Dear Shareholders,

We are pleased to provide the Interim Financial Report for Australis Oil & Gas Limited (Australis or Company) for the half year ended 30 June 2016. The Company was admitted to the ASX in July 2016 and was therefore a private unlisted company during this half year reporting period.

The first six months of 2016 was a busy period. Having executed a staged acquisition for our TMS asset in December 2015, that transaction was closed in two tranches in January and May 2016. In May the Company completed a private placement to raise $10 million at $0.22 per share, which together with existing funding on hand was used to secure the second tranche of our TMS asset and for subsequent working capital commitments. Following the settlement of the acquisition, Australis commenced preparation for its ASX listing with our IPO prospectus being filed on 29 June 2016.

For the half year ended 30 June 2016 the Company posted a loss for the period of $4.89 million, of which $0.92 million related to non-recurring expenses associated with the IPO and $2 million of non-cash expenditure related primarily to the requirement to expense the value of options granted to management in December 2015 over their vesting period.
Australis has a cash position of $32 million at the end of August 2016.

We recently released a corporate presentation providing a summary of our business strategy, assets and corporate structure which was lodged on the ASX and can be downloaded from our website at www.australisoil.com

Yours Sincerely

Jon Stewart
Chairman
Australis Oil & Gas Limited

AUSTRALIS OIL & GAS LIMITED

ABN 34 609 262 937

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

AUSTRALIS OIL & GAS

ABN 34 609 262 937

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Corporate directory

Directors

Mr Jonathan Stewart
Mr Alan Watson
Mr Ian Lusted
Mr Graham Dowland

Company Secretary

Ms Julie Foster

Registered and Principal Office

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Telephone: +61 8 9380 2750
Facsimilie: +61 8 9380 2799

Office in North America

Australis Services Inc.

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Facsimile: +1 (346) 229 2526

Share Registry

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

Solicitor

Gilbert & Tobin
1202 Hay Street,
West Perth, Western Australia 6005

Stock Exchange Listing

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

Auditor

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

Website and Email

www.australisoil.com

admin@australisoil.com

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 half-year ended 30 June 2016.

Directors
The names of directors of the Company in office at any time during or since the end of the financial half-year ended 30 June 2016 are:

Mr Jonathan Stewart	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 (appointed 24 May 2016)

Unless otherwise stated each director held their office from 1 January 2016 until the date of this report.

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

The Company was incorporated as a private company on 12 November 2015 as Australis Oil & Gas Holdings Pty Ltd. On 16 May 2016 the Company issued 45.7 million ordinary shares and 22.8 million options as a result of a private placement with an issue price of A$0.22 per share to raise A$10 million before the costs of issue. One free attaching unlisted option was granted for every two shares allotted under the offer. Options are exercisable, subject to their terms and conditions, at an exercise price of A$0.275 per option on or before 30 June 2019. On 10 June 2016 the Company converted to a public company and changed its name to Australis Oil & Gas Limited. In June 2016 the Company undertook an initial public offering on the Australian Securities Exchange (ASX) pursuant to a prospectus dated 29 June 2016 to issue 120,000,000 shares at $0.25 per share to raise $30,000,000 before the costs of issue. In July 2016, the Company was admitted to the Official List of the ASX.

Project overview – TMS
Australis through an indirect wholly owned subsidiary, entered into a Purchase and Sale Agreement (PSA) on 1 December 2015 with Paloma Partners IV, LLC (Paloma), a US private equity funded oil and gas company, to purchase a 50% working interest in approximately 33,000 mostly contiguous net acres under leases in the Tuscaloosa Marine Shale (TMS). The TMS leases are located mostly in Louisiana with approximately 2% in Mississippi and have an average net revenue interest of 80%.

The acquisition was completed in two stages with an initial 20% working interest in the TMS leases acquired in January 2016 and the balance, increasing the total working interest to 50%, was completed in May 2016. The total acquisition price for the 50% working interest in the TMS leases was US$16 million. The TMS leases have independently assessed contingent resources allocated to them.

Paloma is the current operator however under the terms of the PSA and associated agreements Australis has the right to assume operatorship in January 2018.

Project overview – Portugal
Australis holds through an indirect wholly owned subsidiary, two concessions located onshore in the Lusitanian Basin, Portugal, known as the Batalha and Pombal concessions which collectively cover an area of approximately 620,000 acres. The two concessions were awarded on 30 September 2015 to a Portuguese incorporated company that was acquired by Australis on 31 December 2015. The concessions have independently assessed contingent and prospective resources allocated to them and are held under eight year contracts with a minimum work program for each year.

During the six months to 30 June 2016 Australis has undertaken an initial review and evaluation of available well and seismic data for the concession areas.

A more detailed description of the TMS and Portuguese assets can be found in the Prospectus lodged with the Australian Securities and Investment Commission (ASIC) in July 2016 as required for the Initial Public Offering and can also be found on the Company website at www.australisoil.com.

Directors' report

Financial

During the period, the Consolidated Entity made a net loss after tax of $4,891,000. This loss for the six-month period included certain non-recurring items as follows:

(i) $916,000 relating to costs associated with the equity raise in May 2016, the public offering of shares which commenced in June 2016 and costs associated with the listing on the ASX;

(ii) evaluation costs of opportunities being written off amounting to $155,000.

The loss for the six-month period also includes non-cash expenditure relating to share based payments (fair value amortised over vesting period) of $1,977,000.

Significant changes in the state of affairs

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

Dividends

In respect of the period ended 30 June 2016, no dividends have been paid or declared and the Directors do not recommend the payment of a dividend in respect of the financial period.

Events after the reporting date

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

In June 2016 the Company successfully completed an initial public offering under which 120,000,000 shares were offered at $0.25 per share pursuant to a Prospectus dated 29 June 2016 to raise $28.8 million after broker raising costs. The Company was formally admitted to the Official List of the Australian Securities Exchange (Ticker code: ATS) and commenced trading on 25 July 2016. As at 31 August 2016, the Company had a cash balance of $32 million.

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

Likely developments

Australis is seeking to take advantage of the prevailing depressed conditions within the upstream oil and gas industry and use the Directors' and key management's knowledge and experience to acquire and accumulate a high quality, oil-weighted portfolio of onshore assets, at attractive pricing, that will aim to provide potential upside with any modest increase in the oil price.

The strategy aims to provide shareholders with a portfolio of assets that will have a range of risk and reward attributes with an underlying base value, whilst ensuring exposure to exploration and appraisal upside as well as upside exposure to any increase in the oil price.

The Directors and Management are continuing to evaluate oil and gas opportunities that are consistent with this strategy.

Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order amounts in the Directors' Report and Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year report.

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

Ian Lusted 12 September 2016
Managing Director and CEO

Auditors' independence declaration

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Australia

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

As lead auditor for the review of Australis Oil & Gas Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 12 September 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australis Oil & Gas Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australis Oil & Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australis Oil & Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 12 September 2016

ABN 34 609 262 937

Directors' declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 10 to 33, are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date.

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

(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 from the Chief Executive Officer and the Chief Financial Officer that are consistent with the requirements of section 295A of the *Corporations Act 2001* for the period ended 30 June 2016.

Ian Lusted
Managing Director and CEO
Perth, Western Australia

12 September 2016

ABN 34 609 262 937

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2016

	Notes	**Half-year ended 30 June 2016 A$'000**	Half-year ended 30 June 2015 A$'000
Revenue	2.1	**32**	-
Other income		**303**	-
Total income		**335**	-
Expenses	2.2		
Exploration and evaluation expenditure		**155**	-
Depreciation expense		**9**	-
Administrative expenses		**3,065**	-
Share based payments		**1,997**	-
Loss from continuing operations before income tax		**(4,891)**	-
Income tax expense		**-**	-
Net loss from continuing operations after income tax		**(4,891)**	-
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss		-	-
Foreign currency translation differences		(994)	-
Other comprehensive (loss) for the period net of tax		**(5,885)**	-
Total comprehensive (loss) for the period attributable to owners of the Company		**(5,885)**	-
(Loss) per share attributable to owners of the Company			
Basic loss per share (cents per share)	2.4	(2.61)	-
Diluted loss per share (cents per share)	2.4	(2.61)	-

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

ABN 34 609 262 937

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	**30 June 2016 A$'000**	31 December 2015 A$'000
Current assets			
Cash and cash equivalents	4.1	**5,513**	21,969
Trade and other receivables	5.1	**214**	187
Total current assets		**5,727**	22,156
Non-current assets			
Oil and gas properties	3.1	**35,503**	10,997
Property, plant and equipment	3.2	**59**	29
Other receivables		**8**	1,928
Total non-current assets		**35,570**	12,954
Total assets		**41,297**	35,110
Current liabilities			
Trade and other payables	5.2	**(1,547)**	(1,150)
Provisions	5.3	**(116)**	(50)
Total current liabilities		**(1,663)**	(1,200)
Total liabilities		**(1,663)**	(1,200)
Net assets		**39,634**	33,910
Equity			
Contributed equity	4.2	**44,122**	34,510
Share based payment reserve	4.3	**3,682**	1,685
Foreign currency translation reserve		**(994)**	-
Accumulated losses		**(7,176)**	(2,285)
Total equity		**39,634**	33,910

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

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2016

	Contributed Equity A$'000	Other Reserve A$'000	Accumulated (Losses) A$'000	Total A$'000
Balance at 1 January 2015 and 30 June 2015	-	-	-	-
Balance at 1 January 2016	**34,510**	**1,685**	**(2,285)**	**33,910**
Loss for the period	-	-	(4,891)	(4,891)
Other comprehensive income				
Exchange differences on translation of foreign operations	-	(994)	-	(994)
Total comprehensive income for the period	**34,510**	**(994)**	**(4,891)**	**5,885**
Transactions with owners, in their capacity as owners				
Contributed equity net of transaction costs	9,612	-	-	9,612
Option expense recognised during the period	-	1,997	-	1,997
Balance as at 30 June 2016	**44,122**	**2,688**	**(7,176)**	**39,634**

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

ABN 34 609 262 937

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2016

	Notes	**Half-year ended 30 June 2016 A$'000**	Half-year ended 30 June 2015 A$'000
Cash flows from operating activities			
Payments to suppliers and employees		(2,477)	-
Net cash (outflow) from operating activities		**(2,477)**	-
Cash flows from investing activities			
Payment for capitalised oil and gas assets		(23,875)	-
Payment for property, plant and equipment		(32)	-
Interest received		32	-
Net cash (outflow) from investing activities		**(23,875)**	-
Cash flows from financing activities			
Proceeds from share issue		10,050	-
Share issue costs		(457)	-
Net cash inflow from financing activities		**9,593**	-
Net decrease in cash and cash equivalents		**(16,759)**	-
Cash and cash equivalents at the beginning of the financial period		**22,063**	-
Effect of exchange rates on cash holdings in foreign currencies		**303**	-
Cash and cash equivalents at the end of the financial period	4.1	**5,607**	-

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

Section 1: Basis of Reporting

For the half-year ended 30 June 2016

1.1 Corporate information

The consolidated financial report for the half year ended 30 June 2016 comprises the financial statements for Australis Oil & Gas Limited, the parent entity and its controlled entities ("Group" or "Consolidated Entity"). The Company was incorporated as a private company on 12 November 2015 in Australia as Australis Oil & Gas Holdings Pty Ltd. On 10 June 2016 the Company converted to a public company and changed its name to Australis Oil & Gas Limited.

On 16 May 2016 the Company issued 45.7 million ordinary shares and 22.8 million options as a result of a private placement at an issue price of A$0.22 per share to raise A$10 million before the costs of issue. One free attaching option was granted for every two shares allotted under the offer. Options are exercisable, subject to their terms and conditions, on and from the Company being admitted to the ASX at an exercise price of A$0.275 per option and expire on 30 June 2019.

On 25 July 2016 the Company was admitted to the Official List of the Australian Securities Exchange (ASX) (Ticker code: ATS) and commenced trading after the successful completion of an initial public offering to raise a total of A$30 million from the issue of 120 million shares at a price of A$0.25 per share.

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

1.2 Basis of preparation and compliance statement

The consolidated financial statements of the Group for the half year reporting period ended 30 June 2016 are general purpose financial statements prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial position, financial performance and financing and investing activities of the Group as the annual financial report. It is recommended that the half year financial report be read in conjunction with the Company's Prospectus dated 29 June 2016 released to the ASX on 21 July 2016, and considered together with any public announcements made by the Group since pre-quotation on the ASX on 21 July 2016.

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

The half year financial report has been prepared in accordance with the accounting policies adopted by the Group and set out below and throughout this report.

1.3 Basis of consolidation

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of Australis and its controlled entities as at 30 June 2016 and the financial performance of the Company and its controlled entities for the period then ended.

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

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

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

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

Section 1: Basis of Reporting

For the half-year ended 30 June 2016

(a) Principles of consolidation (continued)

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

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

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

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

1.4 Foreign currency

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

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

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

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

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

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

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

Section 1: Basis of Reporting

For the half-year ended 30 June 2016

(a) Principles of consolidation (continued)

1.5 Critical accounting estimates and judgements

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

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

1.6 Financial and capital risk management

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

The financial risks that arise during the normal course of Australis' operations comprise market risk (page 22), credit risk (page 22) and liquidity risk (page 23). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

1.7 Income tax expense

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

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

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

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

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

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

Section 2: Results For The Period

For the half-year ended 30 June 2016

2.1 Revenue

Recognition and measurement

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

	30 June 2016 A$'000	30 June 2015 A$'000
From continuing operations		
Interest	32	-
Total revenue from continuing operations	**32**	-

2.2 Expenses

Recognition and measurement

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

Employee benefits – Note 5.3

Share based payments – Note 7.4

Good and services tax

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

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

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

Material expenses for the half year ended 30 June 2016, relate to share based payment expense of A$1,977,000 for options issued (31 December 2015: A$1,685,000), salaries & wages of A$1,205,000 (31 December 2015: A$197,000) and IPO expenses of A$916,000.

Financial and capital risks

Foreign exchange risk

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

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

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

Section 2: Results For The Period

For the half-year ended 30 June 2016

2.3 Segment Reporting

Recognition and measurement

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

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

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

	30 June 2016 A$'000	30 June 2015 A$'000
Reportable segment revenue		
Revenue, including interest income, is disclosed below based on the reportable segment:		
Revenue from other corporate activities	32	-
	32	-

	30 June 2016 A$'000	31 December 2015 A$'000
Reportable segment assets		
Assets are disclosed below based on the reportable segment:		
Assets from oil and gas exploration in the United States of America	24,526	1,928
Assets from oil and gas exploration in Portugal	10,977	10,997
Assets from corporate activities:		
Cash and cash equivalents	5,513	21,969
Other corporate assets	281	216
	41,297	35,110
Reportable segment liabilities		
Liabilities are disclosed below based on the reportable segment:		
Liabilities from oil and gas exploration in the United States of America	503	440
Liabilities from oil and gas exploration in Portugal	-	62
Liabilities from corporate activities	1,160	698
	1,663	1,200

	30 June 2016 A$'000	30 June 2015 A$'000
Reportable segment profit		
Profit / (loss) is disclosed below based on the reportable segment:		
(Loss) for oil and gas exploration in Portugal (all capitalised)	-	-
(Loss) for oil and gas exploration in USA	(155)	-
(Loss) from other corporate activities	(4,736)	-
	(4,891)	-

2.4 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.

	30 June 2016 **A Cents**	30 June 2015 A Cents
Loss per share attributable to members of the Company:		
Basic loss per share	**(2.61)**	-
Diluted loss per share	**(2.61)**	-
Loss used in the calculation of basic / diluted loss per share	**A$'000**	A$'000
Net (loss) after tax	**(4,891)**	-
	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**187,232,372**	-

2.5 Dividends

No dividend has been paid or is proposed in respect of the six month period to 30 June 2016 (Six months to 30 June 2015: Nil).

Section 3: Invested Capital

For the half-year ended 30 June 2016

3.1 Exploration and evaluation

Recognition and measurement

Exploration and evaluation expenditure

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

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

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

Costs

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

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

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

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

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

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

Impairment

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

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

	30 June 2016 A$'000	31 December 2015 A$'000
Opening balance	10,997	-
Acquisition of Australis Oil & Gas Pty Ltd	-	10,997
Acquisition of Tuscaloosa Marine Shale (1)	21,566	-
Capitalised expenditure	3,177	-
Foreign exchange movement	(237)	-
Closing balance	**35,503**	10,997

Section 3: Invested Capital

For the half-year ended 30 June 2016

3.1 Exploration and evaluation (continued)

[(1)] **Capitalised expenditure**

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

During January 2016, Australis completed the acquisition of an initial 20% working interest in the TMS leases, and in May 2016 acquired the balance to take its working interest to 50%. The total acquisition price of the 50% working interest in the TMS leases was US$16 million.

Exploration commitments

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

	30 June 2016 A$'000	31 December 2015 A$'000
Oil and gas exploration		
Payable:		
Within one year	3,949	187
After one year, not more than five years	9,253	454
Total exploration commitments	**13,202**	641

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

Recognition and measurement

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

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

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

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

	30 June 2016 A$'000	31 December 2015 A$'000
Office equipment		
Office equipment at cost	68	30
Office equipment accumulated depreciation	(9)	(1)
Total office equipment	**59**	29

Critical accounting estimates and judgement

Estimation of useful lives of assets

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

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2016

4.1 Cash and cash equivalents

Recognition and measurement

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

Cash and cash equivalents as defined above, consist of:

	30 June 2016 A$'000	31 December 2015 A$'000
Held with Australian banks and financial institutions		
Cash at bank and in hand	5,317	5,575
Short term deposits	50	16,376
Held with Portuguese banks and financial institutions		
Cash at bank and in hand	63	18
Held with US banks and financial institutions		
Cash at bank and in hand	83	-
	5,513	21,969

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

Cash on hand and balances at bank	5,463	5,593
Short term deposits	50	16,376
Cash and cash equivalents as previously stated	**5,513**	21,969
Other receivable – Term deposit	94	94
Cash and cash equivalents as restated	**5,607**	22,063

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

At balance date the Company has no debt other than the short term trade and other payables shown at section 5.2 of this report.

Subsequent to the balance date the Company undertook an initial public offering to raise $30 million before the costs of issue. As at 31 August 2016 the Company has total cash balance of $32 million.

Risk exposure

Foreign exchange risk

The Group held A$1.9 million of cash and cash equivalents at 30 June 2016 in currencies other than Australian dollars (predominantly US dollars) (31 December 2015: A$16.5 million, predominately US dollars).

A reasonable possible change in the exchange rate of the Australian dollar to the US dollar (+ 10%/-10%), with all other variables held constant, would have a material impact on the Group's equity or the profit or loss in the current period of +10% (A$208,000) (31 December 2015: +10% (A$1,497,000)), -10% A$170,000 (31 December 2015: -10% A$1,830,000). A reasonable possible change in the exchange rate of the Australian dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

Credit risk

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

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2016

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

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at and during the period ended 30 June 2016, the Group's interest-bearing assets consisted of cash and cash equivalents held with Australian banks and financial institutions and earned interest at 1.40% floating rate. As such the impact on the Group's income and operating cash flows from movements in market interest rates is not considered material.

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

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

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and potential investment opportunities. At 30 June 2016 the Group has no interest-bearing loans or borrowings, and is not exposed to any externally imposed capital requirements.

4.2 Contributed equity

Recognition and measurement

Ordinary shares are classified as equity.

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

	30 June 2016 Securities	31 December 2015 Securities	**30 June 2016 A$'000**	31 December 2015 A$'000
Share capital				
Ordinary shares	**221,556,866**	175,875,003	**44,122**	34,510

Movements in contributed equity:

	Number of Securities	**Issue Price A$**	**A$'000**
Balance at formation	**-**		**-**
Initial share capital	3	0.20	-
Issued on 1 December 2015	25,000,000	0.20	5,000
Issued on 9 December 2015	95,875,000	0.20	19,175
Issued on 31 December 2015	55,000,000	0.20	11,000
Share issue costs	-	-	(665)
Balance at 31 December 2015	**175,875,003**		**34,510**
Issue on 16 May 2016	45,681,863	0.22	10,050
Share issue costs	-		(438)
Balance at 30 June 2016	**221,556,866**		**44,122**

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2016

Ordinary shares

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

4.3 Reserves and Accumulated Losses

	30 June 2016 A$'000	31 December 2015 A$'000
(a) Share based payment reserve		
Balance at the beginning of the financial period	1,685	-
Share based payment expense arising during the period	1,997	1,685
	3,682	1,685
(b) Foreign exchange reserve		
Balance at the beginning of the financial period	-	-
Currency translations differences arising during the period	(994)	-
	(994)	-
(c) Retained earnings / (accumulated losses)		
Balance at the beginning of the financial period	(2,285)	-
Net (loss) for the period	(4,891)	(2,285)
	(7,176)	(2,285)

Section 5: Other Assets and Liabilities

For the half-year ended 30 June 2016

5.1 Trade and other receivables

Recognition and measurement

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

Impairment

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

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

	30 June 2016 A$'000	31 December 2015 A$'000
Current assets		
Other receivables	214	187
	214	187
Non-current assets		
Deposit exploration and evaluation asset	-	1,928
Deposit US office bond	8	-
	8	1,928

Foreign exchange risk

The Group held A$94,000 of other receivables at 30 June 2016 in Euro (A$94,000, 31 December 2015). A reasonable possible change in the exchange rate of the Australian dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

Fair value

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

Credit Risk

At 30 June 2016, other receivables consisted of security deposits and government tax refunds. Accordingly, the Group's exposure to credit risk arising from the default of third party debtors at 30 June 2016 is considered immaterial.

5.2 Trade and other payables

Recognition and measurement

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

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

	30 June 2016 A$'000	31 December 2015 A$'000
Trade payables	294	1,028
Other payables	1,253	122
	1,547	1,150

Section 5: Other Assets and Liabilities

For the half-year ended 30 June 2016

Foreign exchange risk

The Group held A$888,000 of trade and other payables at 30 June 2016 in currencies other than Australian dollars (predominantly US dollars) (A$584,000, 31 December 2015). A reasonable possible change in the exchange rate of the Australian dollar to the US dollar (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period. A reasonable possible change in the exchange rate of the Australian dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

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

Fair value

The carrying value of payables approximates fair value

5.3 Provisions for employee benefits

Recognition and measurement

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

(i) Short-term employee benefits

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

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

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

(ii) Other long-term employee benefits

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

	30 June 2016 A$'000	31 December 2015 A$'000
Opening balance	50	-
Transfer of Australis Europe Pty Ltd employees' benefits	-	32
Arising during the period	109	24
Utilisation	(43)	(6)
Closing balance	**116**	50
Comprising		
Current	116	50
Non-current	-	-
	116	50

Section 6: Group Structure

For the half-year ended 30 June 2016

6.1 Subsidiary Companies

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

	Principal activities	Country of Incorporation	% Equity interest	
			30 June 2016	31 December 2015
Australis Europe Pty Ltd	Oil & gas exploration	Australia	100%	100%
Australis USA 1 Pty Ltd	Oil & gas exploration	Australia	100%	100%
Australis Oil & Gas UK Limited	Oil & gas exploration	United Kingdom	100%	100%
Australis Oil & Gas Portugal Sociedade Unipessoal Lda	Oil & gas exploration	Portugal	100%	100%
Australis TMS Inc.	Oil & gas exploration	United States	100%	100%
Australis Services Inc.	Oil & gas exploration	United States	100%	-

(1) On 5 May 2016, Australis Oil & Gas Pty Ltd changed its name to Australis Europe Pty Ltd.

(2) On 9 May 2016, Australis North America Pty Ltd changed its name to Australis USA 1 Pty Ltd.

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

Section 7: Other Notes

For the half-year ended 30 June 2016

7.1 Operating leases

Operating lease commitments – Group as Lessee

Future minimum lease payments under non-cancellable operating leases as at 30 June are as follows:

	30 June 2016 A$'000	31 December 2015 A$'000
Rent		
Payable:		
Within one year	191	191
After one year, not more than five years	48	144
	239	335

7.2 Employee benefits

Employee benefits of the Group are as follows:

	30 June 2016 A$'000	31 December 2015 A$'000
Employee benefits	1,205	197
Share based payments	1,997	1,685
	3,202	1,882

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

7.3 Compensation of key management personnel

Key management personnel (KMP) comprise:

Jonathan Stewart – Chairman
Ian Lusted – Managing Director and Chief Executive Officer
Graham Dowland – Finance Director and Chief Financial Officer
Alan Watson – Non-Executive Director
Michael Verm – Chief Operating Officer

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

	30 June 2016 A$'000	31 December 2015 A$'000
Short term employee benefits	711	81
Post-employment benefits	63	8
Share based payments	1,840	1,514
Other benefits	11	-
	2,625	1,603

Section 7: Other Notes

For the half-year ended 30 June 2016

Option holdings

The number of options over ordinary shares in the Company held during the financial half-year ended 30 June 2016 by KMP, including their personally related parties, are set out below:

	30 June 2016						
	Balance at start of period	Granted	Exercised	Net other changes[1]	Balance at end of period	Vested and exercisable	Unvested
Jonathan Stewart							
Options	40,000,000	-	-	5,000,000	45,000,000	15,000,000	30,000,000
Balance at 30 Jun 2016	**40,000,000**	**-**	**-**	**5,000,000**	**45,000,000**	**15,000,000**	**30,000,000**
Graham Dowland							
Options	13,200,000	-	-	300,000	13,500,000	3,500,000	10,000,000
Balance at 30 Jun 2016	**13,200,000**	**-**	**-**	**300,000**	**13,500,000**	**3,500,000**	**10,000,000**
Ian Lusted							
Options	16,000,000	-	-	250,000	16,250,000	4,250,000	12,000,000
Balance at 30 Jun 2016	**16,000,000**	**-**	**-**	**250,000**	**16,250,000**	**4,250,000**	**12,000,000**
Alan Watson							
Options	**-**	**420,000**	**-**	**455,000**	**875,000**	**455,000**	**420,000**
Balance at 30 Jun 2016	**-**	**420,000**	**-**	**455,000**	**875,000**	**455,000**	**420,000**
Michael Verm							
Options	**-**	**3,000,000**	**-**	**250,000**	**3,250,000**	**250,000**	**3,000,000**
Balance at 30 Jun 2016	**-**	**3,000,000**	**-**	**250,000**	**3,250,000**	**250,000**	**3,000,000**

[1] On 16 May 2016 the KMP participated in the Company's private placement at $0.22 per share. One free attaching option was granted for every two shares allotted under the offer. Options are exercisable on and from the Company being admitted to the ASX at an exercise price of A$0.275 per option and expire on 30 June 2019.

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

Section 7: Other Notes

For the half-year ended 30 June 2016

The fair value of options granted to KMP during the half year ended 30 June 2016 was calculated using the Black Scholes options pricing model. The expense is apportioned pro-rata to reporting periods where vesting periods apply. Key inputs to the Black Scholes options pricing model used in the calculation of each grant of options during the half year ended 30 June 2016 were as follows:

Grant date: 28 Apr 2016	Number	Expected price volatility (1)	Exercise Price	Vest Date	Expiry Date	Share price at grant date	Risk free interest rate (2)	Fair value per option
$0.30 Series B	1,000,000	85%	A$0.30	13-Nov-16	31-Dec-20	A$0.22	1.88%	A$0.10
$0.35 (Series C)	1,000,000	85%	A$0.35	13-Nov-17	31-Dec-22	A$0.22	2.08%	A$0.12
$0.35 (Series C)	1,000,000	85%	A$0.35	13-Nov-18	31-Dec-22	A$0.22	2.08%	A$0.13
24 May 2016								
$0.275 (Series B)	140,000	85%	A$0.275	24-May-17	24-May-21	A$0.22	1.64%	A$0.11
$0.275 (Series C)	140,000	85%	A$0.275	24-May-18	24-May-21	A$0.22	1.64%	A$0.12
$0.275 (Series D)	140,000	85%	A$0.275	24-May-19	24-May-21	A$0.22	1.64%	A$0.13

(1) Expected price volatility is based on the historical volatility adjusted for any expected changes to future validity due to publicly available information.

(2) Risk free rate of securities with comparable terms to maturity.

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

Grant date: 13 Nov 2015	Number	Expected price volatility (1)	Exercise Price	Vest Date	Expiry Date	Share price at grant date	Risk free interest rate (2)	Fair value per option
$0.25	17,200,000	85%	A$0.25	13-Nov-15	31-Dec-20	A$0.20	2.28%	A$0.06
$0.30 (Series A)	26,000,000	85%	A$0.30	13-Nov-16	31-Dec-20	A$0.20	2.28%	A$0.09
$0.35 (Series A)	26,000,000	85%	A$0.35	13-Nov-17	31-Dec-22	A$0.20	2.56%	A$0.11

(1) Expected price volatility is based on the historical volatility adjusted for any expected changes to future validity due to publicly available information.

(2) Risk free rate of securities with comparable terms to maturity.

Section 7: Other Notes
For the half-year ended 30 June 2016

Shareholdings

The number of shares in the Company held during the financial half-year by KMP, including their personally related parties, are set out below. No shares were granted during the period ending 30 June 2016 (Nil, 31 December 2015) as compensation.

	30 June 2016			
	Balance at start of period	Exercise of options	Net other changes[1]	Balance at end of period
Jonathan Stewart	49,542,859	-	10,000,000	59,542,859
Graham Dowland	13,803,572	-	600,000	14,403,572
Ian Lusted	13,803,572	-	500,000	14,303,572
Alan Watson[2]	2,500,000	-	910,000	3,410,000
Michael Verm[3]	2,500,000	-	500,000	3,000,000

(1) On 16 May 2016, KMP participated in the Company's private placement at $0.22 per share.

(2) Mr Alan Watson was appointed non-executive director of Australis on 24 May 2016. Prior to Mr Watson's appointment he participated in the Company's private placement on 9 December 2015 at $0.20 per share.

(3) Mr Michael Verm was appointed as Chief Operating Officer on 1 February 2016. Prior to Mr Verm's appointment he participated in the Company's private placement on 9 December 2015 at $0.20 per share.

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

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

Section 7: Other Notes

For the half-year ended 30 June 2016

7.4 Share based payments

At 30 June 2016, the Group has the following share based payment arrangements.

Options

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

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

Grant Date	Type	30 June 2016 Number	Exercise Price	Vesting	Expiry Date
13-Nov-15	$0.25 Options	19,675,000	A$0.25	Vested	31-Dec-20
13-Nov-15	$0.30 (Series A) Options	27,775,000	A$0.30	13-Nov-16(1)	31-Dec-20
28-Apr-16	$0.30 (Series B) Options	1,000,000	A$0.30	13-Nov-16(1)	31-Dec-20
13-Nov-15	$0.35 (Series A) Options	27,775,000	A$0.35	13-Nov-17(1)	31-Dec-22
13-Nov-15	$0.35 (Series B) Options	1,775,000	A$0.35	13-Nov-18(1)	31-Dec-22
28-Apr-16	$0.35 (Series C) Options	1,000,000	A$0.30	13-Nov-17(1)	31-Dec-22
28-Apr-16	$0.35 (Series D) Options	1,000,000	A$0.35	13-Nov-18(1)	31-Dec-22
16-May-16	$0.275 (Series A) Options	22,840,933	A$0.275	N/A(2)	30-Jun-19
24-May-16	$0.275 (Series B, C and D) Options	420,000	A$0.275	See note (3)	24-May-21
Total		**103,260,933**			

(1) Vesting of the options is conditional upon continued employment of the relevant employee until the vesting date.
(2) No vesting condition applies to options granted as part of the Company's private placement in May 2016 to sophisticated investors.
(3) Independent director options vest 33.3% on each anniversary from the date of grant of 24 May 2016, subject to the grantee remaining a director of the Company.

7.5 Related party disclosures

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

Transactions with wholly-owned controlled entities

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

Transactions with other related parties

No transactions with other related parties have been entered into in respect of the half year ended 30 June 2016.

7.6 Contingencies

The company had no contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

7.7 Events after the reporting date

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

The Company undertook an initial public offering to raise approximately $28m after costs of issue. As at 31 August 2016 the Company has a cash balance of $32 million.

The Company was admitted to the Official List of the Australian Securities Exchange (Ticker code: ATS) and commenced trading on 25 July 2016.

Other than as disclosed above, no event has occurred since 30 June 2016 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

7.8 Rounding of amounts

The Company satisfies the requirements of Class Order 98/100 issued by the Australian Investments and Securities Commission relating to "rounding off" of amounts in the directors' report and the financial report to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial report in accordance with that Class Order.