baton Rouge in Louisiana however in December 2023, Australis changed offtaker and produced oil is trucked to a local pipeline gathering point in Liberty, Mississippi. Whilst the transfer of custody occurs at the oil manifold and therefore the trucking of the crude is the responsibility of the crude purchaser, the Company is very conscious of the incremental road usage these trucks generate on the local community. At a practical level we work with the local authorities on road repairs or cleaning if mud and dirt is carried onto public roads. The recent change of offtaker that delivers produced crude to the local gathering point will reduce trucking distances. We also track load counts so that we can monitor usage and look to minimise costs. Each truck can hold approximately 180-190 bbls of oil, but a number of our lower producing wells often do not have these sorts of volumes available for a single load. As a result, partial truck loads could be scheduled, but in an effort to reduce both costs and road usage, Australis and our offtaker work closely to identify 'Split Loads', where a full truck can be achieved by offtaking from multiple sites. Due to challenges in accessing trucking that continued to be experienced across many industries, it was difficult and expensive to manage split loads during the year. The field team were able to manage oil inventories utilising on site storage before loads were picked up and trucked during the year. The table below provides a breakdown of the total oil hauled during 2023 and 2022 showing the individual pickups from well locations ('Load Tickets'), the average oil volume per Load Ticket and the number of Split Loads.

Year	Total Oil Hauled Gross (bbl)	Number of Load Tickets	Avg bbl oil per Load Ticket	Number of Split Loads	% Split Loads
2022	336,000	1,860	180	25	1%
2023	271,000	1,544	176	31	2%

Longer term oil evacuation options include pipeline tie-ins and once the field moves to full scale development, these options will be considered further.

SUSTAINABILITY

FISCAL IMPACT ON THE LOCAL COMMUNITY

Australis trucked 271,000 bbl of oil (gross) during 2023, from the operated production it managed from 31 wells across 19 sites managed from our local field office in Liberty, Mississippi. This level of activity generated significant fiscal benefits to the local community, which included:

- $2.5 million paid in royalties to local mineral rights owners
- $4.5 million spent with local Mississippi vendors and contractors
- $1.9 million spent with local Louisiana vendors and contractors
- $1.4 million paid in production taxes to local Mississippi authorities.

These are significant sums and total in excess of $10.3 million contributed to the local communities during a period of uncertainty and difficult market conditions. These figures do not include the salaries and benefits paid directly to 8 full time field staff members who live locally to the operations.

As an active business in the local community, we are proud of the role we play and look to preferentially source services from local suppliers were available at a comparative cost.

RISK MANAGEMENT

Australis manages risk as an integral part of our business. The Company maintains a robust system of risk management and internal controls which facilitates the identification and then quantification of the severity a given risk and its potential impact on the Company's business and stakeholders. The risk management system stipulates the frequency of review and required internal reporting required for each level of designated risk.

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. The Board has adopted a Risk Management Policy and associated procedures, which are reviewed by the Board on at least an annual basis. Corporate and Operation Risks, including Climate related risks, are regularly reviewed by Company staff, when identified each is allocated a severity rating which dictates the frequency with which it is reviewed.

Australis' Risk Management Policy is available via the Company's website.

Financial Risk Management

The Board has delegated responsibility for financial risk management to the Audit and Risk Management Committee (ARMC). The ARMC reports to the Board on at least an annual basis as to the effectiveness of the financial risk management and internal control systems, which are also subjected to audit as part of our annual review.

Australis' ARMC Charter is available via the Company's website.

Operational Risk Management

Australis' risk management initiatives extend beyond our employees, to include our contractors. An example of this is Australis' use of a third-party registration and monitoring system to which contractors must subscribe in order to qualify to do business with Australis. The system requires them to track and report their EHS performance, to meet minimum insurance, safety and environmental requirements in line with industry standards and thus achieve a minimum score on the third party's scoring system to be considered by Australis during the procurement process. Australis retains the right to audit vendors as part of our risk management framework.

Compliance

Australis is committed to conducting its business in compliance with the laws, regulations and rules of the jurisdictions and capital markets in which it operates or functions. In order to achieve this goal, Australis has adopted a sound system of corporate governance which is regularly monitored, developed as appropriate and communicated to employees and, where applicable, to its contractors.

DIRECTORS' REPORT

The Directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 31 December 2023.

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 2023 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

Each director held their office from 1 January 2023 until the date of this report.

DIRECTORS INTERESTS IN SHARES, OPTIONS, PERFORMANCE RIGHTS AND FEE RIGHTS

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

	Shares	Performance Rights	Fee Rights
J Stewart	86,300,942	-	4,535,441
I Lusted	30,774,045	14,021,312	-
G Dowland	26,809,527	12,269,815	-
A Watson	7,113,690	-	1,814,176
S Scudamore	3,213,977	-	1,814,176

Details of the qualifications, experience, special responsibilities and meeting attendance of each of the directors are set out below.

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity continued to be oil and gas exploration, development and production in the United States of America.

REVIEW OF OPERATIONS

A review of Group operations is included in the Review of Operations within this Annual Report.

DIRECTORS' REPORT

Mr Jonathan Stewart – Chairman

Qualifications - B.Com

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 has been involved in raising significant capital from international equity markets to enable the successful development of numerous projects.

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 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. Mr Lusted then spent 3 years as Technical Director for Cape Energy, a private oil and gas company with development assets in the Philippines and Australia, before joining Aurora and in 2008 was appointed Technical Director. Mr Lusted was responsible for all technical matters at Aurora and took on additional management roles including investor relations.

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

DIRECTORS' REPORT

Mr Graham Dowland – Finance Director and Chief Financial Officer

Qualifications - B.Com,

Mr Dowland was appointed Director and CFO of Australis on 12 November 2015. Prior to this appointment Mr Dowland was a founding director of Aurora Oil & Gas Limited (Aurora) appointed in 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 in June 2014. He has over 30 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 operations in the UK, Russia, Azerbaijan, Indonesia, Australia and New Zealand.

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 and 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. Sydney-based Mr Watson is a former investment banker with 35 years of experience within various global equity markets. Over this period he established, directed and was 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 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.

Currently Mr Watson is 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

Mr Stephen Scudamore AM – Non-Executive Director

Qualifications – BA (Hons) 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.

He is currently a non-executive Director of Pilbara Minerals Limited and Regis Resources Limited and was previously Non-Executive Director of Aquila Resources and Altona Mining Limited.

Mr Scudamore is a Chartered Accountant with a Bachelor and 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) and Honorary Doctor of Curtin University (Hon D Univ). In January 2023 Mr Scudamore was awarded a Member of the Order of Australia for significant service to business and commerce.

Other current directorships of Australian listed public entities
Pilbara Minerals Limited
Regis Resources Limited

Former directorships with Australian listed public companies within the last three years
None

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, AGC

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 in 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).

DIRECTORS' REPORT

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 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 committees			
	Meetings of directors		Audit		Remuneration	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Jonathan Stewart	5	5	5	5	4	4
Ian Lusted	5	5	5	5	4	4
Graham Dowland	5	5	5	5	4	4
Alan Watson	5	5	5	5	4	4
Steve Scudamore	5	5	5	5	4	4

In addition to the above formal meetings there were a number of informal meetings held throughout the year to discuss a variety of operational and strategic matters. The Board and Committees also resolved several actions by circular resolution. A total of 11 Board resolutions and 3 Audit Committee resolutions were resolved by circulatory resolution during 2023.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No fully paid ordinary shares were issued as a result of exercise of options during the year ended 31 December 2023 (2022: Nil). There were no options on issue during the year ending 31 December 2023 nor any on issue at the balance date.

EXPIRY OF UNEXERCISED OPTIONS

No options expired during the year ended 31 December 2023 (2022: 32,700,000).

SHARES ISSUED ON THE EXERCISE OF FEE RIGHTS AND PERFORMANCE RIGHTS

During the year ended 31 December 2023 3,669,266 (2022: 11,732,624) fully paid ordinary shares were issued as a result of exercise of fee rights issued to the non executive directors in 2021 in lieu of non executive director cash fees.

The following vested performance rights were exercised and settled during the year ended 31 December 2023 through the Australis Oil & Gas Employee Share Trust (Trust) with treasury shares previously acquired on market or via a subscription for new shares. No amounts are unpaid on these shares.

	Year Ended 31 December 2023		Year Ended 31 December 2022	
Grant Date	Number exercised	Exercise Price	Number exercised	Exercise Price
Performance Rights – 2018 LTI Award	-	-	686,048	-
Performance Rights – 2019 LTI Award	546,305	-	907,157	-
Performance Rights – 2020 LTI Award	3,883,331	-	2,416,409	-
Fee Rights B (in lieu of 2020 cash remuneration)	-	-	22,956,173	-
Performance Rights – 2021 LTI Award	2,675,512	-	1,654,859	-
Performance Rights – 2022 LTI Awards	1,225,907		-	-
Total Shares	**8,331,055**		**28,620,646**	

In addition, the following performance rights were either expired, forfeited or exercised to meet employee personal tax obligations in North America upon vesting during the year:

Performance Rights – expired, exercised for tax or forfeited	Year Ended 31 December 2023	Year Ended 31 December 2022
Expired	-	-
Exercised to meet Employee tax obligations	2,830,637	1,665,955
Forfeited (failed to meet Performance conditions)	10,209,446	3,264,101
Forfeited (failed to meet Continued employment)	1,641,552	3,841,660
Total	**14,681,635**	**8,771,716**

Details of all options, performance rights and fee rights on issue and their terms and conditions as at 31 December 2023 are set out at Note 7.3 to the financial statements. The Remuneration Report outlines those granted and / or vested to KMP and the key terms and conditions.

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 Annual Report are set out in the Review of Operations and the Financial and Corporate Review and the events after the reporting date as set out in this Annual Report.

DIVIDENDS

In respect of the year ended 31 December 2023, no dividends have been paid or declared and the directors do not recommend the payment of a dividend in respect of the financial period (2022: Nil).

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING DATE

Other than disclosed, no event has occurred since 31 December 2023 that would materially affect the operations of the Group, the results of the Group or the state of the affairs of the Group not otherwise disclosed in the Group's financial statements.

LIKELY DEVELOPMENTS

Refer to the Securing a Partner for Development Activity in the TMS section on page 12 of the Business Strategy, TMS Asset and 2023 Operations.

ENVIRONMENTAL DEVELOPMENTS

The Group is subject to environmental regulations under State and Federal laws in the jurisdictions where it holds mineral rights within the United States and has processes in place to ensure compliance with these regulations. Environmental performance is reported to the Board on a monthly basis. For further detail on the Group's environmental performance, refer to Environment section on page 32 of the Sustainability Report.

ROUNDING OFF OF AMOUNTS

The Company is of a kind referred to in ASIC Corporate Legislative Instrument 2016/191, dated 24 March 2016 and in accordance with that Class Order amounts in the Director's 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 Australis may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with Australis are important.

The external auditor did not provide any non-audit services during the year (2022: nil).

Details of the amounts paid or payable to the external auditors, BDO for audit services provided during the year are set out at Note 7.6 to the financial statements.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is included on page 125.

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
29 February 2024

REMUNERATION REPORT

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 2023.

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. Quoted share prices and volume weighted average price of shares are expressed in Australian Dollars.

Australian based KMP are paid in Australian dollars and Canadian based KMP are paid in Canadian dollars. Remuneration and benefits denominated in Australian or Canadian dollars have been converted to United States dollars at the exchange rate prevailing at the date of the transaction.

The Remuneration Report outlines the key aspects of the Australis remuneration policy and framework and the remuneration awarded as set out below:

1. **Letter from the Chair of the Remuneration and Nomination Committee**
2. **Key Management Personnel (KMP)**
3. **Remuneration policy**
4. **Remuneration components – Executive KMP**
5. **Remuneration and performance**
6. **Remuneration expense – Executive KMP**
7. **Employment agreements – Executive KMP**
8. **Non-executive director arrangements**
9. **Other statutory information**

REMUNERATION REPORT

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

Dear Fellow Shareholders

The key objective for 2023 was to continue to operate the TMS production asset safely and responsibly whilst working to attract capital and partners to develop and unlock the Company's large undeveloped and undervalued TMS oil asset. This required the Company to maintain financial discipline limiting capital expenditure, leasehold acquisitions and Company wide remuneration. Australis continued to maintain a 'drill ready' management team in the US of qualified and experienced oil personnel to assist in achieving the partnering objective.

As with the previous year there was no increase to CEO or CFO's remuneration for 2023 and the CFO continued to voluntarily reduce his base salary by 50% until a partnering transaction has been achieved. Outside the CEO and CFO, KMP, various senior management and staff remuneration packages were increased by small amounts in recognition of their value to the Company, particularly with the proposed next phase of development activities. Retention components for the key personnel in addition to the existing Remuneration structure of fixed and short term incentives continued to be an important remuneration component.

Your Non-Executive Directors received their fees in an equal split of cash and equity as part of cash conservation efforts, as they have done for the past few years and have elected to continue this in 2024. Total fees were unchanged over the previous year but in 2024 the NED fees will be reduced by a further 25%, although this will be reviewed again if a partnering transaction is achieved.

Short Term Incentive Remuneration (STI)

The targets and goals established for 2023 were subjected to a scaling factor, both positive (for higher achievement) and negative (for poor performance) based on achieving the higher priority of safety and environment goals. It is pleasing that the groups outstanding record in safety and environment has been maintained.

For KMP and senior management the key objectives for 2023 focused on partnering and financing for TMS development activity and operational cashflow. The weighting of these incentives varied between management and staff, with Executive KMP weighted significantly towards the partnering goal. Whilst the operational cashflow target was achieved, the partnering objective was not met, resulting in Executive KMP achieving between 16% and 21% of their available incentives.

Executive Directors, whilst achieving 16% of their available incentives, have voluntarily forfeited their 2023 STI in recognition of the Company's poor share price performance.

The partnering objective remains the key objective for 2024.

Long Term Incentive Plan (LTI)

The 2023 LTI plan was consistent with previous years since inception. This component of 'at – risk' remuneration seeks to align the interests of Executive KMP and staff with shareholders. Performance Rights were awarded based on the 2023 commencing base salary for all employees and will vest each year for the next three years, with over 50% vesting in the 3rd year. Vesting hurdles require continued employment, and for senior staff, Management and Executive KMP, increased share price performance measured from the commencement of the year, including both a component for absolute performance and a relative performance compared to a group of ASX listed peers share price performance over the same period. For Executive Directors a total of 13.1 million Performance Rights were granted in the 2023 LTI Award, of which 25% are subject to retention only, 18.75% subject to retention and relative share price performance, and 58.25% subject to retention and absolute share price performance with thresholds for partial vesting commencing at 4c per share and maximum vesting occurring at 6.5c per share over the three year period.

REMUNERATION REPORT

Due to the prevailing share price at year end, none of the Executive KMP's 11.6 million Performance Rights subject to share price testing from the 2021, 2022 and 2023 LTI Awards vested following the close of the 2023 year, 50% of these Performance Rights will be available for retesting over the next 2 years and the balance lapsed. A total of 4.5 million Performance Rights vested to Executive KMP from these three LTI Awards, related to their satisfying the condition of continued employment.

For 2024 the Australis remuneration structure remains similar in characteristics to prior years with safety and environment prioritised, followed by achievement of the corporate cashflow and operational goals. Adopting appropriate changes to remuneration as necessary to retain and incentivise the management team and staff will continue.

We are fortunate to have retained the talented people working in Australis who have demonstrated a commitment to assisting in the achievement of the revaluation of the TMS oil asset. On behalf of all shareholders, the Board wishes to thank and acknowledge all Australis personnel for their continued application and diligence.

Alan Watson
Chairman, Remuneration and Nomination Committee

2. KEY MANAGEMENT PERSONNEL

The KMP disclosed in this report are as follows:

Non – Executive Directors	Position
Jonathan Stewart	Non-Executive Chairman
Alan Watson	Independent Non-Executive Director
Steve Scudamore	Independent Non-Executive Director
Executive KMP	**Position**
Executive Directors	
Ian Lusted	Managing Director and Chief Executive Officer (CEO)
Graham Dowland	Finance Director and Chief Financial Officer (CFO)
Other KMP	
Darren Wasylucha	Chief Corporate Officer (CCO)
David Greene	Vice President Operations

3. REMUNERATION POLICY

The Remuneration and Nomination Committee (RNC or Committee) is comprised of of Independent Non-Executive Directors: Mr Alan Watson (Chair) and Mr Steve Scudamore and Non-Executive Chairman Mr Jonathan Stewart.

The Board, together with the RNC has established a remuneration policy that it considers:

- appropriate for current activity levels and for the evolution of the Company's business;
- aligned with the achievement of the Company's strategic and business objectives;
- aligns the objectives of employees with those of shareholders
- competitive and reasonable, enabling the Company to attract and retain key personnel.

The Committee reviews the remuneration policy and structure on an annual basis to ensure it remains aligned with business goals and is consistent with remuneration principles and makes recommendations to the Board where appropriate.

The RNC may consider advice from external advisors who are engaged by and report to the Committee.

The RNC did not receive any external remuneration recommendations during the reporting period.

Table 1: Remuneration framework

Component	Purpose	Performance metrics	Potential value
Fixed remuneration (FR)	Provide competitive market salary including Base Remuneration (BR), post employment and non-monetary benefits	None	Median market rate for a business of similar size and current activity levels
Short term incentive (STI)	Reward for in-year performance, with an emphasis on safety, payable after lodgement of Financial Statements	Goals aligned with TMS partnering, financing and development activities, Adjusted EBITDA and EHS goals and targets including Greenhouse Gas Emissions	% of Base Remuneration CEO: 112.88% CFO: 97.83% COO: 69.30% VP Operations: 61.60%
Long term incentive (LTI)	Alignment to long term shareholder value and to attract and retain high calibre employees	Vest in three annual tranches on a 1/7, 2/7, 4/7 basis over a three year period Absolute TSR Performance Targets as set out in Section 4.2.3. Relative TSR performance compared to peer group as set out in Section 4.2.3. Retention only (continued employment) component	CEO and CFO: 70% of Base Remuneration. COO: 45% of Base Remuneration. VP Operations: 40% of Base Remuneration.

The RNC is responsible for assessing performance against KPI's and determining the STI and LTI to be paid to Other KMP based on the recommendation of the CEO. The STI and LTI outcome for each Executive Director is approved by the Board after receiving recommendations from the RNC.

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 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.

4. REMUNERATION COMPONENTS – EXECUTIVE KMP

Table 2: Remuneration Components

4.2.1 Fixed remuneration

Base Remuneration	• Base remuneration for Executive KMP is reviewed at least 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 in the county in which the executive operates. Where relevant, remuneration information derived from relevant remuneration surveys conducted by independent third parties are used to supplement this data. • There was no change in base salary for the CEO and CFO during the reporting period. Mr Dowland continued to voluntarily reduce his base salary by 50% until a partnering transaction is achieved. • Base salary for the CCO and VP Operations increased by 3% on 1 January 2023.
Post-employment benefits	• Superannuation Guarantee contributions are made for Australian based Executive KMP at an average of 10.75% of the base salary for the year. Superannuation Guarantee contributions in excess of the maximum cap are paid as base salary. • USA based Executive KMP receive a contribution towards "401k" retirement plans which matches their own contributions to such plans. In 2023, contributions were matched for USA Executive KMP up to a maximum of 4% of base salary. • Canadian based Executive KMP receive a contribution towards a Registered Retirement Savings Plan ('RRSP') as part of an annual medical/post retirement benefit allowance. The maximum allowance is C$15,831 and the allocation of the funds to medical insurance and RRSP is at the discretion of the CCO. In 2023 the contribution to RRSP was C$7,595 (2022: C$6,768). • Termination benefits are payable to Executive KMP as part of their contractual agreements as set out in section 7. These termination benefits were approved by shareholders on 27 June 2016 for Executive KMP other than the VP Operations.
Other benefits	• For the reporting period, the following benefits or allowances (including fringe benefits tax where applicable) were made available to Executive KMP: • Car parking – CEO, CFO and VP Operations. • Health, dental and life insurance benefits – CCO and VP Operations (a standard benefit for North American based employees).

Table 2: Remuneration Components (continued)

4.2.2 Short term incentives	
Maximum achievable short-term incentive (STI)	• The maximum amount of STI awarded to Executive KMP is expressed as a percentage of their 2023 earned base remuneration and is based on employment level and may be settled in cash and / or equity. • The STI percentage for individual Executive KMP is pre-approved by the Board or RNC. • The Target and Maximum achievable as a percentage of base salary is as follows:

	Target %	Max. Stretch Target
CEO:	75%	112.88%
CFO:	65%	97.83%
COO:	45%	69.30%
VP Operations:	40%	61.60%

Performance Metrics

• For 2023 Company performance was assessed based on weighted components that included:

Corporate KPI's		As a % of Target STI Target(2)	Range (subject to minimum threshold achievement) Base(2)	Stretch(2)	EHS Multiplier(1)
1. Goals aligned to TMS partnering, financing and development activities	Executive Directors	70%	n/a	70%	
	Other KMP	60%	n/a	60%	
2. Performance EBITDA(3)	Executive Directors	30%	9%	37.5%	
	Other KMP	40%	12%	50%	
Total not greater than	**Executive Directors**	**100%**	**79%**	**107.5%**	**0.3 to 1.4 x**
	Other KMP	**100%**	**72%**	**110%**	**0.3 to 1.4 x**

(1) The Board and management of Australis are committed to supporting a culture of prioritising safety. The EHS 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 0.3 to 1.4 times, dependent on the level of achievement of EHS targets, will be applied to the achieved STI %.

(2) The Board assesses achievement based on a pre-determined range as follows:
- Base – minimum performance necessary to qualify for an award, other than Goals which require a subjective assessment by the board as to achievement.
- Target – where performance requirements are met.
- Stretch – where performance requirements are exceeded.

(3) Performance EBITDA means Adjusted EBITDA (as defined in Glossary on page 29) excluding share based payments and short term incentive expense

Board Discretion	• The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes. • The Board retains the right to grant STI's in recognition of, however is not restricted to, additional workload and ad hoc assignments.
Payment of STI	• The payment of STI's will occur after lodgement of the 2023 Financial Statements.

Table 2: Remuneration Components (continued)

4.2.3 Long term incentives

Long term incentive (LTI) awards	• LTI's are awarded under the Australis Oil & Gas Limited Employee Equity Incentive Plan (EI Plan) which has been approved by Shareholders in general meeting and can include options, performance rights and shares. For the reporting period the following awards, which are unchanged from previous year, were approved by the Board.

Executive KMP	Award as % of Base Remuneration	Service Condition Only	Absolute TSR Performance and Service Condition	Relative TSR Performance and Service Condition
CEO	70%	25%	56.25%	18.75%
CFO	70%	25%	56.25%	18.75%
COO	45%	40%	45%	15%
VP Operations	40%	50%	37.5%	12.5%

Table 2: Remuneration Components (continued)

4.2.3 Long term incentives (continued)

Performance Conditions

- LTI awards vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period.
- A proportion of the awards, as set out above for the 2023 Performance Year, are subject to Absolute TSR Performance Targets being the Company's weighted average price (VWAP) for December 2022 to the VWAP of the Company for the month of December prior to the particular vesting date as follows:

ATS TSR increase compared to December 2022 VWAP of A$0.0326	120% to < 135%	135% to < 150%	150% to < 165%	165% to < 180%	165% to < 180%	180% to < 200%	200%+
Vesting date for:	% of Absolute TSR tested tranche that vests						
Tranche 1*	40%	60%	80%	100%	100%	100%	100%
Tranche 2**	20%	40%	60%	80%	80%	100%	100%
Tranche 3***	10%	20%	40%	60%	60%	80%	100%

* *being 31 Jan 2024 (December 2023 VWAP)*
** *being 31 Jan 2025 (December 2024 VWAP)*
*** *being 31 Jan 2026 (December 2025 VWAP)*

- A further proportion of the awards were subject to the relative TSR Performance of the Company with the TSR performance of a selected peer group of ASX listed companies for the same period. TSR being the comparison of the Company's/ Peer Group VWAP for the month of December prior to the Vesting Date and the Company's / Peer Group December 2022 VWAP respectively) vesting will occur based on the Company's positioning within the peer group as detailed below:

ATS Ranking within Peer Group	1st	2nd	3rd	4th	5th	6th	7th-12th
LTI Vesting for the Relative TSR portion of the 2023 LTI	100%	83%	67%	50%	33%	17%	0%

Peer Group		
	Brookside Energy Ltd	Cooper Energy Ltd
	Buru Energy Ltd	Far Ltd
	Calima Energy Ltd	Horizon Oil Ltd
	Carnarvon Petroleum Ltd	Karoon Energy Ltd
	Central Petroleum Ltd	Otto Energy
	Comet Ridge Ltd	88 Energy Ltd

- For the 2023 LTI award and all previous awards, the LTI Plan incorporates a retest facility whereby any performance rights that do not vest under the LTI awards on the Tranche 1 (1/7) and / or Tranche 2 (2/7) Vesting Dates pursuant to the Absolute and / or Relative TSR Performance Targets will be retested at the Tranche 3 (4/7) Vesting Date in accordance with the Tranche 3 Performance Targets..

5. REMUNERATION AND PERFORMANCE

2023 PERFORMANCE

The corporate goal for 2023 for Executive KMP was linked to securing asset level partners or alternative sources of funding for development operations in the TMS and achievement was subject to Board discretion after consideration of a range of factors.

In addition, Executive KMP had a corporate target for 2023 based on Performance EBITDA being Adjusted EBITDA (as defined on page 29 excluding share based payments and short term incentives) with the target based on the 2023 Board approved budget.

A multiplier is applied to the target for achievement of between 75% to 115% of the budgeted Performance EBITDA.

To reinforce the Company's commitment to a culture of safety an STI target focussed on Environment, Health and Safety (EHS) was introduced from 2017 and is applied to all employees including Executive KMP. The EHS STI target measures all lost time incidents by employees or contractors on Company sites, motor vehicle incidents causing injury or above a financial value threshold and reportable and non-reportable spills and an emissions component. The overall result of the EHS assessment generates a multiple with a maximum of an increase of up to 40% of achieved STI for achieving all EHS targets or reduction of up to 70% of achieved STI depending on the extent and number of EHS targets missed.

The RNC determined the KPI outcomes based on the Company's activity during 2023 and assessed achievement of certain components of Company performance based on a pre-determined range as detailed in 4.2.2.

Whilst management continued to develop a number of partnering and financing interests during 2023 the Board determined that the goal to secure asset level partners or alternative sources of funding was not achieved by the year end.

Performance EBITDA for the financial year met the base performance requirement.

For 2023 an EHS multiplier of 110% was achieved.

The Board note that whilst the goal of finding a partner or development financing has not yet been achieved a number of discussions have been undertaken with several remaining active and the effort of the Executive Management team during the reporting period is recognised.

REMUNERATION REPORT

Statutory Performance Indicators

The table below shows measures of the Group's financial performance as required by the *Corporations Act 2001.* There may not be a direct correlation between the statutory performance indicators and the measures used to determine short term incentives awarded to Executive KMP.

Table 3: Statutory Performance Indicators

	Year Ended				
	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Revenue from oil sales (US$'000)	20,712	28,378	22,909	26,148	52,570
Adjusted EBITDA* (US$'000)	1,046	6,122	2,735	7,027	13,772
(Loss)/profit after impairment and taxation (US$'000)	(15,315)	1,967	(2,408)	(125,208)	7,009
Profit / (Loss) per share					
- Basic (US cents)	(1.21)	0.16	(0.21)	(0.12)	0.72
- Diluted (US cents)	(1.21)	0.14	(0.21)	(0.12)	0.63
Share price at end of year/period	A$0.016	A$0.036	A$0.048	A$0.06	A$0.08

* Adjusted EBITDA is defined in the glossary on page 29.

6. REMUNERATION EXPENSE EXECUTIVE KMP

Table 4: Executive KMP Remuneration (all US$)

	Short term benefits			Post-employment benefit	Total Cash	Share-based			Total	
Executive Directors	Cash salary & fees	STI Cash [1][2]	Other benefits[3]	Super-annuation	Remuner-ation	Annual/ Long Service leave provision	STI Shares [1][2]	Options/ Rights[4]	Remuner-ation	Perfor-mance related
Ian Lusted										
31 Dec 2023	223,901	(835)	1,595	17,903	242,564	2,595	-	125,125	370,284	23%
31 Dec 2022	221,035	44,874	1,669	19,656	287,234	(5,022)	531	107,317	390,060	30%
Graham Dowland										
31 Dec 2023	93,103	(456)	1,595	16,322	110,564	16,744	-	108,664	235,972	31%
31 Dec 2022	139,012	24,495	1,669	14,385	179,561	15,946	411	86,373	282,291	29%
Other KMP										
Darren Wasylucha										
31 Dec 2023	255,282	9,261	6,358	5,707	276,608	(5,319)	28,890	86,822	387,001	21%
31 Dec 2022	253,870	38,405	6,495	5,323	304,093	3,458	-	65,463	373,014	17%
David Greene										
31 Dec 2023	316,725	10,452	19,485	12,669	359,331	(2,349)	31,356	92,038	480,376	17%
31 Dec 2022	303,750	48,600	18,099	12,150	382,599	(11,340)	-	65,463	436,722	17%
Total 2023	**889,011**	**18,422**	**29,033**	**52,601**	**989,067**	**11,671**	**60,246**	**412,649**	**1,473,633**	
Total 2022	917,667	156,374	27,932	51,514	1,153,487	3,042	942	324,616	1,482,087	

(1) STI represents the amount earned in relation to the financial year and settled in the subsequent financial year after the release of the Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2023 and 2022 respectively.

(2) Messrs Lusted and Dowland forfeited 100% of their 2023 achieved STI ($39,868 and $16,322 respectively). Other KMP received 75% of their 2023 achieved STI in shares based on the 2023 VWAP of A$0.0272 cents per share and 25% in cash. (2022 all settled in cash).

(3) Other benefits include car parking, health and travel benefits and associated fringe benefit tax, where applicable.

(4) AASB 2 – Share Based Payments requires the fair value at grant date of the options and performance rights 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 interests vest. No options, performance rights or fee rights were granted to directors during 2023 other than as set out in Section 9.

7. EMPLOYMENT AGREEMENTS EXECUTIVE KMP

Table 5: Executive KMP Employment Contract Summary

Name	Employing Company	Contract Duration	Termination – Material Diminution	Termination notice period company	Termination notice period executive	Post-employment restraints
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
Darren Wasylucha	Australis Oil & Gas Limited	Unlimited	2 months)	9 months	3 months	6 months
David Greene	Australis TMS Inc	Unlimited	2 months	6 months	3 months	12 months – non solicitation only

8. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

NEDs receive a fee for chairing or participating on the Board and its Committees. Fees are reviewed annually by the Board. Superannuation contributions are made in relation to fees that are settled in cash. NED's do not receive performance based pay.

The maximum annual aggregate directors fee pool limit is $600,000 and was approved by Shareholders at the general meeting on 27 June 2016.

Base Fees	
Chair	A$228,310
Other NEDs	A$77,624
Additional fees	
Audit Committee Chair	A$13,700
Remuneration and Nomination Committee Chair	A$13,700

For 2023 and 2022 50% of the NED's fees were settled in equity awards and 50% in cash. The equity awards were issued in the form of Fee Rights approved by shareholders at the 2023 AGM. The Fee Rights vest on 31 Jan 2024 subject to the NED continuing to hold office and one Fee Right is exercisable at any time up to 31 January 2026 into one ordinary share. The Fee Rights were issued based on the Australis VWAP for the period 1 January 2023 to 15 March 2023.

Table 6: Non-Executive Director total remuneration per Corporations Act (all US$)

	Short term benefits	Post-employment benefit	Total Cash	Share-based	Total
Non-Executive Directors	**Cash salary & fees**	**Superannuation**	**Remuneration**	**Equity settled fees[1]**	**Remuneration**
Jonathan Stewart					
31 Dec 2023	65,618	18,595	84,213	64,336	148,549
31 Dec 2022	67,956	19,547	87,503	66,614	154,117
Alan Watson					
31 Dec 2023	30,417	3,268	33,685	25,734	59,419
31 Dec 2022	31,750	3,252	35,002	26,646	61,648
Steve Scudamore					
31 Dec 2023	30,417	3,268	33,685	25,734	59,419
31 Dec 2022	31,750	3,252	35,002	26,646	61,648
Total					
31 Dec 2023	**126,452**	**25,131**	**151,583**	**115,804**	**267,387**
31 Dec 2022	**131,456**	**26,051**	**157,507**	**119,906**	**277,413**

[1] 50% of the non-executive director base fees for 2023 and 2022 were settled in performance rights (Fee Rights A) – Mr Stewart A$114,155 each year, Mr Watson and Mr Scudamore A$45,662 each for each year. AASB 2 – Share Based Payments requires the fair value at the grant date to be expensed over the vesting period.

9. ADDITIONAL STATUTORY INFORMATION

A) PERFORMANCE BASED REMUNERATION GRANTED AND FORFEITED DURING THE YEAR

The table below shows the STI achieved and forfeited for each KMP and the value of the performance rights granted, forfeited and exercised during 2023. The number of performance rights vested and or forfeited for each grant is set out in Table 8.

Table 7: Performance based remuneration granted, forfeited and exercised during the year

	STI*				LTI		
Executive KMP	Maximum Available[(1)]	Achieved[(2)(3)]		Forfeited	Value Granted[(4)]	Number Exercised	Value Exercised[(5)]
Directors	US$	% of Maximum Available STI Achieved	% of Maximum Available STI Achieved – Voluntarily Forfeited	% of Maximum Available STI Forfeited	A$		A$
I Lusted	242,428	-	16%	84%	175,240	1,282,205	35,902
G Dowland	99,251	-	16%	84%	165,563	281,876	7,892
Other							
D Wasylucha	179,763	21%	-	79%	143,251	399,936	33,565
D Greene	195,103	21%	-	79%	164,398	720,460	39,940

(1) Maximum Available STI calculated on average base salary paid for 2023 by Australis.

(2) Messrs Lusted and Dowland voluntarily forfeited their achieved STI of $39,868 and $16,322 respectively. Messrs Wasylucha and Greene achieved an STI of $38,520 and $41,808 respectively which will be settled 25% in cash and 75% in shares based on the volume weighted average ordinary share price for 2023 being 2.72 cents per share.

(3) Inclusive of superannuation (Australian KMP) and 401k (US KMP) where applicable.

(4) The value at the grant date of the 2023 LTI Award calculated in accordance with AASB 2 Share-based Payments of performance rights granted during the year as part of remuneration.

(5) The value at the exercise date of performance rights that were granted in prior years as part of remuneration and were exercised during the year has been determined as the intrinsic value of the performance rights (ie the Australis share price) at that date.

B) PERFORMANCE & FEE RIGHTS

The key terms and conditions of each LTI award (performance rights) and Fee Rights granted during the reporting period are set out below:

Table 8: Terms and conditions of performance and fee rights granted to KMP

Type of grant	Grant date	Tranche	Vesting Date	Expiry date	Exercise Price	Value per right at grant date[1]	Vesting condition	Vested
Performance Rights 2023 LTI Award	2 May 2023	1[2]	31 Jan 2024	31 Jan 2026	Nil	A$0.034	Service condition[3]	N/A
						A$0.03	Performance hurdle 1[4][6]	
						A$0.04	Performance hurdle 2[5][6]	
		2[2]	31 Jan 2025	31 Jan 2027	Nil	A$0.034	Service condition[3]	N/A
						A$0.0224	Performance hurdle 1[4][6]	
						A$0.0323	Performance hurdle 2[5][6]	
		3[2]	31 Jan 2026	31 Jan 2028	Nil	A$0.034	Service condition[3]	N/A
						A$0.0172	Performance hurdle 1[4][6]	
						A$0.0294	Performance hurdle 2[5][6]	
Fee Rights A	2 May 2023	1	31 Jan 2024	31 Jan 2026	Nil	A$0.034	Service condition[3]	N/A

(1) The value at grant date of performance rights granted are calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.3 of the Financial Report for details of the assumptions used in calculating the value of each performance right as at their effective grant date.
For Executive KMP a percentage (see note 4 and 5 below) of each tranche of Performance Rights granted under the 2023 LTI Awards require both continued employment and achievement of TSR based performance hurdles. The Fee Rights granted under the Fee Right Award have only a continued employment requirement. Refer to section 8 of this Report for details.

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

(3) The following vesting conditions 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 the Vesting Date for each tranche of an LTI Award or a Fee Right Award.

(4) The following vesting conditions will be assessed for the Executive KMP on the Vesting Dates for the 2023 LTI Awards:
- Performance hurdle 1: up to 56.25% for Executive Directors and 45% for CCO and 37.5% for VP Operations of the relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the vesting schedule in Table 2 above dependent on the performance of the Company's Absolute TSR performance measure, being the increase of the Company's volume weighted average price ("VWAP") for December 2022 to the VWAP of the Company for the month of December prior to the particular Vesting Date.

(5) The following vesting condition will be assessed on the Vesting Date for Executive KMP for the 2023 LTI Awards:
- Performance hurdle 2: up to 18.75% for Executive Directors, 15% for the CCO and 12.5% for the VP Operations of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the vesting schedule in Table 2 above 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 Company's December 2022 VWAP respectively) with the TSR performance of a selected peer group of ASX listed companies, as set out in Section 4.2.3, for the same period. Each peer company's TSR is calculated by comparing its VWAP for the month of December prior to the current Vesting Date with its December 2022 VWAP respectively. 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 in table 8 above.

(6) 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 Targets subject to continued employment at the Tranche 3 Vesting Date.

C) RECONCILIATION OF PERFORMANCE RIGHTS, FEE RIGHTS AND SHARES HELD BY KMP

The number of shares, performance rights and fee rights in the Company held during the financial year by KMP, including their personally related parties, are set out below.

Table 9: 2023 KMP shareholding and performance rights and option holding reconciliation

	Type of Equity	Balance at start of year	Granted	Exercised	Net other changes	Balance at end of year
Non-Executive Directors						
Jonathan Stewart	Shares	84,262,460	-	-	2,038,482	86,300,942
	Fee Rights A	3,727,165	2,846,758	(2,038,482)	-	4,535,441
Alan Watson	Shares	6,698,298	-	-	415,392	7,113,690
	Fee Rights A	1,490,865	1,138,703	(815,392)	-	1,814,176
Steve Scudamore	Shares	2,398,585	-	-	815,392	3,213,977
	Fee Rights A	1,490,865	1,138,703	(815,392)	-	1,814,176
Executive Directors						
Graham Dowland	Shares	26,527,651	-	-	281,876	26,809,527
	Performance Rights	9,753,994	6,370,000	(281,876)	(1,851,685)	13,990,433
Ian Lusted	Shares	29,491,840	-	-	1,282,205	30,774,045
	Performance Rights	13,493,238	6,742,331	(1,282,205)	(2,842,499)	16,110,865
Other KMP						
Darren Wasylucha	Shares	2,738,394	-	-	399,936	3,138,330
	Performance Rights	6,889,733	5,191,595	(399,936)	(1,621,542)	10,059,850
David Greene	Shares	3,940,193	-	-	720,460	4,660,653
	Performance Rights	6,501,936	5,736,012	(720,460)	(1,212,078)	10,305,410

The table below sets out how many performance rights and fee rights were granted, vested and forfeited during the year.

Table 10: Summary of options, performance rights and fee rights (as at 31 December 2023)

Name	Year granted	Number granted	Number vested	Vested %	Number retest	Retest[(1)(2)] %	Number forfeited	Maximum value yet to vest[(4)] A$
Non-Executive Directors								
Jonathan Stewart	2022	-	1,688,683	100%	n/a	n/a	-	-
	2023	2,846,758	-	-	n/a	n/a	-	96,790
Alan Watson	2022	-	675,473	100%	n/a	n/a	-	-
	2023	1,138,703	-	-	n/a	n/a	-	38,716
Steve Scudamore	2022	-	675,473	100%	n/a	n/a	-	-
	2023	1,138,703	-	-	n/a	n/a	-	38,716
Executive Directors								
Ian Lusted	2020	-	547,946	25%	-	-	2,842,498	-
	2021	-	199,005	25%	597,015	75%	-	66,465
	2022	-	219,072	25%	657,217	75%	-	255,049
	2023	6,742,331	-	-	-	-	-	175,240
Graham Dowland	2020	-	356,949	25%	-	-	1,851,682	-
	2021	-	163,848	25%	491,543	75%	-	54,723
	2022	-	180,412	25%	541,237	75%	-	210,041
	2023	6,370,000	-	-	-	-	-	165,563
Other KMP								
Darren Wasylucha	2020	-	447,550	40%	-	-	1,160,843	-
	2021	-	210,557	40%	315,835	60%	-	44,216
	2022	-	202,528	40%	303,793	60%	-	153,134
	2023	5,191,595	-	-	-	-	-	143,251
David Greene	2020	-	525,351	50%	-	-	908,430	-
	2021	-	255,260	50%	255,260	50%	-	43,053
	2022	-	243,498	50%	243,498	50%	-	150,987
	2023	5,736,012	-	-	-	-	-	164,398

(1) The performance rights that did not vest for Tranche 1 and Tranche 2 of the 2021 LTI award will be retested along with Tranche 3 of the 2021 LTI Award at 31 January 2024.

(2) The performance rights that did not vest during the year for Tranche 1 of the 2022 LTI award will be retested along with Tranche 3 of the 2022 LTI Award. At 31 January 2025

(3) Performance Rights have no exercise price, therefore no cash to be received on exercise.

(4) The maximum value of the performance rights yet to vest has been determined by independent valuer, RSM Australia Pty Ltd as the fair value at grant date of the rights that are yet to be exercised.

D) LOANS TO AND TRANSACTIONS WITH KMP

No loans were made to KMP during 2023.

No other transactions were entered into with KMP during 2023

E) VOTING OF SHAREHOLDERS AT THE LAST ANNUAL GENERAL MEETING

At the Company's last general meeting held on 2 May 2023, the Remuneration Report for the financial year ended 31 December 2022 was carried by a majority vote of more than 75%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Operating revenue	2.1	**20,712**	28,378
Cost of sales	2.2	**(18,844)**	(19,097)
Gross profit		**1,868**	9,281
Other income	2.1	**144**	841
Other expenses	2.2	**(16,300)**	(7,042)
(Loss) / profit from operating activities		**(14,288)**	3,080
Net finance (expenses)	2.7	**(1,027)**	(1,113)
(Loss) / profit from continuing operations before income tax expense		**(15,315)**	1,967
Income tax expense	2.8	**-**	-
Net (loss) / profit attributable to owners of the Company		**(15,315)**	1,967
Other comprehensive income			
Items that may be reclassified to profit or loss;			
Change in fair value of cash flow hedges	4.3	**1,434**	1,104
Other comprehensive income for the year net of tax		**1,434**	1,104
Total comprehensive (loss) / income for the year attributable to the owners of the Company		**(13,881)**	3,071
(Loss) / profit per share attributable to owners of the Company			
Basic (loss) / profit per share (cents per share)	2.9	**(1.21)**	0.16
Diluted (loss) / profit per share (cents per share)	2.9	**(1.21)**	0.14

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 2023

	Notes	31 December 2023 US$'000	31 December 2022 US$'000
Current assets			
Cash and cash equivalents	4.1	**3,763**	7,848
Trade and other receivables	5.1	**2,133**	3,138
Inventories	5.2	**967**	1,039
Total current assets		**6,863**	12,025
Non-current assets			
Oil and gas properties	3.1	**58,699**	57,016
Exploration and evaluation	3.2	**-**	13,238
Plant and equipment	3.3	**5,006**	7,730
Other receivables	5.1	**209**	374
Total non-current assets		**63,914**	78,358
Total assets		**70,777**	90,383
Current liabilities			
Trade and other payables	5.3	**(6,083)**	(7,637)
Provisions	5.5	**(354)**	(344)
Derivative financial instruments hedge	5.4	**(132)**	(1,273)
Borrowings	5.7	**(4,000)**	(4,000)
Lease liability		**(170)**	(158)
Total current liabilities		**(10,739)**	(13,412)
Non-current liabilities			
Provisions	5.5	**(2,734)**	(2,442)
Borrowings	5.7	**(3,925)**	(7,870)
Derivative financial instruments hedge	5.4	**(116)**	(409)
Lease liability		**(64)**	(211)
Total non-current liabilities		**(6,839)**	(10,932)
Total liabilities		**(17,578)**	(24,344)
Net assets		**53,199**	66,039
Equity			
Contributed equity	4.2	**183,702**	183,779
Treasury shares	4.2	**(248)**	(325)
Share based payment reserve	4.3	**14,148**	13,107
Foreign exchange reserve	4.3	**(467)**	(467)
Cash flow hedge reserve	4.3	**(248)**	(1,682)
Accumulated losses	4.3	**(143,688)**	(128,373)
Total equity		**53,199**	66,039

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 to 31 December 2023

	Contributed Equity US$'000	Treasury Shares US$'000	Other Reserves US$'000	Accumulated Losses US$'000	Total US$'000
Balance as at 1 January 2022	**184,672**	**(1,215)**	**8,720**	**(130,340)**	**61,837**
Profit for the year	-	-	-	1,967	1,967
Other comprehensive income / (loss)					
Change in fair value of cash flow hedges	-	-	1,104	-	1,104
Total comprehensive Income / (loss)	-	-	1,104	1,967	3,071
Transactions with owners, in their capacity as owners					
Contributed equity net of transaction costs	339	-	-	-	339
Purchase of treasury shares	-	(339)	-	-	(339)
Release of treasury shares	(1,229)	1,229	-	-	-
Share-based payments	-	-	1,134	-	1,134
Transaction Costs	(3)	-	-	-	(3)
Balance as at 31 December 2022	**183,779**	**(325)**	**10,958**	**(128,373)**	**66,039**
Balance as at 1 January 2023	**183,779**	**(325)**	**10,958**	**(128,373)**	**66,039**
(Loss) for the year	-	-	-	(15,315)	(15,315)
Other comprehensive income (loss)					
Change in fair value of cash flow hedges	-	-	1,434	-	1,434
Total comprehensive income / (loss)	**-**	**-**	**1,434**	**(15,315)**	**(13,881)**
Transactions with owners, in their capacity as owners					
Contributed equity net of transaction costs	125	-	-	-	125
Purchase of treasury shares	-	(125)	-	-	(125)
Release of treasury shares	(202)	202	-	-	-
Share-based payments	-	-	1,041	-	1,041
Balance as at 31 December 2023	**183,702**	**(248)**	**13,433**	**(143,688)**	**53,199**

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 to 31 December 2023

	Notes	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Cash flows from operating activities			
Receipts from customers		**21,698**	28,059
Payments to suppliers and employees		**(19,049)**	(21,548)
Other revenue		**144**	144
Net cash inflow from operating activities	2.11	**2,793**	6,655
Cash flows from investing activities			
Payment for property, plant and equipment		**(469)**	(374)
Payment for capitalised oil and gas assets		**(1,468)**	(2,264)
Refund of security deposits and bonds		**104**	-
Interest Received		**222**	22
Net cash (outflow) from investing activities		**(1,611)**	(2,616)
Cash flows from financing activities			
Share issue costs		**(2)**	(4)
Repayment of borrowings		**(4,000)**	(4,000)
Debt facility costs		**(1,219)**	(1,239)
Net cash (outflow) from financing activities		**(5,221)**	(5,243)
Net (decrease) in cash and cash equivalents		**(4,039)**	(1,204)
Cash and cash equivalents at the beginning of the year		**7,848**	9,253
Effect of exchange rates on cash holdings in foreign currencies		**(46)**	(201)
Cash and cash equivalents at the end of the financial year	4.1	**3,763**	7,848

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

Corporate information

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4.1 **Cash and cash equivalents**

4.2 **Contributed equity**

4.3 **Reserves and accumulated losses**

5.1 **Trade and other receivables**

5.2 **Inventories**

5.3 **Trade and other payables**

5.4 **Derivative financial instruments**

5.5 **Provisions for employee benefits**

5.6 **Provisions - Rehabilitation Non-current**

5.7 **Borrowings**

6.1 **Controlled entities**

6.2 **Parent entity information**

7.1 **Joint arrangements**

7.2 **Oil and gas leases and concessions**

7.3 **Share based payments**

7.4 **Related party disclosures**

7.5 **Contingencies**

7.6 **Auditor’s remuneration**

7.7 **Events after the reporting date**

SECTION 1: BASIS OF REPORTING
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

CORPORATE INFORMATION

The consolidated financial report for the year ended 31 December 2023 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 changed 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's shares commenced trading on the ASX 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 and 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**

SECTION 1: BASIS OF REPORTING
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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.

There are a number of amendments to accounting standards that were issued with an effective date of 1 January 2024 however Management do not consider that these amendments materially impact the Australis financial statements.

In addition, there are a number of additional amendments or revisions issued which are not applicable to the Group.

GOING CONCERN

The financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. For the year ended 31 December 2023 the Consolidated Entity recorded a loss of US$15.3 million (2022: Profit US$2.0 million). The loss was largely due to non-cash charges relating to the expired mineral lease write off (US$9.4 million) and a change in the accounting estimate for depletion resulting in a larger charge per bbl produced than in previous periods. The Group recorded a net cash inflow from operating activities of US$2.8 million (2022: US$6.7 million) and the balance date cash reserves are US$3.8 million (2022:US$7.8 million) (excluding bank balances held as guarantees of US$209k see Section 7.2.4).

During the reporting year:

The financial statements have been prepared on the basis that the Group is a going concern for the following reasons:

- Earnings for the year excluding non-cash items and finance expenses were US$1.2 million;
- Net hedge book position at 31 December 2023 protecting a sales price of >US$60/bbl for approximately 45% of the Groups forecast 2024 net sales of oil;
- At the reporting date the Consolidated Entity recorded a working capital deficit of US$3.9 million. This deficit includes amongst other items the recognition of:
    - Credit facility amortisation payments of $4 million due in the next 12 months. In the event Australis elects to access the additional liquidity facility, the amortisation payments on the existing Credit Facility Loan are reduced to a total of US$1 million in the next 12 months and the new facility will be repaid (principal and interest) solely out of new hedging contracts executed at the time of accessing the new facility, and
    - payments of US$3.7 million of 'suspended' royalties (i.e. uncontactable or disputed / unverified ownership balances) which historically have had less than 10% settled on an annual basis and accordingly Management do not expect these amounts to be settled within the next 12 months.

1.3 BASIS OF CONSOLIDATION

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of Australis and its controlled entities as at 31 December 2023 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.

(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 7.1.

SECTION 1: BASIS OF REPORTING
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 Australian 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.

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 consistent with previous years other than as set out below:

DEPLETION

Australis uses the units of production (UOP) approach when depleting producing oil and gas assets. Australis compares the actual volumes produced to the reserves to calculate a depletion rate which is applied to producing oil and gas assets. During the reporting period there was a change in the accounting estimate for the calculation of depletion rate as the reserves used for the calculation changed from Proved reserves to Producing reserves which in the absence of an approved development program more accurately matches well depletion.

1.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The other areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

OIL AND GAS PROPERTIES

Future restoration costs – Note 3.1

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.

Reserve and resource estimates – Note 3.1

Estimation of reported recoverable quantities of Proven and Probable reserves and Contingent Resources (2C) where applicable 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 and resource estimates are used to calculate amortisation of producing assets and assess the recoverable amount of oil and gas properties.

Impairment

Oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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 either a Monte Carlo simulation valuation technique or 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.

The vesting conditions of the Absolute TSR (ATSR) Rights and the Relative TSR (RTSR) Rights have been reflected in assessment of the fair value of the Rights 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 the Rights will vest.

1.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

In determining a valuation for the Absolute and Relative TSR conditions in addition to service conditions, the Monte Carlo simulation valuation technique has been used, each simulation entails the following steps:

1. Simulate the share price of the Company, and the companies in the peer group, as at a performance test date. The share prices are simulated such that they are consistent with the assumed distribution of, and correlation between, share price outcomes.

2. Determine whether any awards vest at the current test date, based on the simulated share price.

3. For any vesting awards calculate the value using the simulated share price. This valuation uses either an analytic or binomial tree methodology.

4. Factors in a re-test facility whereby any Rights that do not vest on the Tranche 1and/or Tranche 2 vesting date pursuant to the RTSR performance targets, will be re-tested at the Tranche 3 vesting date.

5. Calculate the present value of the award as at the valuation date.

Depletion and depreciation – Note 3.1

Impairment – Notes 3.1 & 3.2

Derivative financial instruments – Note 5.4

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.

1.6 CURRENT VERSUS NON-CURRENT CLASSIFICATION (CONTINUED)

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.

1.7 FAIR VALUE MEASUREMENT

The Group measures financial and non-financial assets at fair value at reporting 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 RECENTLY ISSUED STANDARDS NOT IN EFFECT

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods.

SECTION 2: RESULTS FOR THE YEAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 is largely generated from oil sales. Revenue from the sale of produced hydrocarbons is recognised when or as the Group transfers 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 purchaser's 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 Group's working interest in a producing field (the entitlement method).

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Revenue from continuing operations		
Sales revenue		
Oil sales	**21,771**	33,557
Realised (loss) on forward commodity price contracts	**(1,059)**	(5,179)
Total revenue from continuing operations	**20,712**	28,378

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Other income		
Employee Retention Credit[(1)]	**133**	-
Loan forgiveness[(2)]	**-**	696
Consulting fees	**11**	145
Total other income	**144**	841

(1) The Employee Retention Credit is a US Covid-19 economic stimulus initiative. Australis submitted claims for a credit relating to retained staff remuneration for six quarters of 2020 and 2021. During the year the claim for Quarter 1 – 2021 was approved and paid.

(2) Tranche 2 of a loan received from the US Federal Governments Covid-19 economic stimulus initiative, the Paycheck Protection Program (PPP), was forgiven (as the Company satisfied the requirements of the original terms of the PPP for forgiveness) during the year ended 31 December 2022.

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

	Notes	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Cost of sales			
Production costs		**(7,958)**	(8,345)
Royalties		**(4,185)**	(6,462)
Production taxes		**(1,060)**	(1,600)
Depletion	3.1	**(2,920)**	(1,621)
Depreciation – production equipment	3.3	**(2,733)**	(1,153)
(Loss) / gain on sale of equipment/inventory		**(6)**	64
Other – inventory movements		**18**	20
Total cost of sales		**(18,844)**	(19,097)

	Notes	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Other expenses			
Administrative expenses	2.3	**(5,447)**	(5,602)
Exploration costs	2.5	**(9,365)**	(78)
Depreciation	3.3	**(319)**	(269)
Unrealised foreign exchange loss		**(48)**	(201)
Share based payments	7.3	**(1,121)**	(892)
Total other expenses		**(16,300)**	(7,042)

The administrative expenses include the following material expenses; Employee benefits expensed – Note 2.4.

SECTION 2: RESULTS FOR THE YEAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2.2 COST OF SALES & OTHER EXPENSES (CONTINUED)

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 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.

2.3 ADMINISTRATIVE EXPENSES

Administrative expenses of the Group include the following:

	Notes	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Administrative expenses			
Personnel expenses	2.4	**(4,425)**	(4,882)
Consulting and professional expenses		**(675)**	(438)
Other general and administrative expenses		**(347)**	(282)
	2.2	**(5,447)**	(5,602)

2.4 EMPLOYEE BENEFITS EXPENSED

RECOGNITION AND MEASUREMENT

The Group's accounting policy for employee benefits other than post-retirement benefits is set out in Note 5.5. The policy for share based payments is set out in Note 7.3. 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. For 2022 and 2023 contributions for US based employees were matched up to a maximum of 4% of base salary for each employee.

Expensed employee benefits of the Group are as follows:

	Notes	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Employee benefits			
Salaries and fees		**(3,070)**	(3,215)
Short term incentives		**(472)**	(873)
Superannuation and 401k		**(194)**	(198)
Other payroll expenses[1]		**(689)**	(596)
	2.3	**(4,425)**	(4,882)
Share based payments	7.3	**(1,121)**	(892)
		(5,546)	(5,774)

[1] Includes medical benefits and employer on costs in the USA and the movement in annual leave provision for the year of (US$10,000) (2022: (US$130,000)) and long service leave provision of US$22,000 (2022: US$39,000).

2.5 EXPLORATION EXPENDITURE

RECOGNITION AND MEASUREMENT

The exploration expense represents expenditures which cannot be capitalised as exploration and evaluation assets under the Group's capitalisation policy which is set out in Note 3.2.

Exploration expenditure of the Group includes the following:

	Notes	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Exploration expenditure			
Portuguese costs		**-**	(63)
TMS exploration expenditure		**(3)**	(15)
Exploration costs -Expired lease write off[1]		**(9,362)**	-
	2.2	**(9,365)**	(78)

[1] During the reporting period costs associated with leases that have expired and for which further expenditure on renewals is not currently anticipated, were written off.

2.6 SEGMENT REPORTING

RECOGNITION AND MEASUREMENT

Management has determined, based on the reports reviewed by the executive directors (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 and gas assets in the United States.

Exploration

Oil and gas exploration and evaluation in the United States.

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 Group's assets and liabilities.

	Oil & Gas Production		Exploration		Other		Total	
US$000	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
External revenues	**20,712**	28,378	**-**	-	**-**	-	**20,712**	28,378
Direct operating costs	**(13,191)**	(16,323)	**-**	-	**-**	-	**(13,191)**	(16,323)
Corporate	**-**	-	**-**	-	**(5,447)**	(5,602)	**(5,447)**	(5,602)
Unrealised foreign currency gains / (losses)	**-**	-	**-**	-	**(48)**	(201)	**(48)**	(201)
Other income	**-**	-	**-**	-	**144**	841	**144**	841
Share based payments	**-**	-	**-**	-	**(1,121)**	(892)	**(1,121)**	(892)
Exploration costs expensed	**-**	(15)	**(3)**	(63)	**-**	-	**(3)**	(78)
Adjusted EBITDA(1)	**7,521**	12,040	**(3)**	(63)	**(6,472)**	(5,854)	**1,046**	6,123
Depletion	**(2,920)**	(1,621)	**-**	-	**-**	-	**(2,920)**	(1,621)
Depreciation	**(2,733)**	(1,153)	**-**	-	**(319)**	(269)	**(3,052)**	(1,422)
Exploration costs - expired lease write off	**-**	-	**(9,362)**	-	**-**	-	**(9,362)**	-
EBIT(2)	**1,868**	9,266	**(9,365)**	(63)	**(6,791)**	(6,123)	**(14,288)**	3,080
Net finance (costs) / income	**(1,254)**	(1,135)	**-**	-	**227**	22	**(1,027)**	(1,113)
Segment (loss) / profit	**614**	8,131	**(9,365)**	(63)	**(6,564)**	(6,101)	**(15,315)**	1,967

(1) Adjusted EBITDA represents net profit/(loss) for the year before any income tax expense or benefit, finance costs, depreciation depletion and expired lease write off.

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

US$000	Oil & Gas Production 31 Dec 2023	Oil & Gas Production 31 Dec 2022	Exploration 31 Dec 2023	Exploration 31 Dec 2022	Other 31 Dec 2023	Other 31 Dec 2022	Total 31 Dec 2023	Total 31 Dec 2022
Capital expenditure								
Exploration and evaluation assets	**-**	-	**-**	-	**-**	-	**-**	-
Oil and gas assets:								
production and development								
- production	**567**	3,092	**-**	-	**-**	-	**567**	3,092
- rehabilitation provision	**199**	-	**-**	-	**-**	-	**199**	-
Other plant and equipment	**254**	669	**-**	-	**74**	26	**328**	695
	1,020	3,761	**-**	-	**74**	26	**1,094**	3,787

US$000	Oil & Gas Production 31 Dec 2023	Oil & Gas Production 31 Dec 2022	Exploration 31 Dec 2023	Exploration 31 Dec 2022	Other 31 Dec 2023	Other 31 Dec 2022	Total 31 Dec 2023	Total 31 Dec 2022
Segment assets	**66,065**	67,754	**-**	13,238	**4,712**	9,391	**70,777**	90,383
Segment liabilities	**(15,908)**	(22,203)	**-**	-	**(1,670)**	(2,141)	**(17,578)**	(24,344)

GEOGRAPHICAL SEGMENTS

The Group operates primarily in the United States of America but also has a 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 Year ended 31 Dec 2023	Revenue Year ended 31 Dec 2022	Non-current assets Year ended 31 Dec 2023	Non-current assets Year ended 31 Dec 2022
United States of America	**20,712**	28,378	**63,583**	77,794
Australia	**-**	-	**331**	564
	20,712	28,378	**63,914**	78,358

2.7 NET FINANCE EXPENSES

RECOGNITION AND MEASUREMENT

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Refer to section 5.7 Borrowings, for further information on debt finance costs.

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Interest income	**227**	22
Amortised debt finance transaction costs	**(59)**	(16)
Interest expense on debt finance	**(1,195)**	(1,119)
	(1,027)	(1,113)

2.8 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.

2.8 INCOME TAX EXPENSE (CONTINUED)

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 2023 US$'000	Year ended 31 December 2022 US$'000
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
Income tax expense	**-**	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit / (Loss) from continuing operations before income tax expense	**(15,315)**	1,967
Prima facie tax expense at the Australian statutory tax rate of 30% (31 December 2022: 30%)	**(4,594)**	590
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Share-based payment expense	**159**	136
Other non-allowable deductions	**207**	279
Income tax rate difference	**(1,234)**	275
	(5,462)	1,280
Movements in unrecognised temporary differences	**714**	(1,067)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**4,748**	(213)
Income tax expense / (benefit)	**-**	-
(c) Tax affect relating to each component of other comprehensive income		
Cash flow hedges	**-**	-
	-	-

2.8 INCOME TAX EXPENSE (CONTINUED)

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
(d) Deferred tax asset		
Arising from temporary differences attributable to		
Other provisions and accruals	**877**	782
Tax losses in Australia	**2,815**	2,305
Tax losses in USA	**27,139**	24,059
Total deferred tax assets	**30,831**	27,146
(e) Deferred tax liability		
Oil and gas properties	**21,940**	22,423
Unrealised foreign exchange gain	**14**	56
Total deferred tax liabilities	**21,954**	22,479

Potential deferred tax assets have not been brought into account at 31 December 2023 (31 December 2022: 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 2018, 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.

Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

2.9 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 2023 US cents	Year ended 31 December 2022 US cents
Profit / (loss) per share attributable to members of the Company		
Basic (loss) / profit per share	**(1.21)**	0.16
Diluted profit / (loss) per share	**(1.21)**	0.14
Profit / (loss) used in calculation of basic diluted profit / (loss) per share	US$'000	US$'000
Net profit / (loss) after tax	**(15,315)**	1,967
Weighted average number of ordinary shares used as the denominator in calculating:	Shares	Shares
Basic profit / (loss) per share[(1)]	**1,263,190,657**	1,246,724,584
Diluted profit / (loss) per share[(2)]	**1,263,190,657**	1,370,309,849

(1) Options and Performance rights on issue are not considered to be potential ordinary shares and have not been included in the calculation of basic earnings per share.

(2) When a loss has been recognised for the year, the exercise of options and performance rights is considered to be antidilutive as their exercise into ordinary shares would decrease the loss per share and as such they are excluded from the diluted loss per share calculation per *AASB 133 – Earnings Per Share*.

Refer to Note 7.3 for details of options and Performance Rights on issue.

2.10 DIVIDENDS

No dividend has been paid or is proposed in respect of the year ended 31 December 2023 (2022: Nil).

2.11 RECONCILIATION OF PROFIT / (LOSS) AFTER INCOME TAX TO NET INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Net profit / (loss) for the year	**(15,315)**	1,967
(i) Add / (less) non-cash items		
Depreciation, depletion and amortisation	**5,972**	3,050
Share based payment expense	**1,121**	892
Net unrealised foreign exchange loss / (profit)	**45**	201
Amortisation of borrowing costs	**56**	-
Write-off expired leases	**9,362**	-
(ii) Add / (less) items classified as investment / financing activities:		
Net interest received	**(227)**	(22)
(iii) Change in assets and liabilities during the financial year		
Decrease / (Increase) in receivables	**1,218**	(129)
(Increase) in inventories	**(582)**	(720)
Increase in payables	**1,112**	1,507
Increase / (Decrease) in employee provisions	**31**	(91)
Net inflow from operating activities	**2,793**	6,655

2.12 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

			Non-cash Movements	
	31 December 2022 US$'000	Cash Flows US$'000	Fair Value Changes US$'000	31 December 2023 US$'000
Borrowings	11,870	(4,000)	55	(7,925)
Total liabilities from financing activities	**11,870**	**(4,000)**	**55**	**(7,925)**

3.1 OIL AND GAS PROPERTIES

RECOGNITION AND MEASUREMENT

Assets in development

Upon the discovery of extractable hydrocarbons, the oil and gas assets enter 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 depletion 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.

Depletion and depreciation of producing projects

Australis uses the units of production (UOP) approach when depleting producing oil and gas assets. Australis compares the actual volumes produced to the reserves to calculate a depletion rate which is applied to producing oil and gas assets.

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

3.1 OIL AND GAS PROPERTIES (CONTINUED)

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 2023 rehabilitation obligations have a carrying value of US$2,580,000 (31 December 2022: US$2,310,000).

Reserve and resource estimates

Estimation of reported recoverable quantities of Proven and Probable reserves and Contingent Resources (2C) where applicable 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 and resource estimates are used to calculate depletion of producing assets and assess the recoverable amount of oil and gas properties.

Depletion and depreciation

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

Impairment

Oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Refer to Note 3.4.

SECTION 3: INVESTED CAPITAL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3.1 OIL AND GAS PROPERTIES (CONTINUED)

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
At cost	**157,528**	152,926
Accumulated depletion and impairment[1]	**(98,829)**	(95,910)
	58,699	57,016

	Producing Projects US$'000	Development Projects US$'000	Total US$'000
2023			
Balance at 1 January 2023	**40,674**	**16,342**	**57,016**
Additions	**97**	**574**	**671**
Disposals	**(104)**	**-**	**(104)**
Transfer from exploration and evaluation	**-**	**3,837**	**3,837**
Increase in restoration provision	**199**	**-**	**199**
Depletion / Depreciation charge	**(2,920)**	**-**	**(2,920)**
Balance at 31 December 2023	**37,946**	**20,753**	**58,699**

	Producing Projects US$'000	Development Projects US$'000	Total US$'000
2022			
Balance at 1 January 2022	40,379	15,143	55,522
Additions	1,916	1,199	3,115
Disposals	-	-	-
Depletion / Depreciation charge	(1,621)	-	(1,621)
Balance at 31 December 2022	40,674	16,342	57,016

[1] See Note 3.4 Impairment

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 costs are expensed in the year in which they are incurred.

The costs of acquiring, renewing or extending leases, 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 effort's 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.

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. Impairment is assessed in accordance with AASB 136.

3.2 EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Opening balance	**13,238**	13,379
Additions – Lease bonus adjustment	**(39)**	-
Disposals – Expired leases[1]	**(9,362)**	-
Transfer to oil & gas properties – development[2]	**(3,837)**	(23)
Value adjustment (Portugal land)[3]	**-**	(118)
Closing balance	**-**	13,238

(1) During the reporting period costs associated with leases that have expired and for which further expenditure on renewals is not currently anticipated, were written off to the profit and loss.

(2) Costs associated with new leasing and permitting are coded directly to Oil & Gas Properties – Development

(3) Represented the anticipated value of the land held in Portugal to be achieved upon the sale that had previously been written off. This was reversed in the reporting year following the sale of the land.

Exploration commitments

As at 31 December 2023 there were no exploration commitments (2022: nil).

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.

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 2 to 10 years.

	Office Equipment US$'000	Production Equipment US$'000	Motor Vehicles US$'000	Right of Use Asset US$'000	Total US$'000
2023					
Opening net book amount	**145**	**6,962**	**281**	**342**	**7,730**
Additions	**38**	**254**	**-**	**44**	**336**
Disposals	**(8)**	**-**	**-**	**-**	**(8)**
Depreciation charge	**(105)**	**(2,733)**	**(53)**	**(161)**	**(3,052)**
Closing net book amount	**70**	**4,483**	**228**	**225**	**5,006**
2023					
At cost	**609**	**14,308**	**367**	**1,001**	**16,285**
Accumulated depreciation	**(539)**	**(9,825)**	**(139)**	**(776)**	**(11,279)**
Closing net book amount	**70**	**4,483**	**228**	**225**	**5,006**

SECTION 3: INVESTED CAPITAL
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For the year ended 31 December 2023

3.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office Equipment US$'000	Production Equipment US$'000	Motor Vehicles US$'000	Right of Use Asset US$'000	Total US$'000
2022					
Opening net book amount	168	7,586	217	508	8,479
Addition	26	529	140	-	695
Disposals	-	-	(22)	-	(22)
Depreciation charge	(49)	(1,153)	(54)	(166)	(1,422)
Closing net book amount	145	6,962	281	342	7,730
2022					
At cost	579	14,054	367	957	15,957
Accumulated depreciation	(434)	(7,092)	(86)	(615)	(8,227)
Closing net book amount	145	6,962	281	342	7,730

3.4 IMPAIRMENT

In accordance with the accounting standards the Group must assess at the end of every reporting period whether there is any indication that an asset may be impaired. The Group has one identified Cash Generating Unit ("CGU") being the TMS CGU.

At year end, the Company's oil and gas properties were assessed for internal and external indicators in accordance with AASB 136. Following this assessment management concluded no impairment indicators were identified.

SECTION 4: CAPITAL AND DEBT STRUCTURE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Held with Australian banks and financial institutions		
Cash at bank and in hand	**1,629**	6,640
Held with US banks and financial institutions		
Cash at bank and in hand	**2,134**	1,208
	3,763	7,848
Cash and cash equivalents in the Cash Flow Statement comprises the following Statement of Financial Position amounts:		
Cash on hand and balances at bank	**3,763**	7,848
Cash and cash equivalents	**3,763**	7,848

CASH & CASH EQUIVALENTS HELD IN FOREIGN CURRENCY

	31 December 2023 Amount in Currency $'000	31 December 2023 Amount in USD US$'000	31 December 2022 Amount in Currency $'000	31 December 2022 Amount in USD US$'000
Cash & cash equivalents				
AUD Dollars	**644**	**440**	2,016	1,366
Euro	**4**	**5**	4	5
		445		1,371

SECTION 4: CAPITAL AND DEBT STRUCTURE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4.1 CASH AND CASH EQUIVALENTS (CONTINUED)

Foreign exchange risk

The Group held US$0.4 million of cash and cash equivalents at 31 December 2023 (31 December 2022: US$1.4 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.

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 2023, the Group's interest-bearing assets consisted of cash and cash equivalents which earned interest at 3.48% floating rate (31 December 2022: 1.67%). 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 Listing 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.

On the 4th June 2018 Australis entered into a credit agreement with Macquarie Bank Limited. The key terms of the Facility can be found in Note 5.7. Under the Facility, the Group is required to maintain a minimum cash requirement of US$1 million at all times and US$2 million at each month end in its approved controlled Group bank accounts. As at 31 December 2023, US$8 million (31 December 2022 US$12 million) was the balance of funds drawn from the facility, refer to Note 5.7 for further information.

4.2 CONTRIBUTED EQUITY

RECOGNITION AND MEASUREMENT

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. 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 2023 Securities	31 December 2022 Securities	31 December 2023 US$'000	31 December 2022 US$'000
Share capital				
Ordinary shares	**1,276,865,539**	1,261,196,273	**183,702**	183,779
Treasury shares	**(10,718,047)**	(7,049,102)	**(248)**	(325)
Total contributed equity	**1,266,147,492**	1,254,147,171	**183,454**	183,454

(A) 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 2023

4.2 CONTRIBUTED EQUITY (CONTINUED)

B) MOVEMENTS IN CONTRIBUTED EQUITY

	Date	Number of Securities	Issue Price A$	US$'000
Balance at 1 January 2022		1,238,463,649		184,672
Issue to Employee Share Trust	25-May-22	5,000,000	0.057	202
Issue to Non-Executive Directors (exercise of Fee Rights)	23-Aug-22	11,732,624	-	-
Issue to Employee Share Trust	27-Oct-22	6,000,000	0.036	137
Share Issue Costs		-		(3)
Treasury share release[1]		-	Various	(1,229)
Balance at 31 December 2022		**1,261,196,273**		**183,779**
Issue to Employee Share Trust	13-Sep-23	2,000,000	0.0258	33
Issue to Non-Executive Directors (exercise of Fee Rights)	13-Sep-23	3,669,266	-	-
Issue to Employee Share Trust	20-Dec-23	10,000,000	0.0138	92
Treasury share release[1]		-	Various	(202)
Balance at 31 December 2023		**1,276,865,539**		**183,702**

[1] During the reporting period employees of the Group exercised vested performance rights and were issued shares including as part settlement of their achieved 2021 STI resulting in the release of the treasury shares.

4.2 CONTRIBUTED EQUITY (CONTINUED)

(C) TREASURY SHARES

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

	Date	Number of securities	Purchase price per share A$	US$'000
Balance at 1 January 2022		**29,891,288**		**1,215**
Settlement of 2021 Short term incentive (in lieu of cash)[1]	14-Mar-22	(5,221,540)	0.0774	(294)
Performance rights exercised	Various	(28,620,646)	Various	(935)
Australis Oil & Gas Employee Share Trust subscription	25-May-22	5,000,000	0.057	202
Australis Oil & Gas Employee Share Trust subscription	27-Oct-22	6,000,000	0.036	137
Balance at 31 December 2022		**7,049,102**		**325**
Performance rights exercised	Various	(8,331,055)	Various	(202)
Australis Oil & Gas Employee Share Trust subscription	13-Sep-23	2,000,000	0.0258	33
Australis Oil & Gas Employee Share Trust subscription	20-Dec-23	10,000,000	0.0138	92
Balance at 31 December 2023		**10,718,047**		**248**

[1] In 2022, payment of the achieved 2021 STI for all employees was part settled in ordinary shares in lieu of cash. 5,221,540 ordinary shares were issued based on the Company's volume weighted average shares price for the five trading prior to settlement being A$0.0774 per share.

4.3 RESERVES AND ACCUMULATED LOSSES

	Year ended 31 December 2023 US $'000	Year ended 31 December 2022 US $'000
(a) Share-based payment reserve		
Balance at the beginning of the financial year	**13,107**	11,973
Share-based payment expense arising during the year	**1,041**	1,134
Balance at end of the year	**14,148**	13,107
(b) Foreign exchange reserve		
Balance at the beginning of the financial year	**(467)**	(467)
Currency translations differences arising during the year	**-**	-
Balance at end of the year	**(467)**	(467)
(c) Cash flow hedge reserve		
Balance at the beginning of the financial year	**(1,682)**	(2,786)
Change in derivatives financial instruments at fair value through comprehensive income	**1,434**	1,104
Balance at end of the year	**(248)**	(1,682)
(d) Accumulated losses		
Balance at the beginning of the financial year	**(128,373)**	(130,340)
Net (loss) / profit for the year	**(15,315)**	1,967
Balance at end of the year	**(143,688)**	(128,373)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023 US$'000	Year ended 31 December 2022 US$'000
Current assets		
Trade receivables	**1,747**	2,571
Other receivables	**386**	567
	2,133	3,138
Non-current assets		
Other receivables	**209**	374
	209	374

5.1 TRADE AND OTHER RECEIVABLES (CONTINUED)

TRADE AND OTHER RECEIVABLES HELD IN FOREIGN CURRENCY

	31 December 2023 Currency Amount in $'000	31 December 2023 Amount in USD US$'000	31 December 2022 Amount in Currency $'000	31 December 2022 Amount in USD US$'000
Trade and other receivables				
AUD Dollars	**222**	**152**	335	225
Euro	**-**	**-**	-	-
		152		225

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.

Credit Risk

Trade and other receivables are non-interest bearing and are generally due for settlement within 30 -60 days and therefore classified as current. No Group receivables were past due or impaired as at 31 December 2023 (2022: Nil) and there is no indication that amounts recognised as other receivables will not be recoverable in the normal course of business.

At 31 December 2023, other receivables consisted of letters of credit, 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 2023 is considered immaterial.

Foreign exchange risk

The Group held other receivables in Australian dollars of US$152,000 at 31 December 2023 (31 December 2022: US$225,000). 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 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 2023 US$'000	Year ended 31 December 2022 US$'000
Oil inventory	**196**	124
Warehouse stores and inventory	**771**	915
	967	1,039

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 2023 US$'000	Year ended 31 December 2022 US$'000
Trade payables	**5,488**	6,845
Other payables	**595**	792
	6,083	7,637

	31 December 2023 Amount in Currency $'000	31 December 2023 Amount in USD US$'000	31 December 2022 Amount in Currency $'000	31 December 2022 Amount in USD US$'000
Trade and other payables				
Australian Dollars	**171**	**117**	116	79
		117		79

5.3 TRADE AND OTHER PAYABLES (CONTINUED)

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$3,654,000 (2022: US$3,315,000) held by the Group on behalf of royalty owners. This relates to royalty payments due to owners that is held by the Group as operator until certain requirements for release of funds to the owner(s) are met. Once satisfied the payment is immediately due. 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$117,000 of trade and other payables at 31 December 2023 (31 December 2022: US$79,000) in currencies other than US dollars (being Australian dollars). 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.

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 usually when the hedge instrument is settled. 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 transaction settlement.

Under the Macquarie Facility Agreement, Australis is obligated to fulfil minimum hedging obligations for the duration of the loan period.

The outstanding oil price hedge contracts held by the Group at 31 December 2023 are as follows:

Period of Deliver	Subject of Contract	Reference	Option Traded	Barrels	Range Put Price $US/bbl	Range Call Price $US/bbl	Fair Value US$'000
Jan 2024 - Dec 2025	Oil	Nymex WTI	Collar	86,900	45.00 – 70.00	76.00 – 90.00	(56)
Jan 2024 - Dec 2026	Oil	Nymex WTI	Swap	67,500	53.44 – 85.74	n/a	(192)
Total				**154,400**			**(248)**

5.4 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Forward commodity contracts – cash flow hedges:		
Current[1]	**(132)**	(1,273)
Non-Current[2]	**(116)**	(409)
	(248)	(1,682)

[1] To be settled in 2024
[2] To be settled in 2025 and 2026

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 36 months with volumes generally weighted to earlier periods.

Commodity price risk arises from the sale of oil denominated in US dollars. Revenue from oil and gas sales for the year ended 31 December 2023 is US$21,771,000 (2022: US$33,557,000). Impact on profit after tax based on a +/- 10% change in average oil price based on the oil volumes translated would be as follows;

Impact on profit after tax	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
If the WTI + LLS average differential price was 10% (2022: 10%) higher[1]	**2,177**	3,356
If the WTI + LLS average differential price was 10% (2022: 10%) lower[1]	**(2,177)**	(3,356)

[1] WTI is defined as West Texas Intermediate and LLS is defined as Louisiana Light Sweet.

5.5 PROVISIONS

	Notes	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Current			
Employee benefit provision	5.5(a)	**354**	344
		354	344
Non-current			
Employee benefit provision	5.5(a)	**154**	132
Rehabilitation provision	5.6	**2,580**	2,310
		2,734	2,442

5.5 (A) 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.

5.5 (A) PROVISIONS FOR EMPLOYEE BENEFITS (CONTINUED)

(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.

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Employee benefit provision	**508**	476
Reconciliation of movement in employee benefit provision		
Balance at beginning of year	**476**	567
Annual leave provision arising during the year	**355**	356
Long service leave arising during the year	**22**	39
Utilisation	**(345)**	(486)
Balance at end of year	**508**	476
Comprising		
Current	**354**	344
Non-current	**154**	132
	508	476

During the reporting period a long service leave provision was prorated for employees that have been employed for a minimum of seven years. The provision is recognised as non-current as no employee has met the criteria required to access long service leave.

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

5.6 PROVISIONS – REHABILITATION 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 obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

	Notes	31 December 2023 US$'000	31 December 2022 US$'000
Restoration provision	5.5	**2,580**	2,310
		2,580	2,310
Reconciliation of movement in restoration provision			
Balance at beginning of year		**2,310**	2,310
Increase to provision		**345**	-
Divesture of producing wells		**(75)**	-
Balance at end of year		**2,580**	2,310

5.7 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 or loss. Borrowing costs that are not directly attributable are recognised in the profit or loss.

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Interest bearing loans and borrowings		
Borrowings Current(1)	**4,000**	4,000
Borrowings Non Current(2)	**3,925**	7,870
Total interest bearing loans and borrowings	**7,925**	11,870

(1) Current borrowings are made up of $4 million in relation to the Macquarie Facility. Under the Macquarie Facility Agreement, Australis is required to make repayments of a minimum of US$1 million each quarter for the period of the loan. In the event the ratio of value of the Company's producing reserves to the outstanding debt falls below a prescribed threshold, the quarterly payments increase to US$3 million.

(2) Non current borrowings consist of $3.9 million relating to the Macquarie Facility. The Macquarie non-current borrowings are net of capitalised transaction costs.

5.7 BORROWINGS (CONTINUED)

MACQUARIE FACILITY

Australis entered into a senior secured non-revolving facility with Macquarie Bank Limited (Facility) in June 2018. The Facility is secured over the Group's US based assets. The Facility has been amended several time since inception and during 2022 extended its maturity date from November 2023 to May 2025, and changed its interest rate of LIBOR plus 6.0% per annum to a SOFR plus 6%. Included with these amendments was the introduction of a revised oil price hedging covenant requiring a minimum volume of projected oil production hedged for the remaining term of the Facility essentially equivalent to 30% of the projected net (after royalty) PDP volumes. Upon the debt balance reducing to below US$10 million the covenant requirement reduces to 20% of the net projected volumes.

The change of interest reference rate from LIBOR to SOFR was required due to the international planned phasing out of LIBOR as a reference rate. The change to SOFR is estimated to have a minimal economic impact on the effective interest rate payable by Australis.

In December 2023 the Credit Facility was amended, enabling the Company access to additional liquidity (net additional liquidity of approximately US$4 million) through the establishment of a new committed facility and providing flexibility through the leveraging of its Proved Developed Producing asset value. With the reduction in the principal amount under the Credit Facility over the past three years, the Company's collateral position has improved allowing access to additional liquidity if required. In the event Australis does draw under the new facility, it will benefit from an amortisation holiday until 30 September 2024 and reduced quarterly debt amortisation payments (from US$1 million to US$0.5 million) from that date until an extended maturity date (from May 2025 to May 2026). The Company has until early March 2024 to elect to access the additional debt. These amendments better align the debt repayment profile with projected cash flows from existing production. More complete details of the amendments to the Credit Facility can be found in the Company's ASX announcement dated 8 December 2023.

Australis retains the ability, without penalty, to refinance or repay the entire Facility at any earlier time.

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 31 December 2023 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 lease within units of the initial development plan locations.

Under the Facility there are industry standard financial covenants which include minimum liquidity, financial ratios and a PDP reserves value to debt ratio which may increase the minimum quarterly debt repayments from US$1 million to US$3 million until such time as the target ratio is achieved.

	2023		2022	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Borrowings	**7,925**	**8,000**	11,870	12,000
	7,925	**8,000**	11,870	12,000

The borrowings are net of capitalised transaction costs. *The fair value of borrowings are not materially different from the carrying amount as the interest payable on borrowings approximates market rates.*

SECTION 6: GROUP STRUCTURE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6.1 CONTROLLED ENTITIES

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

	Principal activities	Country of Incorporation	% Equity interest 31 December	
			2023	2022
Australis Europe Pty Limited	Oil & gas exploration	Australia	100%	100%
Australis USA 1 Pty Limited	Oil & gas exploration	Australia	100%	100%
Australis Oil & Gas UK Ltd[1]	Oil & gas exploration	United Kingdom	-	100%
Australis TMS Inc	Oil & gas exploration	United States	100%	100%
Australis Services Inc	Oil & gas exploration	United States	100%	100%

[1] During the previous reporting period as a result of the relinquishment of the oil and gas concessions in Portugal in 2020, Australis Oil & Gas UK Ltd (Australis UK) was deregistered as a company in the UK. Australis UK was dissolved on 17 January 2023.

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

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Sales of goods and services		
Management fees and expense recharges to subsidiaries	**1,354**	1,374
Repaid in year	**-**	(1,000)
	1,354	374
Advances to subsidiaries		
Balance at beginning of financial year	**146**	2,588
Repaid by the subsidiary	**-**	(21)
Advanced during year	**1,523**	3,137
Converted to equity	**-**	(5,373)
Debt forgiveness	**-**	(185)
Balance at end of year	**1,669**	146

At 31 December 2023 Australis Oil & Gas Limited was owed US$1.7 million by its subsidiaries (2022: US$0.1 million). The amounts outstanding are repayable on normal credit terms.

6.2 PARENT ENTITY INFORMATION

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

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Summary financial information		
Current assets	**4,838**	5,419
Non-current assets	**48,958**	59,760
Total assets	**53,796**	65,179
Current liabilities	**(444)**	(487)
Non-current liabilities	**(153)**	(133)
Total liabilities	**(597)**	(620)
Net assets	**53,199**	64,559
Contributed equity	**183,702**	183,779
Treasury shares	**(248)**	(325)
Share-based payment reserve	**14,148**	13,107
Foreign currency translation reserve	**10**	10
Accumulated losses	**(144,413)**	(132,012)
Total equity	**53,199**	64,559
(Loss) for the year	**(12,401)**	(2,082)
Total comprehensive (loss) for the year	**(12,401)**	(2,082)

Australis Oil & Gas Limited had no contingent liabilities or contractual obligations as at 31 December 2023 (31 December 2022: Nil).

Australis Oil & Gas Limited has pledged security to wholly owned subsidiary Australis TMS Inc to guarantee the obligations under the Macquarie Facility. Refer to Note 5.7 for further details.

SECTION 7: OTHER NOTES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7.1 JOINT ARRANGEMENTS

Australis holds through an indirect wholly owned subsidiary approximately 96% working interest in 30 operated wells and an average 10% working interest in 21 non-operated wells held in the TMS, onshore USA.

7.2 OIL AND GAS LEASES AND CONCESSIONS

At 31 December 2023 Australis holds approximately 61,400 net acres in the TMS core (31 December 2022: 79,600 net acres).

7.3 SHARE BASED PAYMENTS

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

I) PERFORMANCE RIGHTS

An employee incentive plan (EI 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 as part of the annual long term incentive awards (LTI Awards). These rights vest subject to meeting certain performance hurdles in annual tranches over a three year period and upon vesting, each Performance Right can either be exercised, within two years (for Australian residents) or is automatically exercised (for North American residents), for no additional cost 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 (i.e. not meeting a performance hurdle) from either the first or second annual performance period may be retested at and in accordance with the performance requirements of the third performance period.

The performance period is each calendar year. The Performance Rights granted are tested for vesting on the basis of 1/7th for the year of grant, and 2/7th and 4/7^{ths} each following year respectively. The performance hurdles for vesting of Performance Rights is continued employment and based on seniority an increasing portion is subject to additional hurdles relating to the total shareholder return (TSR) on an "absolute" and "relative" basis as follows:

a. Absolute TSR – at the vesting date of a particular tranche of Performance Rights that are subject to the Absolute TSR hurdle the following occurs. The Australis volume weighted average share price (VWAP) for the month of December prior to the vesting date is compared to the Performance Right issue price, the outcome of which is measured to a pre-set range of outcomes that stipulate the percentage of Performance Rights that vest.

b. RRelative TSR - at the vesting date of a particular tranche of Performance Rights that are subject to the Relative TSR hurdle the following occurs. An absolute TSR is calculated for Australis by comparing the Australis VWAP for the month of December prior to the vesting date to the Performance Right issue price. The absolute TSR's for a peer group of companies (see Remuneration Report section 4.2.3) listed on the ASX is then calculated by reference to each companies VWAP for December prior to grant of the Performance Right and each companies VWAP for the December prior to the vesting date. If at the vesting date the Australis absolute TSR is ranked lower than the 50th percentile within the peer group, 0% of the eligible rights vest. For each percentile increment the Australis TSR ranking within the peer group exceeds the 50th percentile of the peer group, 2% of the Performance Rights in that particular tranche that are subject to Relative TSR hurdles will vest.

7.3 SHARE BASED PAYMENTS (CONTINUED)

The Performance Rights are not listed and carry no dividend or voting rights. Upon exercise, each Performance Right is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

For 2023 and 2022 the non-executive directors agreed to the settlement of 50% of their base fees in performance rights (Fee Rights A). The performance rights were issued for nil consideration and vest on 31 January 2024 (2022: 31 January 2023) subject to continuous service requirements. The performance rights were not issued under the EI Plan. The number of performance rights granted was based on the amount of fees agreed to be settled in equity and a deemed issue price of 4.01 cents (2022: 6.76 cents) which was based on the Company's volume weighted average price for the period 1 January to 15 March 2023. 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.

The movement of Performance and Fee Rights in the year is set out below:

	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number
Balance at beginning of year	**84,118,770**	90,596,045
- Granted[1]	**63,731,277**	42,647,711
- Exercised[2]	**(14,830,958)**	(42,019,225)
- Forfeited[3]	**(10,209,446)**	(3,264,101)
- Lapsed[3]	**(1,641,552)**	(3,841,660)
Balance at end of year	**121,168,091**	84,118,770
Vested at end of the year	**7,470,028**	6,590,023

(1) During the year ended 31 December 2023 Australis issued 58,607,113 performance rights (2022: 39,608,082) to certain employees and executive directors under the EI plan. In addition, 5,124,164 fee rights A (2022: 3,039,629) were issued to non-executive directors in lieu of forgoing cash fees.

(2) During the year ended 31 December 2023 14,830,958 (2022: 42,019,225) vested performance rights were exercised by employees.

(3) During the year ended 31 December 2023 10,209,446 (2022: 3,264,101) unvested performance rights were forfeited and 1,641,552 (2022: 3,841,660) unvested performance rights lapsed due to non-achievement of vesting conditions.

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.

7.3 SHARE BASED PAYMENTS (CONTINUED)

PERFORMANCE RIGHTS FAIR VALUE ASSUMPTIONS

Grant Dates	2 May 2023
- Share price [1]	A$0.034
- Expected volatility[2]	70%
- Risk free rate[3]	3.23%
- Dividend yield	0%

[1] Share price represents the share price at close of trade prior to the date of grant.
[2] 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.
[3] Risk free rate of securities with comparable terms to maturity.

The key terms and conditions of each LTI award (performance rights) and Fee Rights granted during the reporting period are set out below:

Type of grant	Grant date	Tranche	Vesting Date	Expiry date	Exercise Price	Value per right at grant date	Vesting condition
Performance Rights 2023 LTI Award	2 May 2023	1	31 Jan 2024	31 Jan 2026	Nil	A$0.034	Service condition)
						A$0.03	Performance hurdle 1
						A$0.04	Performance hurdle 2
		2	31 Jan 2025	31 Jan 2027	Nil	A$0.034	Service condition
						A$0.0224	Performance hurdle 1
						A$0.0323	Performance hurdle 2
		3	31 Jan 2026	31 Jan 2028	Nil	A$0.034	Service condition
						A$0.0172	Performance hurdle 1
						A$0.0294	Performance hurdle 2
Fee Rights A	2 May 2023	1	31 Jan 2024	31 Jan 2026	Nil	A$0.034	Service condition)

7.3 SHARE BASED PAYMENTS (CONTINUED)

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 2023 US$'000	Year ended 31 December 2022 US$'000
Performance rights expense	**1,121**	892
	1,121	892

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 Performance Rights are valued using the Monte-Carlo Simulation model for the Absolute TSR Performance Rights and the Hoadley's model for the Relative TSR Performance Rights.

The expense is apportioned pro-rata to reporting periods where vesting periods apply.

7.4 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.

There were no transactions with related parties during the year (2022: Nil).

KEY MANAGEMENT PERSONNEL

Further detailed disclosures relating to the seven key management personnel (2022: seven) are set out in the Remuneration Report section.

	Year ended 31 December 2023 US$	Year ended 31 December 2022 US$
Base renumeration, short-term incentives and benefits (including annual leave provision)	**1,190,397**	1,356,378
Post-employment benefits	**77,733**	77,565
Share-based payments	**472,895**	325,554
	1,741,025	1,759,497

SUBSIDIARIES

Interests in subsidiaries are set out in Note 6.1.

TRANSACTIONS WITH WHOLLY-OWNED CONTROLLED ENTITIES

Australis subscribed for shares in its wholly owned controlled entities to fund working capital contributions. In addition to this advances that were previously made to other related entities were converted to equity.

TRANSACTIONS WITH OTHER RELATED PARTIES

No transactions with other related parties have been entered into in respect of the year ended 31 December 2023 (2022: Nil).

7.5 CONTINGENCIES AND COMMITMENTS

The company had no contingent liabilities or commitments as at 31 December 2023 (31 December 2022: Nil).

7.6 AUDITOR'S REMUNERATION

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

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Auditors of the Group – BDO and related network firms		
BDO Audit (WA) Pty Ltd for		
Audit and assurance services:		
Audit and review of financial statements	**80**	85
Total remuneration of BDO Audit (WA) Pty Ltd	**80**	85
BDO LLP (UK) for		
Audit and assurance services:		
Audit and review of financial statements	-	1
Total remuneration of BDO LLP (UK)	-	1
Total auditor's remuneration	**80**	86

7.7 EVENTS AFTER REPORTING DATE

No events have occurred since 31 December 2023 that would materially affect the operations of the Group, the results of the Group or the state of the affairs of the Group not otherwise disclosed in the Group Financial Statements.

DIRECTORS' DECLARATION

In the Director's opinion:

a. The financial statements and accompanying notes set out on pages 68 to 123 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 2023 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 2023.

For and on behalf of the Board

Jonathan Stewart
Chairman

Perth, Western Australia
29 February 2024

AUDITOR'S INDEPENDENCE DECLARATION

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Fax: +61 8 6382 4601
www.bdo.com.au

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Mia Yellagonga Tower 2
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PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AUSTRALIS OIL & GAS LIMITED

As lead auditor of Australis Oil & Gas Limited for the year ended 31 December 2023, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth

29 February 2024

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5 Spring Street
Perth WA 6000
PO Box 700 West Perth WA 6872
Australia

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 2023, 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 2023 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 (including Independence Standards)* (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.

Carrying value of the Tuscaloosa Marine Shale Cash Generating Unit

Key audit matter	*How the matter was addressed in our audit*

The Group's carrying value of its Tuscaloosa Marine Shale ("TMS") Cash Generating Unit ("CGU"), including Oil and Gas Properties, Production Equipment and Exploration Expenditure as disclosed in notes 3.1, 3.2, 3.3 and 3.4 respectively, represent a significant asset to the Group. The Australian Accounting Standards require the Group to assess whether there are any indicators that the TMS CGU may be impaired.
 	
The assessment of impairment triggers includes judgement in assessing a range of external and internal factors to determine whether the assets held within the CGU require impairment testing to be undertaken in accordance with Australian Accounting Standard AASB 136 *Impairment of Assets*. Accordingly, this matter was considered to be a key audit matter.
	Our work included but was not limited to the following procedures:
	
	• Assessing the appropriateness of the Group's assessment of Cash Generating Units and the allocation of assets to the carrying value of the CGU based on our understanding of the Group's business and internal reporting;
	
	• Assessing the Group's rights and interest over acreage held as at reporting date;
	
	• Evaluating and challenging management's assessment of indicators of impairment and recoverable value by:
	
	    • Evaluating the commodity price assumptions at 31 December 2023 to independent consensus forecast and historic oil and gas pricing provided by our internal valuation specialists;
	
	    • Assessing economic indicators for potential impacts on appropriate discount rates with information provided by our internal valuation specialists;
	
	    • Obtaining and reviewing the latest available oil and gas reserve information from management's external expert for changes in reserve estimates and recoverable values;
	
	    • Assessing the qualifications, competence and objectivity of the Group's internal and external experts;
	
	• Assessing the basis for the exploration and evaluation expenditure written off to the profit and loss as disclosed in note 3.2; and
	
	• Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value.

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 2023, 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 49 to 67 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Australis Oil & Gas Limited, for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

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

Phillip Murdoch

Director

Perth, 29 February 2024

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 1st February 2024.

1. TWENTY LARGEST SHAREHOLDERS

Ordinary shares	Number	Percentage
Citicorp Nominees Pty Limited	107,827,829	8.44%
UBS Nominees Pty Ltd	65,761,467	5.15%
BNP Paribas Noms Pty Ltd	63,281,795	4.96%
Zero Nominees Pty Ltd <5063463 A/C>	40,000,000	3.13%
Epicure Superannuation Pty Ltd <Epicure Superannuation A/C>	34,077,459	2.67%
JK Stewart Investments Pty Ltd <The Stewart Investment A/C>	33,392,858	2.62%
Mr Andrew McKenzie & Mrs Catherine McKenzie <A W McKenzie Super Fund A/C>	30,500,000	2.39%
Pasagean Pty Limited	30,000,000	2.35%
Barrell Energy Inc	23,100,849	1.81%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client>	16,546,518	1.30%
Newpark Investments Pty Ltd	13,500,000	1.06%
Everzen Holdings Pty Ltd <Lusted Family A/C>	12,281,814	0.96%
Mr Charles Robert Dirck Wittenoom	10,709,339	0.84%
Gilmour Superannuation Pty Ltd <Gilmour Super Fund A/C>	10,414,694	0.82%
JK Stewart Investments Pty Ltd <The Leake Street Investment Trust>	10,038,482	0.79%
Mr Robert Sinclair Bee & Mrs Joy Margery Bee	10,000,000	0.78%
Chester Nominees WA Pty Ltd <M W Wilson Super Fund A/C>	10,000,000	0.78%
Mr Jay Hughes & Mrs Linda Hughes <Inkese Super A/c>	10,000,000	0.78%
Avalon Valley Pty Ltd <The GR & TJ Dowland S/F A/C>	9,700,000	0.76%
Ice Cold Investments Pty Ltd <G & J Brown Super Fund A/C>	9,500,000	0.74%
Total top 20	**550,633,104**	**43.12%**
Other	726,232,435	56.88%
Total ordinary shares on issue as at 1st February 2024	**1,276,865,539**	**100.00%**

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:

		As at date of lodgment	
Shareholder	Date lodged	Number of shares	Percentage
TIGA Trading Pty Ltd	31 March 2020	63,275,397	6.42%
Jon Stewart, Carolyn Stewart, Epicure Superannuation Pty Ltd and JK Stewart Holdings Pty Ltd	14 March 2019	62,977,859	6.43%

ASX ADDITIONAL INFORMATION

3. DISTRIBUTION OF EQUITY SECURITIES

	Ordinary shares	Shares %	Ordinary Shares No of Holders	Performance Rights	Fee Rights	Unlisted securities %	Unlisted securities No of Holders
1 – 1,000	9,788	0.00%	75			0.00%	-
1001 – 5000	339,859	0.03%	120			0.00%	-
5,001 – 10,000	2,197,598	0.17%	256			0.00%	-
10,001 – 100,000	49,543,282	3.88%	1,213			0.00%	-
100,001 and Over	1,224,775,012	95.92%	808	88,005,473	8,163,793	100%	24
	1,276,865,539	**100.00%**	**2,472**	**88,005,473**	**8,163,793**	**100.00%**	**24**
Unmarketable parcels	16,575,458		1,126			-	-

4. VOTING RIGHTS

See section 4.2 and 7.3.

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
Mississippi	Tuscaloosa Marine Shale	61,200
US TOTAL		**61,200**

CORPORATE DIRECTORY

DIRECTORS

Mr Jonathan Stewart
Non-executive Chairman

Mr Alan Watson
Independent non-executive Director

Mr Steve Scudamore
Independent non-executive Director

Mr Ian Lusted
Chief Executive Officer and Managing Director

Mr Graham Dowland
Chief Financial Officer and Finance Director

COMPANY SECRETARY

Ms Julie Foster

REGISTERED AND PRINCIPAL OFFICE

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Facsimilie: +61 8 9220 8799

OFFICE IN NORTH AMERICA

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Telephone: +1 (346) 229 2525

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 17, 221 St Georges Terrace
Perth, Western Australia 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

SOLICITOR

Gilbert & Tobin
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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
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