

**For Immediate Release**  
**ASX Announcement**

23 February 2021

### 2020 Annual Report and Audited Financial Statements

Australis Oil & Gas ("Australis" or "Company") is pleased to provide the 2020 Annual Report including the audited consolidated financial statements for the year ended 31 December 2020.

The unprecedented oil price volatility during the year, intensified by the global COVID-19 virus pandemic, significantly impacted the entire oil industry. Significant reduction in global oil demand led to lower oil pricing for most of 2020. Despite this, Australis achieved positive EBITDA for each quarter of 2020. These results, together with the operational flexibility and a highly disciplined approach to discretionary capital expenditure for the year enabled Australis to maintain its significant TMS assets.

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

#### Financial Results 2020 - (US\$)

Gross revenue from oil sales (before royalties & hedges)	\$21.5 million
Revenue from hedging	\$4.7 million
Average realised sales price (including hedges)	\$51.76/bbl
Field Netback* (US\$)	\$14.6 million
Field Netback* (bbl)	\$28.93/bbl
EBITDA*	\$7.0 million
Net profit before impairment and taxation	\$1.5 million
Net (loss) after impairment and taxation	\$(125.2) million
Year end cash position	\$4.7 million
Total Facility borrowings	\$20 million
Working capital (excluding Macquarie debt repayments)	\$2.1 million

Australis voluntarily paid down debt during 2020 and by year end the outstanding balance was US\$20 million, with quarterly minimum repayment going forward of US\$1m and a maturity date of November 2023. Interest and debt repayments were and continue to be funded from the Company's operations.

As disclosed at mid-year, during 2020, due to global uncertainty in the oil industry and financial markets, the Company, in accordance with the Accounting Standards and for Financial Statements purposes only, reduced the carrying value of its assets through a non-cash impairment provision of US\$126.7 million.

#### Operating Results 2020

Production (Working Interest)	505,000 bbls
Net production (after royalties)	411,000 bbls
TMS year end independent reserves (Net) <sup>1</sup>	3.7 MMbbls
PDP	10.4 MMbbls
1P	21.0 MMbbls
2P	27.5 MMbbls
3P	149.4 MMbbls
Year end independent mid case resources <sup>1</sup>	107,500 net acres
Net acres leased within the TMS Core	

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

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The 2020 Annual Report and Appendix 4E is attached.

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 3.7 million bbls of producing reserves providing free cash flow and over 170 million bbls of mid case 2P + 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 2020 and generated for the Australis concessions to SPE standards. See ASX announcement released on 5 February 2021 titled "Reserves and Resources Update Year End 2020". The analysis was based on a land holding of 107,500 net acres. Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method which is based on a qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk based) approach estimate the quantities at each level of uncertainty discretely and separately.
2. Non-IFRS Financial Measures

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

**EBITDA** represents net income /(loss) for the period before income tax expense or benefit, finance costs, depletion, depreciation and amortisation charges and impairment provision.

The following table reconciles net loss after tax to EBITDA:

	Year ended 31 December 2020
	US\$'000
Net (loss) / profit after tax	(125,208)
Adjustments:	
Depletion	434
Depreciation – production equipment	1,521
Depreciation	639
Net finance expenses	2,931
Impairment provision	126,710
<b>EBITDA</b>	<b>7,027</b>

## 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
<b>TMS</b>	Tuscaloosa Marine Shale
<b>bbl(s)</b>	Barrel(s) of oil
<b>MM</b>	Millions
<b>1P</b>	Proved Reserves
<b>2P</b>	Proved plus Probable Reserves
<b>3P</b>	Proved plus Probable plus Possible Reserves
<b>2C</b>	Most Likely Contingent Resource
<b>TMS Core</b>	The Australis designated productive core area of the TMS delineated by production history

23 February 2021

#### APPENDIX 4E

#### FINANCIAL YEAR ENDED 31 DECEMBER 2020

#### 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 2020 Annual Report (which contains the 2020 audited Financial Report and other information required for Appendix 4E)

#### Results for Announcement to the Market

Revenue from ordinary activities	Decreased by 50% <sup>(1)</sup> from US\$52.6 million in 2019 to US\$26.1 million in 2020	
Profit from ordinary activities after tax attributable to members	Decreased by 1886% <sup>(1)</sup> from a profit of US\$7.0 million for 2019 to a loss of US\$125.2 million for 2020	
Net profit for the period attributable to members	Decreased by 1866% <sup>(1)</sup> from a profit of US\$7.0 million for 2019 to a loss of US\$125.2 million for 2020	
An explanation of the results is contained within the 2020 Annual Report which can be found on the ASX website or the Australis website at <a href="http://www.australisoil.com">www.australisoil.com</a>		
(1) Comparisons are made to the financial year ended 31 December 2019		
Dividends		
No dividends have been paid or proposed for the year ended 31 December 2020 (2019: nil)		
Net Tangible Asset per Security	31 December 2020	31 December 2019
	US\$0.06	US\$0.19
This report is based on audited accounts		

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

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# ANNUAL REPORT

FOR THE YEAR ENDED  
31 DECEMBER 2020





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## HIGHLIGHTS

### 100% SAFETY RECORD

NO INCIDENTS IN 2020

### CASHFLOW POSITIVE

FOR EACH QUARTER OF 2020

39% ▼

REDUCTION IN DEBT

> US\$50 MILLION

VALUE OF PRODUCING  
RESERVES USING FEBRUARY  
2021 FORWARD PRICING

### LARGEST ACREAGE HOLDER

IN THE TMS CORE



## COMMITMENT TO SAFETY & ENVIRONMENT

- 100% safety record in 2020 – no incidents - outstanding year for safe operations during challenging conditions
- One minor reportable environmental incident (spill of 17 bbls of oil & water) promptly remediated

## TMS TIER 1 PRODUCTION DELIVERS POSITIVE CASH FLOW

- Each quarter of 2020 delivered positive EBITDA\* - Full year total of US\$7.0 million
- Operating Costs reduced by 13% over 2019 on a per/bbl basis from
- 54% reduction in G&A expenditure over 2019

## OIL HEDGES DELIVER INCREASE IN AVERAGE SALES PRICE

- Hedging program successfully mitigated oil price volatility during 2020
- Hedges increased average achieved sales price by 22%, from US\$42.39/bbl to US\$51.76 /bbl, delivering an additional US\$4.7 million in revenue

## DEBT

- Outstanding debt balance reduced by 39%, to US\$20 million at year end
- Interest costs US\$2.1 million for 2020, and reduced principal is expected to result in lower interest costs for 2021

## RESERVES AND RESOURCES

- Tier 1 well performance and improved Operating Costs increased PDP volumes by 3% at year end 2020, despite sales of 411,000 bbls (post royalties) in the year
- Value of PDP reserves using 3 February 2021 forward pricing > US\$50 million (NPV10 pre tax)
- 2P & 2C independently estimated at 170 million net bbls

## SCALE

- Largest acreage holder in the TMS Core; a contiguous and controlling position
- TMS Core Acreage >100,000 net acres, 35% Held by Production (HBP) with the majority of non HBP acres not expiring until after mid 2022

## STRATEGY

- The oil weighted TMS Core is an increasingly unique and desirable play, given its size, characteristics and substantial remaining Tier 1 drilling inventory
- Our TMS asset is at an attractive stage for partnering with well performance de-risked and delineated but the field largely undeveloped
- Positioned for significant value rerating with improving market conditions

\* EBITDA is considered a non-IFRS measure. Refer to Non-IFRS Financial Measures on page 34.

## CHAIRMAN'S LETTER



In my report last year, I referred to 2019 as a difficult one for the US shale industry. Last year proved more difficult again for unique reasons but I am very proud of the performance of our management team and staff in steering a course through these difficult times. I believe the worst is behind us in terms of this industry downturn and that we are well positioned for a period of recovery.

We have successfully used our operational cashflow and protection thereof using a sensible hedge program to ensure we maintained our significant largely undeveloped asset through this period. Sacrifices have had to be made in terms of personnel, remuneration and operational growth and for that I wish to acknowledge our staff, past and present.

Our unwavering objective has been and remains the creation and realisation of shareholder value. We have a strategy to deliver this and remain committed to it.

Within this Annual Report are detailed analyses of background, operations, financial details and remuneration plans and results. I will not seek to repeat that information in any detail here.

Our operating cash flow funded corporate overhead and financing costs. Our net profit before impairment of US\$1.5 million and Field Netback of US\$14.6 million from producing wells in the TMS enabled the repayment of US\$13 million of principal debt during the year. Our operations team and management deserve much credit for achieving significant reductions in Operating Costs during the year and executed a thoughtful, creative and flexible plan around our production volumes, hedged position and prevailing prices.

Importantly, this financial result was again achieved, and all operations executed, with an excellent environmental, health and safety record.

As I write this report, oil prices have recovered strongly above US\$55 per barrel and we are optimistic regarding the potential for industry activity being regenerated. The lower oil price environment of 2019 and 2020 saw us hunker down in asset protection mode and as a result field development slowed and then stopped, whilst production continued. Australis is of course required to report its annual oil reserves and resource estimates and to do so on the basis of an assumed 5-year development plan. The appropriate strategy we have delivered does not reconcile well with the complex rules that must be applied by the independent reserve engineers and we have sought to explain the impact of that in our earlier announcement regarding reserves and resources. The effective reallocation of oil from reserves to a resource category does not impact its existence.

You may notice our core acreage position in the TMS is down a little from last year but remains significant at over 100,000 net acres and importantly our HBP acres represent over 35% of this number.



From a more macro perspective, the US unconventional oil and gas industry has diminishing Tier 1 oil locations, lower well performance in existing plays – particularly more mature developments - and capital investment was again reduced greatly in 2020 by operators. In our opinion this validates our long-term strategy. We believe that diminishing Tier 1 oil locations in other plays will reinforce the uniqueness of the TMS Core, given its productivity, attractive commercial characteristics and substantial remaining undeveloped inventory.

It was disappointing and frustrating to reluctantly relinquish our exploration concessions in Portugal. The opportunity was clearly compelling for both the Company and Portugal however, it became clear that we were facing too many impediments to an appraisal and development program for the existing discovery with a lack of political appetite to address them.

Your Board has sought to apply prudent management of our capital position aimed at maximising ultimate value for shareholders. Having cashflow and operating control of our large acreage position has been very important. We consider that our significant land and oil position offers alternatives for future funding scenarios and further value creation.

Your board members have again offered significant knowledge, experience and commitment in their roles as your directors. Management and staff all worked very hard in difficult circumstances during 2020 and I would like to acknowledge their contribution and sacrifices.

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

Looking ahead, with a hopefully sustained improvement in market conditions, we remain confident of the value potential of our assets and look forward to bringing you news in this regard during 2021.

I wish you good health and happiness for the future.

Yours sincerely,



**JON STEWART**  
CHAIRMAN





# REVIEW OF OPERATIONS

## TUSCALOOSA MARINE SHALE (TMS) ASSETS

### TMS OPERATIONS OVERVIEW AND BRIEF HISTORY

Australis Oil and Gas was formed in 2014 with a corporate strategy to secure an unconventional oil asset of size and scale where management could apply knowledge and experience of the sector to maximise shareholder value. The Company had set out a number of characteristics it was seeking in a potential asset, but the fundamental criteria were reservoir quality, size of asset and a modest entry cost. History indicated that without these key elements securing an economic return for investors would be difficult.

By July 2016 the Company had identified the TMS as a unique opportunity and had secured its initial position prior to successfully completing an IPO, with the intention of building on that position, on an accretive basis, through further acquisitions and an active leasing program. The TMS met all the key criteria set for the following reasons:



- **Reservoir Quality** - Activities by previous participants in the play had delineated a core area of approximately 450,000 acres (<5% of total depositional area) where production data from approximately 85 wells clearly demonstrated a high quality reservoir with consistent results.
- **Production History** - Wells drilled by previous operators had been on production for at least 2 years allowing empirically derived decline curves to underwrite base case economics. Well performance from 2014 vintage technology compared very favourably to other more developed US unconventional areas that also benefited from advances in industry knowledge and practice during the intervening period.
- **Oil weighted production** - The wells produced 95% oil and the field location had a number of pricing and infrastructure advantages compared to other more mature and developed plays; and



- **Modest entry cost** - For Australis the play entry was largely uncompetitive and hence at a highly advantageous price point for two reasons:
  - outside the delineated core area, well results had been poor and the play as a whole had a mixed reputation. As a result, there was very little industry focus on the play in 2016
  - due to the low oil price between 2014 – 2016 the remaining incumbents in the play were not in a financial position to maintain acreage or recommence drilling operations.

Australis, during 2016 - 2018 built out a controlling position of over 100,000 net acres, exclusively within the delineated core area, through a series of transactions and an active leasing program. The leases taken were typically a 5-year term and with a modest royalty rate which provided flexibility and improved single well economics. Once the desired acreage position had been achieved, Australis commenced an Initial Drilling Program ("IDP") in late 2018 and drilled 6 wells in the play. The wells were successful in the key objective of providing further proof of reservoir productivity and consistency, an important value driver for an early-stage unconventional play. However, as is common with entries into early-stage unconventional plays, there was a degree of practical operational learning that the Company had to experience. The Company encountered some drilling execution challenges and elected to pause the program in late 2019 to evaluate drilling performance and to identify root causes and remedies.

- Two of the wells were drilled and completed as full-length laterals, at a comparable cost to other analogue plays, and delivered Tier 1 productivity (including one of the best producers in the TMS).
- Two of the wells were not completed to full-length laterals due to operational challenges but when normalised for completed horizontal length, delivered similar productivity and on average were consistent with expectations.
- The final two wells (drilled with a different trial fluid system) produced at lower rates, however there are clear explanations for these results.
- The review of drilling execution performance identified two key contributors to the operational challenges encountered, which are both avoidable going forward.

Having demonstrated the potential of the TMS and identified the solutions to the remaining challenges, Australis started calendar year 2020 with the intention of seeking a partner to help progress the play further and lift the intrinsic value of the asset.

With the events that transpired during 2020, the Company also focused on maintaining profitability of the existing production. The Company entered the 2nd quarter with a strong hedge position, which mitigated the worst of the oil price volatility, and was able to achieve material reductions in both G&A and Operating Costs to ensure positive cash flow during the period.

## THE TUSCALOOSA MARINE SHALE AND ITS UPSIDE POTENTIAL

*Australis believes that the TMS is one of the last delineated but undeveloped Tier 1 unconventional oil plays remaining onshore in the USA.*

### TMS Background & Previous Activity

The Tuscaloosa Marine Shale is a Cretaceous shallow marine unconventional shale that is depositionally present across more than 14 million acres in central Louisiana and southwest Mississippi (See Figure 1). The play is the same geological age as the Eagle Ford Shale in South Texas and the Woodbine Shale in East Texas.

The TMS is the source rock for conventional sand systems that have long been drilling targets in the area for conventional exploration and development activity. When the Eagle Ford shale was being developed in 2010 – 2012, US oil companies followed the gulf coast to the east and tested the TMS as a potential play. The TMS formation itself is deeper and higher pressured compared to the Eagle Ford, and these along with other unique characteristics of the rock led to early operational difficulties in the drilling and completion of horizontal wells.

## REVIEW OF OPERATIONS

Initial productivity results were variable, as there were some wells that delivered strong oil production but a number of the early exploration wells performed poorly. This inconsistency and the drilling challenges led to many initial entrants into the area abandoning their positions and concentrating on the more established plays. However, as activity progressed over the following years, a small but distinct core area of the TMS was identified (the "TMS Core" and shown in red on Figure 1), within which wells were being completed with encouragingly consistent and strong productivity. This portion of the TMS was in the oil window and was focused on by those participants who remained in the play during 2013 and 2014. By the end of this period, after a total of approximately 85 wells having been drilled, the engineering solution to the drilling challenges had been largely defined and active Operators such as Encana (now Ovintiv) were able to consistently drill and complete full-length laterals.

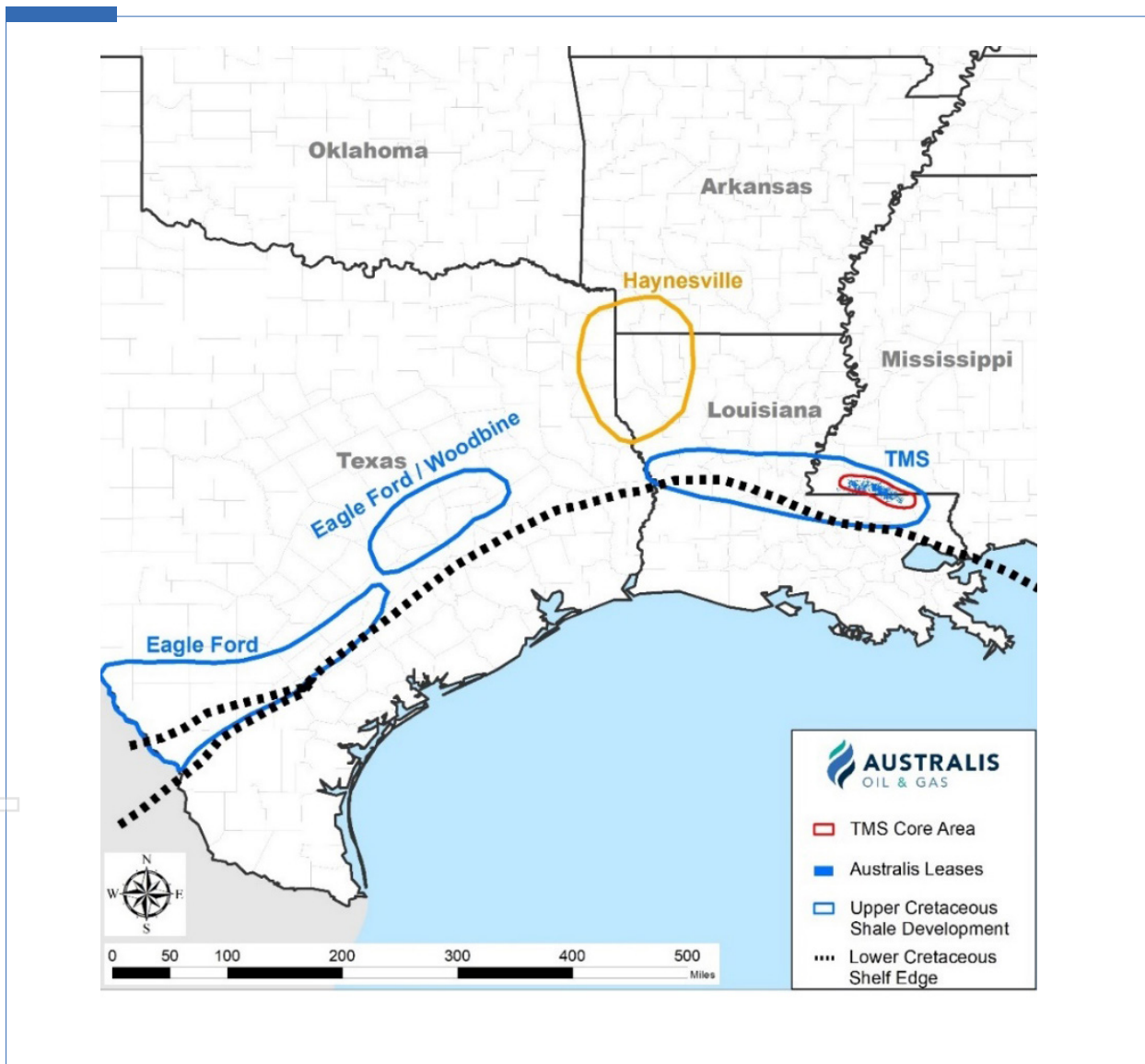


Figure 1: Depositional area of the TMS & Australis acreage position relative to the delineated core

Figure 2 below shows 24 month cumulative oil production for every well drilled in the TMS prior to 2018. Those wells shown with blue bars are located within the TMS Core area, as defined by Australis, and those with orange bars are outside but within the larger depositional area. The chart clearly shows the TMS Core wells producing significantly higher cumulative volumes which has allowed Australis to focus our lease position in this more productive area.

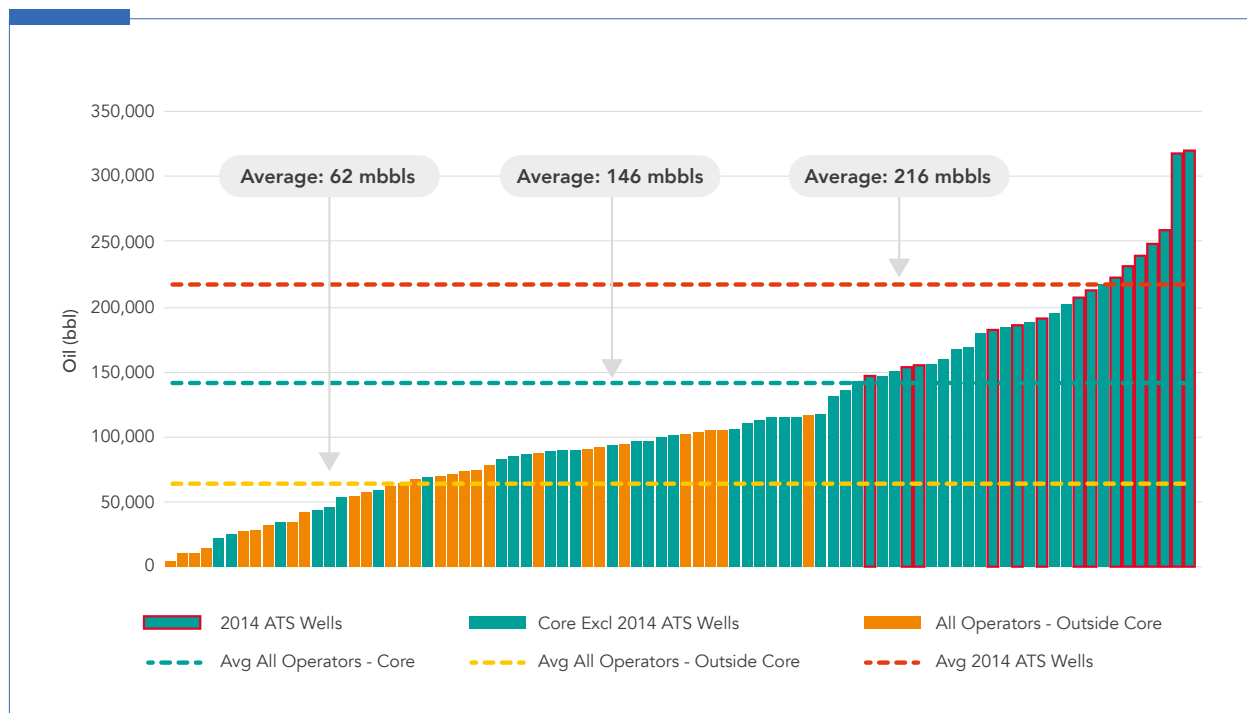


Figure 2: Individual 24 Month Cumulative Production of every TMS Well (Core and outside of Core Area)

Prior to Australis operated development activity, the last well drilled in the play was in early 2015. This allowed Australis to refine the delineation based on 2 – 4 years of production history, a key differential to the more active plays where anticipated well performance is often based on the extrapolation of a few months of data. Australis could be confident in base case well decline profiles and associated projections.

Australis uses the average of all 15 wells drilled by its predecessor operator, Encana, in 2014 (the “2014 ATS Wells”), shown with red outlines in Figure 2, to generate an expected future well performance, known as a Type Curve. These wells refined the drilling and completion engineering design that delivered Tier 1 oil productivity, as evidenced in Figure 2 and consistent execution as shown below in Figure 3.



## REVIEW OF OPERATIONS

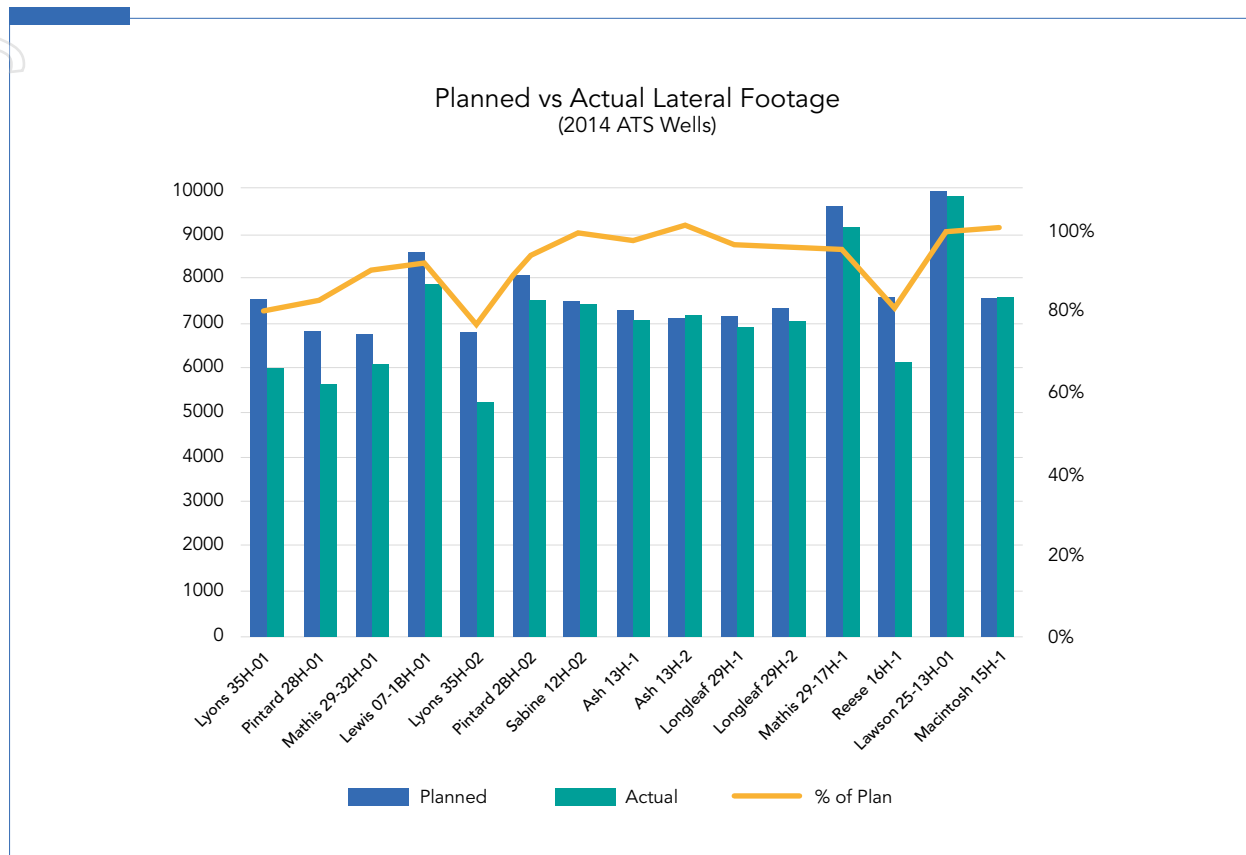


Figure 3: Planned vs Actual horizontal well length for Encana 2014 TMS program

The chart in Figure 3 shows the planned and achieved horizontal wellbore length of the 2014 ATS Wells and in yellow the % of planned length achieved. All wells were in excess of 80% of planned length including two drilled to over 9,000 ft of lateral length. This data set clearly showed that the engineering solutions existed and could be consistently applied.

To compare the oil productivity of the TMS Core to other more mature basins the TMS Type Curve was generated, it is simply the average monthly production of all the 2014 ATS Wells, i.e. no preferential selections or exclusions. The Type Curve was made public by Australis in 2016 and has not changed since. The TMS Type Curve can now be compared to other US unconventional plays.

In May 2020 US data analytics company ShaleProfile released a report titled "The Major Tight Oil Basins". They analysed data from the four largest oil producing unconventional basins in the US: Permian, Eagle Ford, Williston (Bakken) and DJ – Niobrara, which account for approximately 85% of the shale oil produced in the US. The report listed the top counties within the four plays, ranked in order of average cumulative oil production per well over the first 24 months. As Figure 2 showed, the Australis 2014 ATS Wells averaged 216,000 bbls during this period, which was sufficient to place it as second in the Shale Profile rankings. This was despite the other contributors to this list including wells drilled as recently as 2018. The same report then evaluated the 5-year cumulative oil production profile for the best county in each of the 4 unconventional plays. The result is shown below in Figure 4 and compared to the average of the 2014 ATS Wells over a 5-year period.



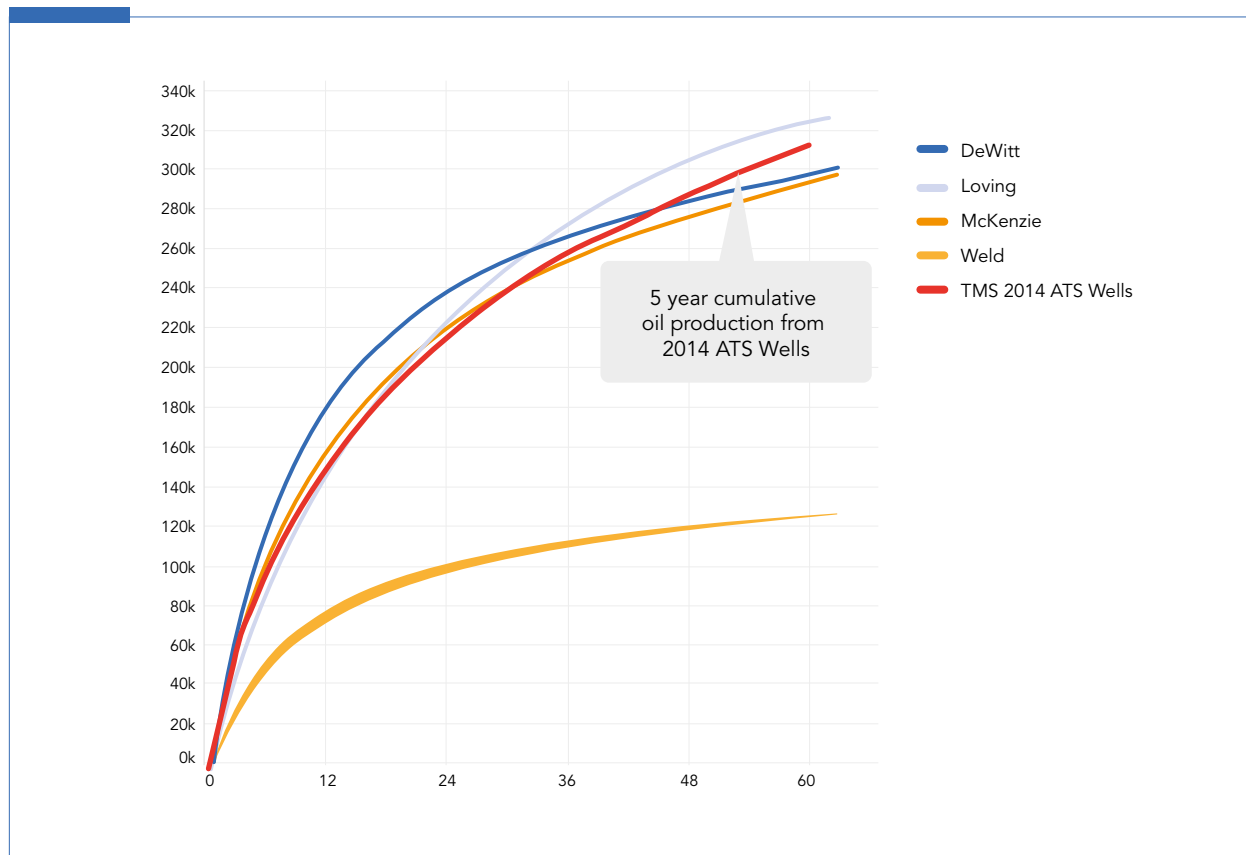


Figure 4: 5 year cumulative oil production of TMS Type Curve compared to the average performance of wells in the best counties of the 4 major tight oil basins in the US: Courtesy of Shale Profile Insights May 27, 2020.

On the basis of this empirical data, Australis was confident in the quality of the asset and its decisions on where to consolidate its acreage position in the TMS. The remaining challenge to prove valuations was to demonstrate the ability to execute and deliver this productivity at a sufficiently low-cost base to generate industry leading economics. The 2014 ATS Wells cost an average of US\$16 million each and Australis set an internal target range of US\$10 - US\$12 million for its own early wells recognising that in full field development costs would reduce further through efficiencies gained and scale of operations.

In late 2018, Australis commenced its IDP.

The first four wells in the IDP were drilled using a very similar engineering design to that employed by Encana, while the last two wells made a major program design change by utilising a different drilling fluid in the horizontal section. This change was designed to address specific technical issues and reduce costs.

Of the first four wells, two were drilled and completed to full lateral length, a third was drilled to full length but only partially completed due to the final drilling assembly becoming stuck on the last recovery to surface and a fourth well was terminated when it became clear that a local anomaly was influencing geology. The two full laterals averaged US\$10.7 million to drill, complete, construct on-site production facilities, tie in and commence production with artificial lift. A significant achievement. The shorter well that was terminated early was considerably under budget at US\$9 million and the operational difficulties of the partially completed well pushed the cost up to US\$14 million. When normalised for producing length, these wells demonstrated consistent productivity to the TMS Type Curve and one of the full-length laterals is now the second best well in the play.

The different drilling fluid used for the last two wells introduced unforeseen complications and a new learning curve with higher drilling torque and drag being encountered, which affected tool life and made drilling the planned laterals difficult and slow. Both wells were ultimately shorter and more expensive than expected, although productivity performance from the TMS was once again confirmed.

## REVIEW OF OPERATIONS

In late Q3 2019 Australis paused the drilling program to assess operational performance and forensically interrogate the available data. The analysis identified the root causes of the drilling challenges encountered and demonstrated that, when these issues are avoided, wells can be drilled successfully to planned length and at a competitive cost compared to other more established and developed plays

By the end of 2019 Australis felt that it had the data set to demonstrate:

- Tier 1 shale oil productivity – based on 5-year production profiles of the 2014 ATS Wells and supported by up to 12 months of data from new wells;
- Tier 1 well economics – based on the ability to drill, complete and tie-in full length laterals for US\$10.7 million, consistent with other premium analogue plays, despite early stage of the TMS development; and
- Control and flexibility – Australis has a commanding consolidated acreage position across the core with a long lease life profile and was the designated operator for a substantial portion.

These attributes, together with pricing advantages and infrastructure options in the area make for a compelling case for field development and partnering.

### OPERATIONS SUMMARY FOR 2020

The events of 2020 have had a profound effect on the oil and gas industry as a whole and the US unconventional participants in particular. The oil price and volatility, driven first by oversupply following a break down of the OPEC+ group production quotas and then the historic demand destruction due to the COVID-19 pandemic led to many US operators finding their operations to be uneconomic and development activity reducing dramatically with the Baker Hughes North American rig count dropping from 796 rigs at the beginning of 2020 to an average of 254 rigs during Q3 before recovering somewhat to 350 rigs by year end.

In the face of these challenges Australis benefitted from prudent financial and operational planning and management and a number of unique attributes of its TMS asset:

- With approximately 1/3 of the acreage position already held by production and the majority of leased acreage with a long remaining term, Australis was able to defer discretionary capital expenditure on new wells and leasing.
- Australis had a strong hedge book, with over 85% of Q2 production hedged at ~US\$50/bbl, when the daily oil price dropped precipitously from US\$50/bbl to US\$20/bbl during March.
- As operator and with a very high working interest ~95% in the producing wells, Australis was able to curtail production during period of low oil price, within the constraints of our lease agreements, to maximise net revenue.
- Australis produced oil is historically sold at a premium to WTI, whilst this increment was also volatile during the year, it did ensure that a small premium was achieved when producing.
- Over the last two years Australis has implemented a number of programs to reduce Operating Costs and in particular workover costs. A number of these programs came to fruition during this period and helped improve production economics.
- Corporate G&A has been a focus for the Company through 2020 and in particular during the COVID-19 pandemic with substantial reductions achieved.

Figure 5 below provides an overview of how production curtailment was implemented through the year. The chart shows in blue how the Nymex WTI oil price fluctuated during the period, dropping dramatically during the March and April months, before recovering steadily during Q2 and largely holding steady in the US\$40 - US\$50/bbl range for the second half of the year.

Because of hedging and the premium Australis production commands, the black line shows the effective achieved oil price Australis was able to maintain during the year.

During Q2 Australis implemented a production curtailment program. During the months of April and June, production was maintained below hedge volumes and the corresponding increase in achieved oil price can be seen. In May there were no sales from the field as this was the one period where the volatility in LLS premium was negative on an already low oil price. Australis was able to retain the hedge revenue during this period.

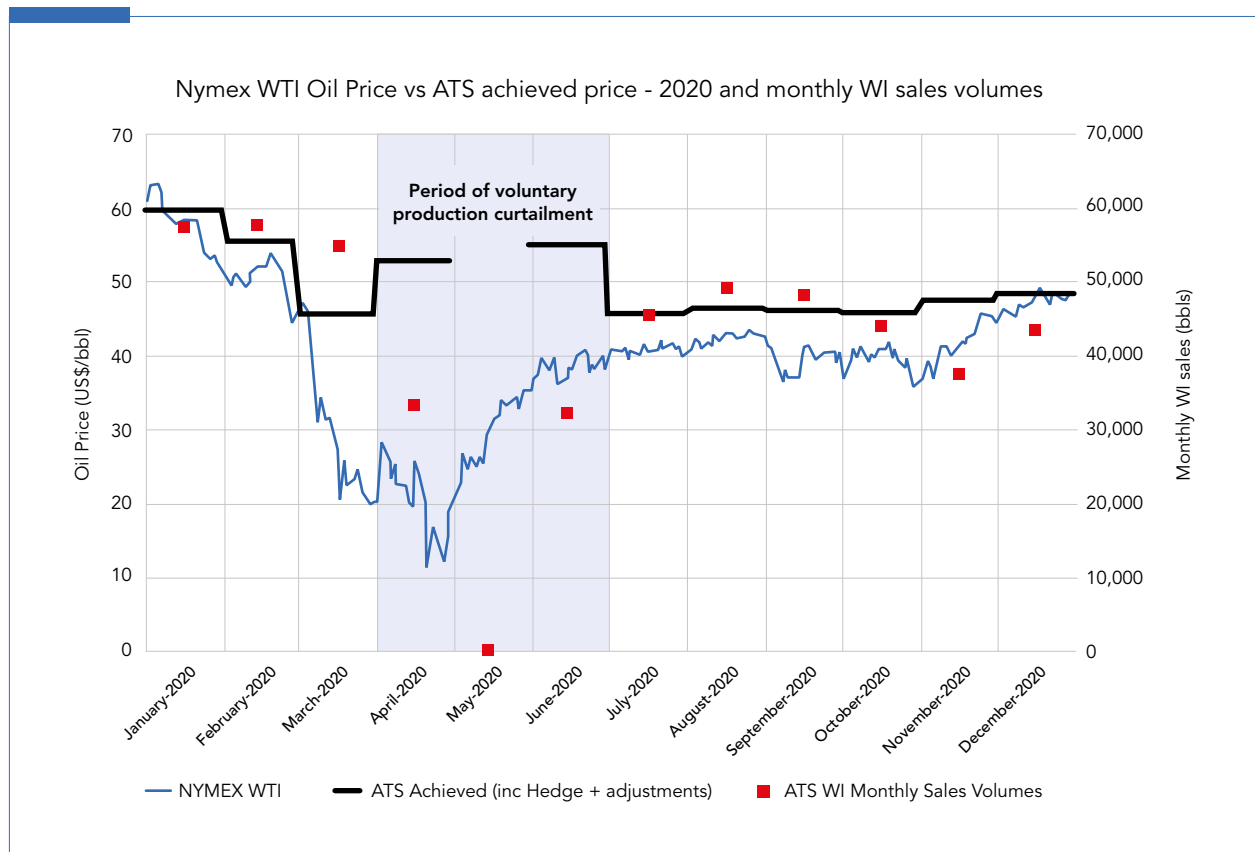


Figure 5: Nymex Oil Price vs ATS achieved price during 2020 and monthly WI sales volumes.

It is worth noting that inclement weather affected production during Q4 with a record number of hurricanes crossing through the area which disrupted power supply, road access and oil hauling capacity.

## REVIEW OF OPERATIONS

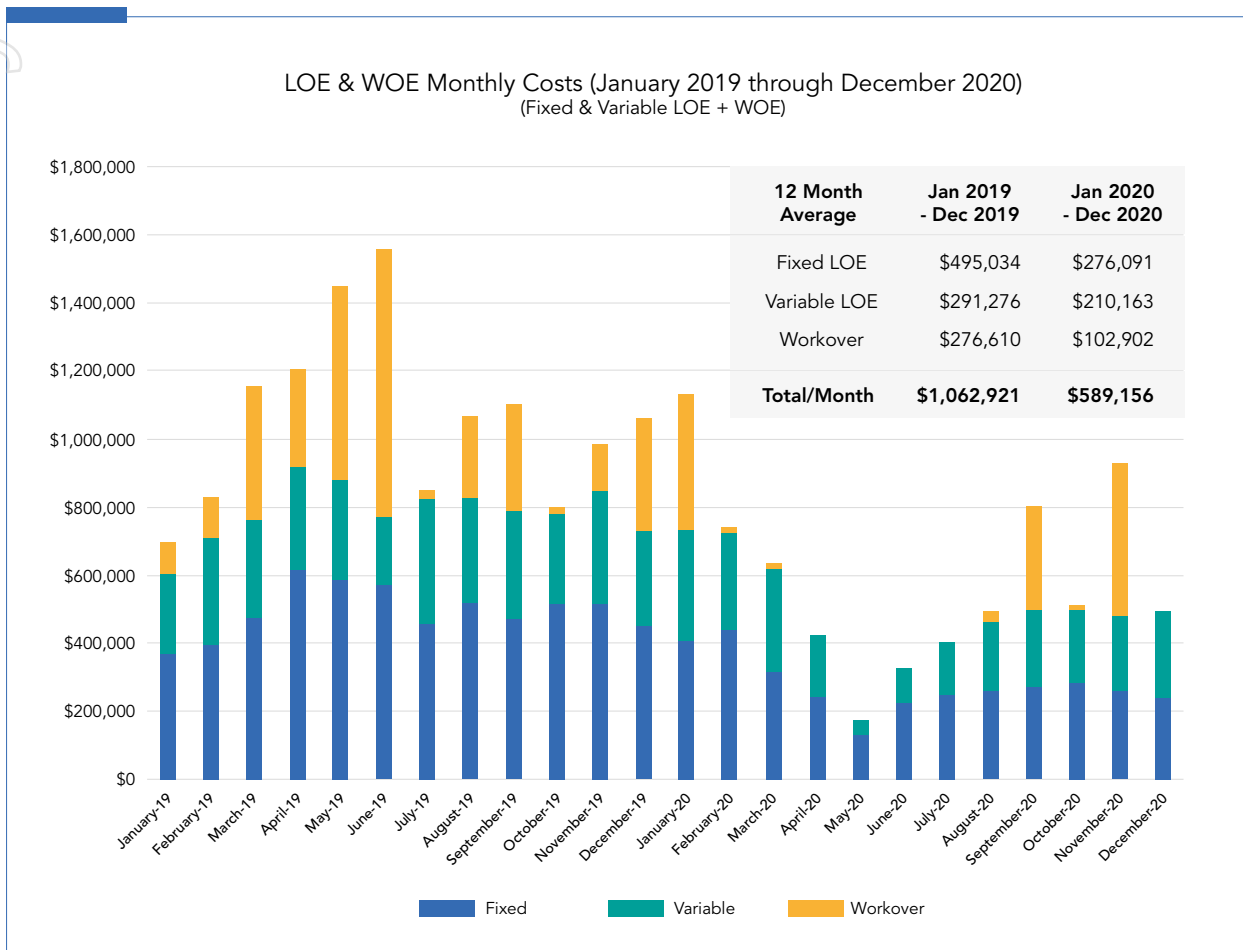


Figure 6: Australis Lease Operating Expenditure (LOE) (Fixed and Variable) and Workover (WO) costs by production month on a Gross basis) for 2019 and 2020. Note these costs are for the 100% interest, including all owners in all wells operated by Australis.

Figure 6 above shows the reductions in Operating Costs achieved during 2020 by comparison to 2019. Average monthly fixed Operating Costs have been reduced by 44% and workover costs by 63% over the year. Variable costs were also lower, but this was primarily due to lower produced volumes caused by curtailment and natural well depletion. The significant decrease in workover costs was driven by a reduction in workover frequency, with a number of design and operational practice changes implemented from 2018 onwards leading to longer run time before well problems lead to workovers.

Overall field Operating Costs reduced to US\$13.33/bbl which is a 13% reduction on the 2019 average.

The net result for Australis, was that despite the incredibly challenging business environment, the Company was able to achieve an operating positive cashflow in every quarter through the year, a testimony to the robust nature of the underlying business.



## PRODUCTION SUMMARY FOR 2020

Well performance of the legacy wells ATS acquired in 2016 has broadly been within expectations throughout the period, with gentle decline profiles seen on these wells that have now been on production for 5 – 8 years. Figure 7 below shows the calendar monthly production data for the new Australis drilled (IDP) wells per 1,000 ft and the TMS Type Curve for comparison.

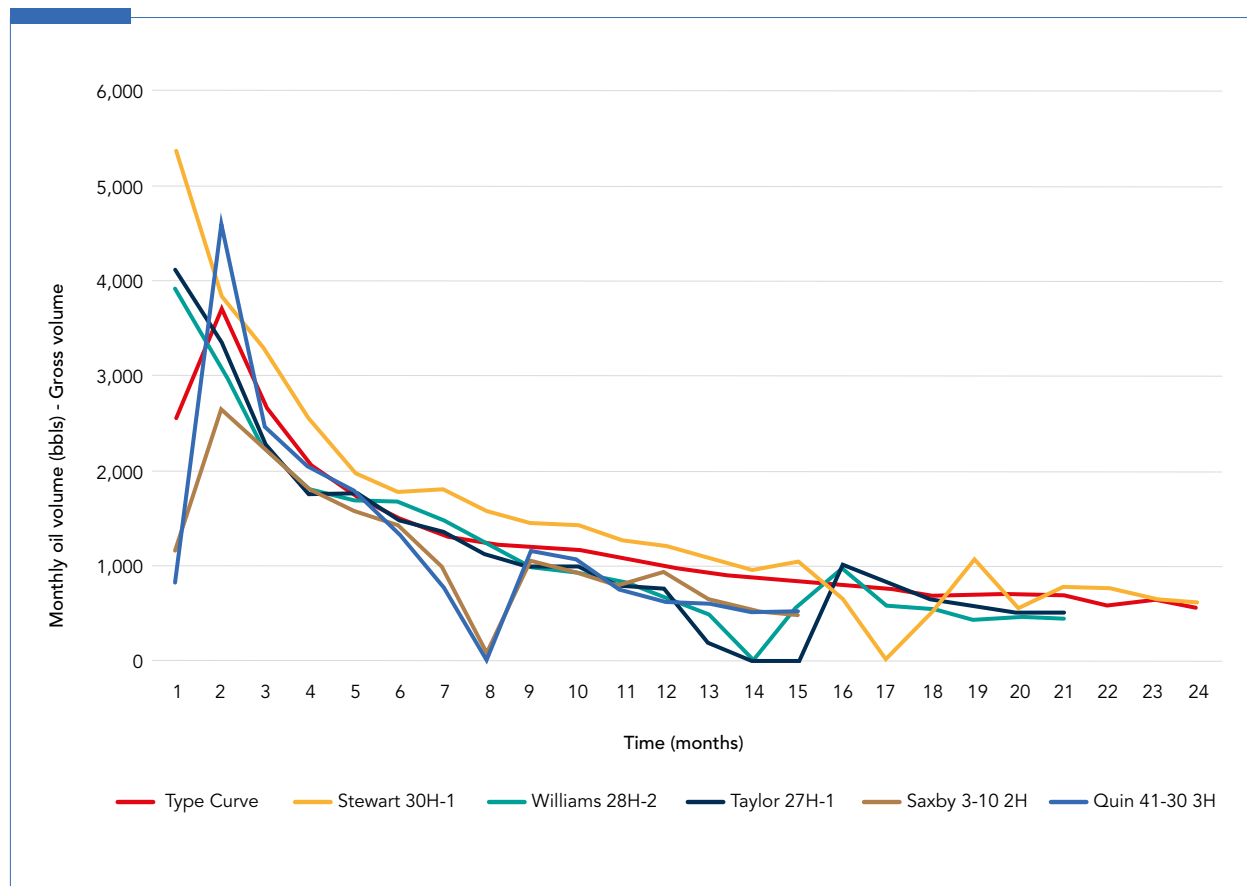


Figure 7: ATS new well (IDP) monthly production data (per 1,000ft)

The periods of low or zero production in a given month is due to the curtailment program implemented during Q2 2020. The average of the wells is sitting just below the TMS Type Curve, but this is influenced by downtime associated with the multiple weather issues encountered during the latter part of 2020. Reservoir productivity continues to be in line with expectations and the TMS Type Curve created by averaging monthly performance of the 2014 ATS Wells.

Working Interest sales volumes are shown above in Figure 5 and were heavily influenced by the Q2 curtailment program and abnormally high hurricane disruption. Working Interest sales totalled 505,000 bbls during the year or an average of 1,380 bbls/day.

Each year Australis sets clear and challenging targets for EHS performance. It is an integral part of our planning, supervision, execution and review of all activities that take place, from the routine to the unusual. The operations during 2020 were carried out without injury or accident and we met or exceeded all of our targets and stretch goals despite the added burdens imposed by COVID-19. It is appropriate within the Annual Report to shareholders to acknowledge this performance by the Australis team and to thank in particular the field operations team for the contribution to the Company's continued high safety record.

## REVIEW OF OPERATIONS

### AUSTRALIS TMS LEASE POSITION

*With over 1/3 of its acreage position in the TMS core held by production (HBP) and the remainder having been secured on 3 to 5 year tenure leases, Australis retains a material and controlling position within the delineated high quality area.*

Australis started 2020 with approximately 115,000 net acres within the TMS Core area under lease and has not entered into any new leases during the period, due to the early 2020 response to defer all discretionary expenditure. Through negotiation some leases were extended on a zero cash cost basis however others were allowed to expire and by the end of 2020 Australis held 107,500 net acres in the play, of which 37,700 net acres are HBP status. Approximately 13,300 net acres are due to expire in 2021 if no further leasing takes place, although approximately 4,800 net acres have an extension option built into their terms. When Australis elects to recommence discretionary capital expenditure on leasing, we are confident we could recover the lost acreage position. The Company closely monitors third party leasing activity in the area which, if encountered, would be a contributing factor to any such decision.

Australis is aware of historical leasing by third parties, and in October 2020 advised the market that State Line Exploration LLC (State Line), a regional portfolio operating company for Juniper Capital Advisors, a US based energy investment firm with over US\$1.2 billion in assets under management, commenced the permitting of their first TMS well. That process was completed by year end and Australis anticipates State Line to be in a position to drill the well (Reese 11H No. 1), whose location is shown below in Figure 8, during 2021.

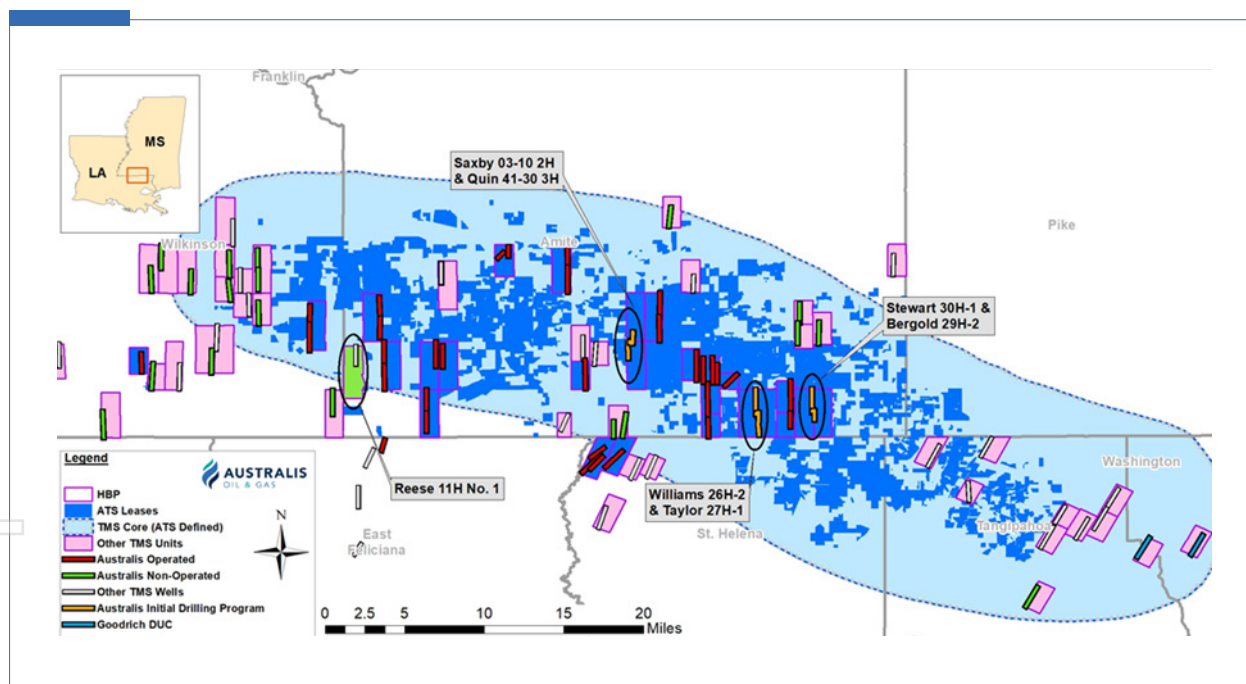


Figure 8: Australis acreage with well locations including IDP wells and the State Line Exploration permitted well

The Reese 11H No. 1 (green unit in Figure 8) has been permitted on the north east fringe of the State Line acreage position, but within the Australis designated TMS Core and is in close proximity to a number of our operated and producing wells (shown as red in Figure 8).

The acreage expiry profile is shown in the pie chart in Figure 9 below.

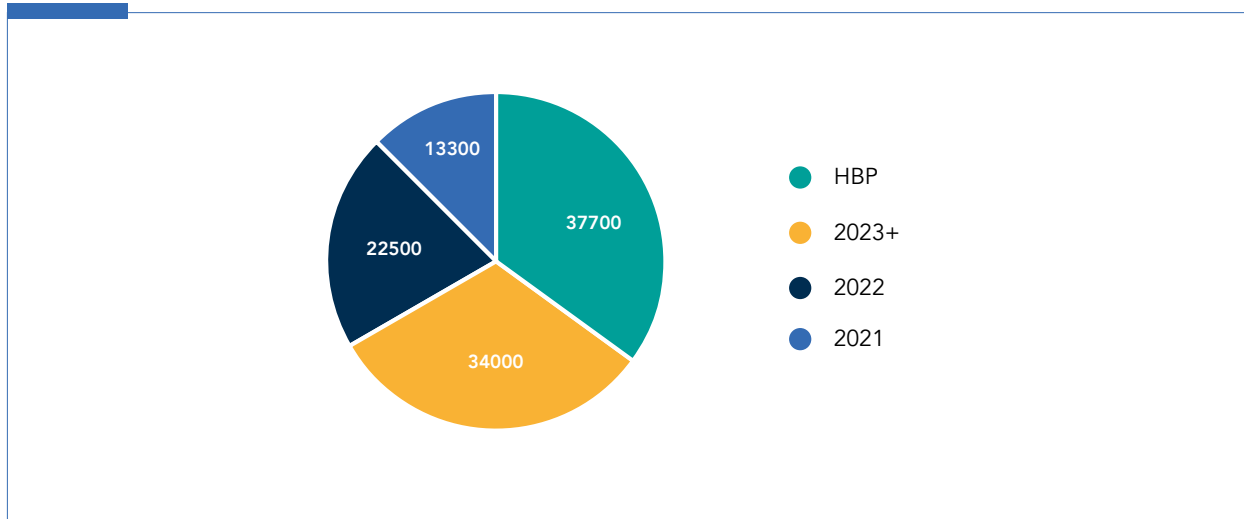


Figure 9: TMS Lease Expiry year – TMS Core Net Acres as at 31 December 2020

## TMS RESERVES AND CONTINGENT RESOURCES

The year end 2020 reserve and resource estimates were prepared independently by Ryder Scott Company, L.P. in accordance with the SPE – Petroleum Reporting Management System (PRMS) as revised in June 2018. Due to the prevailing business circumstances Australis elected to adopt a more conservative development schedule than used in previous estimates. The YE 20 reserve estimate is based on drilling 58 gross well locations within the mandated 5 year window from the effective date. Table 1 below compares the development schedule used for the YE19 and YE20 reserve estimates.

Comparison of reserve development schedule for YE 2019 and 2020 estimates				
	YE19		YE20	
	Gross Wells	Rigs	Gross Wells	Rigs
Year 1	11	1 - 2	0	0
Year 2	32	2 - 3	8	1
Year 3	47	3 - 4	10	1
Year 4	50	4	20	2
Year 5	40	4	20	2
<b>Total</b>	<b>180</b>		<b>58</b>	

Table 1: Comparison of reserve development schedule for year end 2019 and year end 2020 independent reserves assessment

The 58 gross development wells considered by Ryder Scott were spread across the three reserve categories and were all considered economic at an assumed flat oil price of US\$47.02/bbl (December 2020 average achieved oil price). The net (Australis WI in the gross wells) development well count was 40 wells and corresponds to approximately 10% of the total net acreage position Australis holds. Ryder Scott allocated the following reserves to this development plan of that very limited acreage position.

## REVIEW OF OPERATIONS

TMS reserves and resources as at 31 December 2020 <sup>1</sup>		
Reserve and Resource Category	Net Oil (Mbbbls)	% change to YE19
<b>Proved Reserves (1P)</b>	<b>10,377</b>	<b>(79%)</b>
Probable Reserves	10,644	(22%)
<b>Proved + Probable Reserves (2P)</b>	<b>21,021</b>	<b>(66%)</b>
Possible Reserves	6,441	(80%)
<b>Proved + Probable + Possible Reserves (3P)</b>	<b>27,462</b>	<b>(70%)</b>
<b>2C Contingent Resource</b>	<b>149,420</b>	<b>15%</b>

Table 2: TMS reserves and resources as at 31 December 2020

The remaining acreage that is assumed not developed in the 5 year window is considered a resource under the SPE – PRMS rules and is deemed contingent, subject to a permissible development plan.

The significant reduction of wells drilled for the development plan corresponds to the reduction in allocated reserves and all 2019 locations that were not considered in 2020 have been simply transferred into the contingent resource volumes. The only other key change is the 7% reduction in land position, which reduces the contingent resource estimates.

### BUSINESS DEVELOPMENT AND CORPORATE STRATEGY

Australis is presently seeking a partner to participate in the Company's TMS asset value creation strategy. The Company has engaged with a number of potential parties, although interest remains tempered by market conditions. The rising oil price in Q1 2021 and improving visibility to the ultimate resolution of the COVID-19 pandemic are all contributing factors to some positive movement in market sentiment, with the consequent transition by potential partners from a short-term focus on asset preservation to consideration of longer-term growth opportunities, which we feel will be beneficial to the likelihood of introducing a partner on acceptable terms.

Australis believes that the US shale industry was, prior to COVID-19, already undergoing a significant transition from its status as an emerging contributor to global production, capable of rapid growth to a more mature status where growth is incremental in nature. Global events during 2020 accelerated this transition, with US production dropping by up to 2 million bbls/d and the more developed plays unlikely to return to material growth status in the future. The underlying drivers for this transition are summarised below and have been noted by many industry participants:

- a reduced undeveloped well inventory of Tier 1 oil development locations in more mature plays;
- aggressive assumptions on spacing that have led to lower well performance and further reduction in assumed inventory; and
- shareholder pressure for free cash flow and the limited availability of capital markets funding for growth stories is reducing development budgets for anything other than Tier 1 assets.

The impact of this was already seen in 2019 with significant reductions in horizontal drilling rig counts and frac fleet utilisation. The low oil price environment during 2020 led to a further dramatic reduction in rig counts and a number of fields being shut in during the Q2/Q3 period. Furthermore, the one area generally seen as capable of significant production growth, the Permian basin, saw consolidation of most of the larger participants during the latter part of 2020. This puts the majority of the remaining Tier 1 development inventory in the hands of a select few operators.



As access to Tier 1 undeveloped locations in existing basins becomes more difficult, the industry will need to find replacement inventory in new and emerging plays. Australis believes these circumstances have made the TMS Core an increasingly unique and attractive play together with the following attributes:

- the TMS Core is a highly productive oil-weighted reservoir proven to be as prolific as mature developed Tier 1 plays in the US;
- Australis has an acreage position that is sizable and contiguous, and enables control of development of the play. This acreage remains long dated with over 66% either HBP or with an expiry date beyond January 2023.
- for prospective partners, Australis' acreage is at an attractive stage where it has been substantially de-risked and delineated but remains largely undeveloped;
- the proximity of the TMS to oil sales infrastructure, with large capacity and multiple markets;
- the TMS produces quality light crude that continues to attract premium LLS pricing; and
- TMS development benefits from favourable land and development rules, regulatory context and receptive local and state governments, which may become increasingly relevant during the new Biden Administration that has signalled an intention to target gas flaring, fracking on federal land and water usage/disposal during their term in office. The Australis TMS offers insulation from these potential regulatory issues.

Australis will maintain its strategy of seeking a partner, and believes that during 2021, market conditions will become more conducive to that process.

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

In August 2020 Australia advised the market that it was reluctantly relinquishing its exploration Concessions in Portugal. Despite the compelling opportunity for both the Company and the country of Portugal, for a number of reasons it was becoming clear that too many impediments to an appraisal and development program for the existing discovery existed and there was not the political appetite to address them. As Australis has met its obligations throughout the Concessions tenure, there was no cost to the relinquishment process and by year end it had been completed and performance bonds released by the Portuguese government.

# FINANCIAL & CORPORATE REVIEW

## 1. SUMMARY OF FINANCIAL RESULTS POSITION

Unprecedented oil price volatility, intensified by the global COVID-19 virus pandemic, materially impacted the Company's results for 2020. Significantly lower demand for oil commencing early in 2020 continued throughout the year depressing oil prices.

Australis reacted quickly in 2020 to safeguard its TMS asset by implementing several financial measures in addition to those taken prior to the pandemic, including reductions to field-based activity, Operating Costs and G&A expenditure as well as the elimination of all discretionary capital expenditure such as leasing of TMS acreage. Production was voluntarily curtailed during the periods of lower oil pricing in the 2nd quarter to preserve production volumes for higher oil prices, to reduce lease Operating Costs and to reduce potential COVID-19 exposure for field personnel. The Company's oil price hedge program, together with the various actions implemented, ensured positive earnings (excluding non-cash items) for every quarter of 2020, despite the prevailing oil prices.

For the year ended 31 December 2020, Australis reported a net profit before impairment of US\$1.5 million (2019: US\$7.0 million) and a net loss after impairment of US\$125.2 million (2019: profit US\$7.0 million). Cash flow of US\$14.6 million from producing wells in the TMS (Field Netback) assisted in funding corporate overhead and financing costs which included the repayment of US\$13 million of principal debt during the year.

A review of Group results is summarised below.

	Year ended 31 December 2020	Year ended 31 December 2019	% Change Favourable/ (Unfavourable)
	US\$'000	US\$'000	
Sales volumes (working interest)* bbls	505,000	846,000	(40%)
Revenue	26,148	52,570	(50%)
Field Netback**	14,612	28,510	(49%)
Operating Cashflow***	6,621	16,975	(61%)
EBITDA**	7,027	13,772	(49%)
Net Profit before impairment and taxation	1,502	7,009	(79%)
Impairment provision	(126,710)	-	(100%)
Net (loss) / profit after impairment and taxation	(125,208)	7,009	(1,886%)

\* Volumes rounded to the nearest thousand barrels

\*\* EBITDA and Field Netback are considered non-IFRS measures. Refer to Non-IFRS Financial Measures on page 34.

\*\*\* Operating cashflow represents the net cash from operating activities. Refer to Note 2.11 of the Financial Statements.

### Sales and Revenue

Sales revenue for the year was US\$26.1 million, which was 50% lower than 2019. This decrease was primarily due to the decrease in production volumes and realised oil price. Production reduced by 40% primarily due to, apart from natural decline the decision to curtail production during the 2nd quarter of 2020 as the effects of the COVID-19 pandemic reduced WTI oil prices below US\$40/bbl.

The Australis production and average realised price per barrel of oil by quarter and for the full year in 2020 was as follows:

		Q1	Q2 <sup>1</sup>	Q3	Q4	2020 Total
Oil Production (WI)	bbls'000	171	66	143	125	505
<b>2020 average</b>						
Realised oil price before hedges	US\$/bbl	\$49.21	\$26.22	\$41.37	\$42.78	\$42.39
Realised oil price including hedges	US\$/bbl	\$53.75	\$66.95	\$46.36	\$47.22	\$51.76

<sup>1</sup> Australis did not sell any oil in May 2020 due to the low oil price environment. Production was voluntarily curtailed in the 2<sup>nd</sup> Quarter.

The Australis average realised oil price of US\$51.76 in 2020 (including hedges) was 17% lower compared with US\$62.12 in 2019. Australis continued to benefit from higher realised pricing than other plays in onshore USA due to the LLS premium received in the TMS.

### Field Netback, Operating Cashflow and EBITDA\*

Field Netback, Operating Cashflow and EBITDA decreased compared to 2019 due to lower revenue resulting from the decrease in oil sales volumes and realised oil prices. Operating Costs of US\$6.7 million (US\$13.33/bbl) were consistent with expectations and lower, per barrel, than 2019 (US\$15.40/bbl) as the benefits of the focus in reducing costs and downtime were achieved during the year. The reduction in contractor use within the field, staff rationalisation and a reduction in well workover and repair cost resulting from several changes and modifications implemented over the past 18 months to the operating parameters of the TMS wells, all contributed to lower Operating Costs in 2020.

### Australis TMS field Operating costs

	2020		2019		% change	
bbls	505,000		846,000		40% lower	
	US\$	US\$/bbl	US\$	US\$/bbl	US\$	US\$/bbl
Lease Operating Expenses	\$5,524,000	\$10.94	\$9,718,000	\$11.50	43% lower	5% lower
Workover Expenses	\$1,207,000	\$2.39	\$3,300,000	\$3.90	63% lower	39% lower

G&A expenditure was reduced early in the year primarily through staff rationalisation and the reduction in salaries and cash remuneration for all employees and directors. G&A expenditure for 2020 totalled US\$5.9 million, a 54% reduction from 2019 (US\$12.7 million).

\* EBITDA and Field Netback are considered non-IFRS measures. Refer to Non-IFRS Financial Measures on page 34.

### Impairment of Oil and Gas Assets

Recognising the current global uncertainty in the oil industry and financial markets, the Company, in accordance with the Accounting Standards, reduced the carrying value of its TMS oil and gas assets during the period through a non-cash impairment provision of US\$118.3 million. This non cash provision was based on an assessment of the value of the TMS oil and gas assets and liabilities using a 'fair value' estimation (estimated recoverable amount on sale less sale costs) rather than the prior years adopted development 'value in use' methodology (estimated value based on a program to drill and develop the in ground reserves and resources). This change led to the internal accounting valuation being based on existing proven producing reserves (using a discounted cash flow based on assumptions including oil price indicated in Note 3.4 in the Financial Statements) and an applied market value of the remaining TMS core acreage on an undeveloped basis only.

The assumptions adopted for the assessment of recoverability of oil and gas assets can be found in Note 3.4 to the Financial Statements.

## FINANCIAL & CORPORATE REVIEW

The method of assessment of value and the resultant impairment provision arises for accounting purposes only at the reporting date. The Board's view is the developed and undeveloped reserves and resources are valuable, however, with the economic conditions currently existing, the time frame for such development is too uncertain and therefore under the accounting standard requirements only a nominal 'undeveloped holding value' has been allocated to the undeveloped reserves and resources in the Statement of Financial Position. The impairment provision has no effect on any covenant within the Macquarie Facility.

The COVID-19 pandemic together with other areas of concern for the Board resulted in the carrying value of the Portuguese asset being fully impaired (US\$8.4 million). Prior to year end the Company relinquished the Portuguese concessions.

### Net Profit

The Company reported for the 2020 year:

- a profit before impairment and taxation of US\$1.5 million (2019: US\$7.0 million) which was lower than 2019 due to lower sales volumes and lower achieved commodity price
- a loss after impairment and taxation of US\$125.2 million (2019: US\$7.0 million) due to the reduction in the carrying value of the TMS oil and gas assets and the Portuguese assets as discussed above.

## 2. SUMMARY OF FINANCIAL POSITION

Balance Sheet Summary	As at		% Change
	31 December 2020	31 December 2019	
	US\$'000	US\$'000	
<b>Current assets</b>	<b>8,435</b>	22,319	(62%)
<b>Non-current assets</b>	<b>79,789</b>	207,308	(62%)
<b>Current liabilities</b>	<b>(10,372)</b>	(16,592)	37%
<b>Non-current liabilities</b>	<b>(19,156)</b>	(31,231)	39%
<b>Equity</b>	<b>58,696</b>	181,804	(68%)

### Funding & Balance Sheet

Australis acted swiftly in response to the oil industry uncertainty created in the 1<sup>st</sup> quarter of the year with the global pandemic. Reduction in operating and G&A expenditures had been occurring since late 2019, however, with the depressed and volatile oil pricing in early 2020, Australis acted to:

- suspend all discretionary capital expenditure including land leasing and renewals;
- reduce Operating Costs and G&A expenditure via staff rationalisation and material reductions in KMP and staff remuneration, and
- restructure and reduce debt commitments and costs.

At year end, the Company had US\$4.7 million in cash, total Credit Facility debt of US\$20 million and working capital, excluding current Credit Facility debt, of US\$2.1 million.

### Credit Facility

The Company's Credit Facility, with Macquarie Bank Limited, was restructured in April 2020 to reduce the debt balance and ensure covenant compliance during the period of depressed oil prices. The US\$75 million Credit Facility established in late 2018 was originally designed for short term utilisation with capacity to fully fund the execution of the Company's initial TMS drilling program of 6 to 10 wells. At the commencement of 2020, US\$35 million had been drawn and US\$2 million repaid in 2019 as per the terms of the Facility. The Company's focus changing in early 2020 to manage and safeguard the TMS assets through the prevailing poor market conditions, access to additional debt funding was no longer a strategic priority.

The April 2020 pre-emptive restructure of the Credit Facility included the immediate reduction of 30% of outstanding debt, the cancellation of available but undrawn debt and the waiver of key financial covenants for the remainder of 2020. The key actions and amendments implemented at that date were as follows:

- a principal repayment of US\$10 million from existing cash reserves;
- a waiver of the key financial covenants relating to reserve valuation until 31 December 2020, providing relief from short term low oil prices; and
- the removal of US\$40 million of undrawn debt availability and associated standby fees.

By year end Australis further reduced the outstanding debt with a US\$3 million principal repayment, resulting in an outstanding balance of US\$20 million.

The Credit Facility matures in November 2023 with minimum quarterly repayments of US\$1 million until such time. Australis retains the ability, without penalty, to refinance or repay the entire Facility at any time.

### Capital Expenditures

During the 1<sup>st</sup> quarter of the year the uncertainty created by the pandemic meant all discretionary capital expenditure was suspended, including all land leasing and renewals of expiring TMS leaseholds. This decision resulted in a 6.5% reduction in net TMS Core acreage over the course of 2020.

The capital expenditure incurred in 2020 related to leasing commitments made prior to the suspension of expenditure, necessary replacement of various field equipment and work of capital nature performed on existing wells to maintain or increase production levels.

### Hedging

The Company's commodity price hedge policy enabled the 2020 average price realised for all oil sold to exceed US\$51/bbl. The commodity price hedges assisted with balance sheet stability during the depressed oil price periods in 2020. A total of 381,000 hedged bbls were settled in 2020 which resulted in over 90% of net production (75% of WI production) being hedged for the year at an average price of \$51/bbl. The hedges comprised a combination of WTI costless collars and swaps and were executed in the period from late 2018, 2nd and 3rd quarters 2019 and throughout 2020.

The hedge instruments consisted of costless WTI collars (157,000 bbls) with an average protected price ("floor") of US\$54/bbl and an average ceiling price of US\$73/bbl and WTI Swaps (224,000 bbls) with an average price of US\$49/bbl. All of the above hedges settled for a net gain to Australis of US\$4,732,000 (US\$9.37/bbl (WI)).



## FINANCIAL & CORPORATE REVIEW

In addition, the Company executed additional swaps and collars for 2021 and into 2022. The following hedges were in place as at 31 December 2020.

Australis Hedge Position – Swaps and Collars					
Period	Instrument	Volumes	WTI Swap	WTI Put <sup>A</sup>	WTI Call <sup>A</sup>
		bbls	US\$/bbl	US\$/bbl	US\$/bbl
H1 2021	Collars	24,702		44.25	56.89
	Swaps	137,200	46.22		
H2 2021	Collars	14,200		40.00	50.50
	Swaps	101,200	46.93		
H1 2022	Swaps	32,100	48.78		
H2 2022	Swaps	13,200	50.20		
H1 2023	Swaps	4,000	50.40		

A. Based on weighted average monthly price

The “mark to market value” of the current hedges as at 31 December 2020 is US\$(0.3) million reflecting the higher WTI futures pricing at year-end for the hedge period. This value is recognised as a liability on the balance sheet.

It is anticipated that additional barrels will continue to be hedged throughout 2020 consistent with Australis’ hedging strategy to manage commodity price risk.

## 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 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](http://www.australisoil.com).

## RESERVES AND RESOURCES STATEMENT

## Reserves

Reserve Category	Australis Reserves <sup>1</sup>		Net Oil % Change YE20 vs YE19 <sup>1,2</sup>
	Gross Oil (Mbbbls)	Net Oil (Mbbbls)	
Proved Developed Producing (PDP)	5,383	3,656	3.1%
Proved Undeveloped (PUD)	15,128	6,722	
<b>Proved (1P)</b>	<b>20,511</b>	<b>10,377</b>	<b>(78.6%)</b>
Probable Developed Producing	695	486	
Probable Undeveloped	15,462	10,157	
Probable Total	16,157	10,644	
<b>Proved + Probable (2P)</b>	<b>36,668</b>	<b>21,021</b>	<b>(66.2%)</b>
Possible Developed Producing	821	574	
Possible Undeveloped	10,650	5,868	
Possible Total	11,472	6,441	
<b>Proved + Probable + Possible (3P)</b>	<b>48,139</b>	<b>27,462</b>	<b>(70.7%)</b>

Description	Net Oil (Mbbbl)
<b>PDP Reserve (31/12/19)<sup>2</sup></b>	<b>3,547</b>
2020 Net Production	(411)
Technical Adjustment	(26)
Production Variance	(71)
Lower oil price	(63)
Lower operating cost	692
Changes to ownership	(16)
Other	4
<b>PDP Reserve (31/12/20)<sup>1</sup></b>	<b>3,656</b>

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

Contributors to the upward adjustments shown in the above table are discussed below.

- The key change that drove the increase in PDP were the lower Operating Costs achieved during 2020, they added 692 Mbbbls to the estimate.
- Australis produced less PDP volume in 2020 than planned, primarily due to the voluntary production curtailment that occurred during Q2 2020, which accounted for 71 Mbbbls.
- The oil price used for PDP estimates was 22% lower than that used in the 2019 PDP reserve estimates which reduces the economic cut off for each well and hence the associated volumes.

There were other non-material adjustments based on ownership and well performance.

## FINANCIAL & CORPORATE REVIEW

### Resources

Australis net Contingent Resource summary <sup>1,2,3,4,5</sup>						
	Current Resource Estimates			Previous Resource Estimates		
	As of Date	Net Oil (MMbbl)	Net Gas (Bcf)	As of Date	Net Oil (MMbbl)	Net Gas (Bcf)
<b>Low (1C)</b>						
TMS	31-Dec-20	20.8	12	31-Dec-19	6.3	22
Portugal – Batalha Concession			-	31-Dec-16	-	217
<b>Total 1C Resources</b>		<b>20.8</b>	<b>12</b>		<b>6.3</b>	<b>239</b>
<b>Most Likely (2C)</b>						
TMS	31-Dec-20	149.4	92	31-Dec-19	129.5	98
Portugal – Batalha Concession		-	-	31-Dec-16	-	458
<b>Total 2C Resources</b>		<b>149.4</b>	<b>92</b>		<b>129.5</b>	<b>556</b>
<b>High (3C)</b>						
TMS	31-Dec-20	270.7	197	31-Dec-19	234.8	204
Portugal – Batalha Concession		-	-	31-Dec-16	-	818
<b>Total 3C Resources</b>		<b>270.7</b>	<b>197</b>		<b>234.8</b>	<b>1,022</b>

The change in estimated TMS Contingent Resource as at 31 December 2019 and 31 December 2020 is due to the following key factors:

- Between the two dates Australis decreased the development schedule (refer page 17) for the purposes of reserve estimates which transitioned considerable recoverable reserve volumes into the contingent resource categories;
- Due to the decision to defer all discretionary capital expenditure during 2020, the overall acreage position reduced to 107,500 net acres: and
- Australis has relinquished its exploration concessions in Portugal and hence the associated contingent resource has been removed.

It is worth noting that there were no changes made by Ryder Scott on the fundamental subsurface inputs to the TMS Contingent Resource estimates for the report dated 31 December 2020.

### NOTES

1. Contingent Resources and Reserves estimated with an effective date of 31 December 2020 are taken from the Independent Ryder Scott report dated 29 January 2021 and announced on 5 February 2021, titled "Reserve and Resource Update Year End 2020". 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<sup>4</sup>.
2. Contingent Resources and Reserves estimated with an effective date of 31 December 2019 are taken from the Independent Ryder Scott report dated 31 January 2020 and announced on 11 February 2020, titled "Reserve and Resource Update Year End 2019". 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<sup>4</sup>.

3. All estimates have been taken from the independent Netherland, Sewell & Associates report, effective 31 December 2016 and announced on 25 January 2017 titled '2016 Year End Resource Update'. The report was prepared in accordance with the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS). The Company is not aware of any new information or data that materially affects the information included in the referenced market announcement and that all material assumptions and technical parameters underpinning the estimates in the referenced market announcement continue to apply and have not materially changed.
4. The deterministic method is based on qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk-based) approach estimates the quantities at each level of uncertainty discretely and separately.
5. Australis held a 100% working interest in the Batalha and Pombal Concessions, however this interest was subject to a 3% working interest option granted to a contractor and the Net estimates provided by NSAI were prepared with the assumption that this option has been exercised. The Net estimates provided by NSAI also made an allowance for royalties payable to the Portuguese government. The actual royalties payable by Australis were detailed in Article 51 of Decree Law nr 109/94 of the 26 April, 1994 and Article 19.2 of each concession contract. For oil there is a staged royalty of between 0 and 9% based on produced volumes and for gas there is a similar staged royalty of between 3 and 8% again based on produced volumes. As there was not a development plan and an associated production profile for either the contingent or prospective resource estimates, the royalty rate was assumed to be 8 and 9% respectively.

#### Governance and Assurance

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

The estimates provided in "TMS Reserves and Contingent Resources" and the "Reserves and Resources Statement" in this report that 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.

### MATERIAL BUSINESS RISKS

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

#### (a) Strategy

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

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

#### (b) Title risk – TMS Leases

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

Australis has adopted a hedging policy to assist in the mitigation of its commodity price risk. Details of the current hedges in place are detailed in this Financial & Corporate Review.

The restrictions on transportation and business activities imposed by governments around the world due to the COVID-19 pandemic negatively impacted the global demand for oil in 2020, leading to historic levels of volatility in crude oil pricing. Periods of severely depressed oil prices resulted in a significant decrease in the Company's revenue and cashflows from production in 2020. The negative impact of COVID-19 was partially mitigated by Management's execution of the Company's hedging policy.

Although the crude oil price has risen from the lows in mid-2020 and stabilised to some degree in early 2021, there is no certainty as to when, and to what degree, government-imposed COVID-19 restrictions will be lifted. Further, there is no guarantee that the levels of transportation and other business activity that drive crude oil demand will fully recover to prior levels once those restrictions are lifted. While management expects the impacts of COVID-19 to continue to have an adverse effect on our business, financial condition and results of operations through the first half of 2021, we are unable to predict the extent or nature of these impacts at this time. Management has acted to mitigate potential further crude oil volatility in 2021 by putting in place additional hedges in accordance with the Australis hedging policy to achieve certainty of commodity pricing for a majority of production through the first half of 2021.



**(d) Hedging Activities**

Australis has adopted a hedging policy to assist in the mitigation of its commodity price risk. 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 counter-party to the derivative instrument defaults on contract obligations.

Hedging arrangements entered into by the Company are in accordance with the hedging policy as approved by the Australis 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. Oil, condensate, and natural gas exploration and production activities are subject to numerous risks, including the risk that drilling will result in dry holes or not result in commercially feasible oil or natural gas production. Selecting a drilling location is 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 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. Further, existing wells may not produce hydrocarbons in quantities estimated for a variety of reasons and the Company may determine that the cost to repair, rework or recomplete such wells is uneconomic.

Australis manages operational risk through its procedures and policies, employee training, a developed risk management system and a focus on health and safety.

**(f) 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.

**(g) 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.

**(h) 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 consider raising 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.

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.

### (i) Geopolitical, regulatory and sovereign

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

The Company's assets are located in the United States. As a result, they are subject to United States federal and state environmental laws and regulatory requirements.

Whilst the USA is considered by Australis to be politically stable the TMS Leases held by the Company and any wells located thereon may be affected by any changes in government policy or legislation.

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

### (j) Hydraulic fracturing

In the TMS, Australis engages in the practice of hydraulic fracturing to stimulate production of hydrocarbons from tight geological formations. Public debate exists regarding the potential sub surface and surface impact of hydraulic fracturing, including concern about the impacts of hydraulic fracturing on drinking water. Additionally, hydraulic fracturing requires large volumes of water (the availability and regulation of which may change over time) and there are costs associated with water disposal that may be increase over time. Hydraulic fracturing may be subject to additional regulations or restrictions from local, state, or federal governmental authorities, resulting in increased compliance costs. Any modification to the current requirements may materially adversely impact the value of the Company's assets and future financial performance.

### (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. 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, which may adversely affect its cash flows and ability to operate its business and remain in compliance with and repay such indebtedness.

Our ability to make payments on and to refinance our debt and to fund any capital expenditures will depend on our ability to generate cash in the future. To some extent, this is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Lower net revenues will reduce our 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. 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 as Australis' debt position increases.

#### **(m) Commercialisation and access to infrastructure**

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

#### **(n) Environmental**

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

In the areas in which the Company holds oil and gas interests, there exists regulations that include amongst other requirements, the need for permits for drilling operations and reports concerning operations. In addition, there are rules and regulations governing conservation matters, including flaring of gas production, disposal of produced water and abandonment of drilled wells.

The Company may require approval from relevant authorities before it can undertake activities that may impact the environment, including drilling wells. Failure to obtain such approvals may prevent the Company from achieving its business objectives.

Regulations 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.

#### **(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 increase its reserves in the future will depend not only on its ability to explore and develop the TMS leases, but also on its ability to select and acquire suitable producing properties or prospects for drilling.

#### **(p) Climate Change**

Australis recognises that climate change is an important global challenge and poses certain physical risks to its TMS operations. Physical risks from climate change are those arising from an increase in severity and/or frequency of weather events such as hurricanes and flooding. Weather events, including hurricanes, have proven to cause substantial disruptions to hydrocarbon production and as a result of such weather, the Company's (i) facilities may be substantially damaged and (ii) any oil and gas production may be reduced or interrupted entirely. In 2020, a high number of hurricanes impacting the Gulf of Mexico region resulting in increased downtime for Australis producing oil wells and negatively impacted oil productions in the third quarter.

### 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 actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

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



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

Abbreviation/Term	Description
<b>2014 ATS Wells</b>	The 15 wells drilled in the TMS by Encana in 2014 that were acquired and now operated by Australis
<b>2P</b>	Proved plus Probable Reserves
<b>3P</b>	Proved plus Probable plus Possible Reserves
<b>C</b>	Contingent Resources – 1C/2C/3C – low/most likely/high
<b>Capex</b>	Capital expenditure
<b>CH4</b>	Methane
<b>CO2</b>	Carbon dioxide
<b>CO2e</b>	Carbon dioxide equivalent
<b>D, C &amp; T</b>	Drilling, Completion, Tie In and Artificial Lift
<b>EBITDA</b>	Net income or (loss) for the period before income tax expense or benefit, finance costs, depreciation depletion and amortisation and impairment provision
<b>EHS</b>	Environmental, Health and Safety
<b>EUR</b>	Estimated Ultimate Recovery per well
<b>Field Netback</b>	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains or losses, field based production expenses but excludes depletion and depreciation
<b>Gross</b>	Means 100% (or 8/8ths) interest
<b>HBP</b>	Held by Production (lease obligations met)
<b>Initial Drilling Program or IDP</b>	The planning, implementation and execution of an initial drilling program of wells by Australis in the highly productive core of the TMS
<b>IRR</b>	Internal Rate of Return
<b>LLS</b>	Louisiana Light Sweet Oil Benchmark Price
<b>LOE</b>	Lease operating expenditure comprising fixed and variable costs
<b>Mt</b>	Metric ton
<b>N2O</b>	Nitrous oxide
<b>Net Acres</b>	Land the Company has leased and currently holds the mineral rights
<b>Net or NRI</b>	Working interest after deduction of Royalty Interests
<b>Net Sales</b>	Oil & gas sales net of royalties
<b>NPV(10)</b>	Net Present Value (discount rate), before income tax
<b>NSAI</b>	Netherland Sewell & Associates, Inc.
<b>Opex / Operating Costs</b>	Field Operating Expenditure including LOE and WO
<b>PDP</b>	Proved Developed Producing
<b>Permitted Drilling Units</b>	Acreage within a formed and approved drilling unit but is yet to be HBP as a well has not been drilled and commenced production
<b>PUD</b>	Proved Undeveloped Producing
<b>Royalty Interests or Royalty</b>	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
<b>Ryder Scott</b>	Ryder Scott Company LP
<b>TMS</b>	Tuscaloosa Marine Shale

## GLOSSARY

Abbreviation/Term	Description
<b>TMS Core</b>	The Australis designated productive core area of the TMS delineated by production history
<b>TMS Type Curve</b>	The history matched production performance of 15 wells drilled in the TMS by Encana in 2014. Corresponds to an average treated horizontal length of 7,200ft.
<b>WI</b>	Working Interest
<b>WO</b>	Expense for "working over" / repairing an existing well.
<b>WTI</b>	West Texas Intermediate Oil Benchmark Price

### 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. EBITDA, 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 EBITDA, 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.

#### EBITDA

EBITDA represents net (loss) / income for the period before income tax expense or benefit, finance costs, depletion, depreciation and amortisation charges and impairment provision.

The following table reconciles net (loss) / profit after tax to EBITDA:

	31 December 2020	31 December 2019
	US\$'000	US\$'000
Net (loss) / profit after tax	(125,208)	7,009
Adjustments:		
Depletion	434	3,060
Depreciation – production equipment	1,521	1,427
Depreciation	639	119
Net finance expenses	2,931	2,157
Impairment provision	126,710	-
<b>EBITDA</b>	<b>7,027</b>	<b>13,772</b>

#### 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 2020	31 December 2019
	US\$'000	US\$'000
Net (loss) / profit after tax	(125,208)	7,009
Adjustments:		
Depletion	434	3,060
Depreciation – production equipment	1,521	1,427
Depreciation	639	119
Finance expenses amortisation	885	795
Impairment provision	126,710	-
Share based payments	1,826	1,418
Unrealised foreign exchange (gain) / loss	(54)	88
<b>Earnings excluding non-cash items</b>	<b>6,753</b>	<b>13,916</b>

At Australis, our corporate vision is to generate shareholder value in a sustainable and responsible manner, whilst meeting the 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 show a demonstrable commitment to improvement in 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 all business decisions and processes. The results of these efforts are presented in this section of the Annual Report and the Company will increasingly include measurable targets against which we will report annually and further integrate into our executive and staff remuneration structures.

At Australis we view sustainability as a broad philosophy that is applicable to most facets of our business, including:

- our business strategy and corporate culture;
- the health and safety of those working for us and those affected by our operations;
- the environmental impact we have on the areas within which we operate; and
- 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 and are covered in this report. In addition, for 2020 we have expanded our reporting to include emissions from our production sites, 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 expanded reporting provides the reader with an improved insight into the various forms of interaction that occur.

## PURPOSE AND VALUES

The Company detailed its Purpose and Values in the 2019 Annual Report, and they are consistent with the corporate business strategy and culture which has been implemented since the Company was formed in 2014.

The Company's Purpose is "to identify and secure entry into undervalued upstream oil opportunities and 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 Board, management, staff and contractors have stayed focused on this Purpose, although the timing of strategic implementation has had to adapt to market circumstances, particularly during 2020.

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 evolve based on communication and feedback from employees and stakeholders and that the resultant culture is reinforced 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. A key initiative 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. This was first introduced in 2018 and was continued during 2020. Under the STI Plan, the EHS multiplier, which ranges from 60% (poor performance) to 140% (excellent performance), is applied 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. In this way it ensures that EHS is incorporated into every facet of our business by employees, as opposed to being a stand-alone component of any bonus structure. This direct correlation between environmental and safety performance and remuneration assists in ensuring that EHS is at all times considered a priority.

## 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 now included in the Company's Purpose. Working safely is a condition of employment and our 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 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.



In 2020 the Australis team logged a total of 649 SOS forms, which were assessed with 16 being considered high risk, 212 medium risk and 421 low risk. Typically, corrective action is taken at the time of the safety observation, but several trends were noted, which led to broader corrective actions being taken. SOS cards are also addressed at regular team meetings and specific safety meetings.

Tools such as the SOS program help drive safety performance, the following table summarises the employee and contractor safety performance in 2019 and 2020.

	Incident Type	2019	2020
Employees	Near Miss	0	0
	First Aid	0	0
	OSHA Recordable <sup>1</sup>	0	0
	Lost Time	0	0
	Lost Time Days	0	0
	TRIR <sup>2</sup>	0.00	0.00
	Hours Worked	69,688	46,508
Contractors <sup>3</sup>	Near Miss	2	0
	First Aid	2	0
	OSHA Recordable	2	0
	Lost Time	1	0
	Lost Time Days	34	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 but notes that activity levels were significantly reduced during 2020.

Australis' other key health and safety initiatives include:

- 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 organisation;
- use of Veriforce PEC, 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. All plans were rolled out with ongoing annual 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 252,338 miles in 2020 (245,598 miles in 2019) without any incidents and compiled an average score (measuring the above mentioned driving behaviours) from the third-party monitoring system of 97.3%, which corresponds to a low risk assessed performance.

2020 has been a unique year because of the impact of COVID-19, and Australis has implemented regimes and processes aimed at protecting staff whilst maintaining production operations.

## **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 behaviour 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 via the Company's website.

## **Development & Retention: Providing appropriate opportunities and incentives for employees to develop and grow their career within the Company**

Australis recognises and values the importance of training and development programs for all staff. Technical training, professional development and support for technical certifications are offered to all staff.

Each year, the Australis leadership team 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 performance rights are also linked to the Company share price performance during the vesting period, with this percentage increasing 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 upholds 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. The Company also engages in visa sponsorship programs to ensure those with the best skills for our operations are able to work with us, regardless of their background. We are an international Company, with offices in multiple jurisdictions, which adds to our cultural and ethnic diversity.

## **ENVIRONMENT**

### **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 regulations, including operating production sites under government-issued air emissions permits when required.

We have been proactive with authorities such as the Mississippi Department of Environmental Quality (DEQ) to streamline the permit process and modernise permit requirements, resulting in a new Oil and Gas General Permit which increases operational efficiency, reduces permit application times, and adds transparency to the permitting process.

We seek to identify opportunities to improve on regulatory requirements, for instance Australis requires all third-party oil haulers to comply with more stringent truck leak testing requirements than are legally required, to reduce air emissions from loadouts.

Last year Australis participated in the USA Environmental Protection Agency's (EPA) Greenhouse Gas (GHG) Reporting Program by submitting data on operations and is in the process of compiling data for 2020 submissions which are due in March 2021. The table below provides some basic emission data that Australis is now able to track and in the future we plan to provide comparisons to industry standards.

Australis produced the following working interest volumes during 2019 and 2020 (note these are production volumes (WI) and not sales volumes) from our Mississippi operated assets (98.7% of oil production).

	Oil Production (bbls)	Gas Production (MMscf)	Water Production (bbls)
2019	850,172	438	763,100
2020	509,000	332	504,764

Australis generated the following GHG emission volumes from our operations in Mississippi in 2019. Reporting timeframes mean it is not possible to include 2020 figures in this report, but Australis is working on processes that will allow estimates to be made in time for this report in future years.

		CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	CO <sub>2</sub> e
2019	mt	48,868	346	0.08	57,537
	Mt/bbl of oil produced	0.0575	4.07 x 10 <sup>-4</sup>	8.95 x 10 <sup>-8</sup>	0.677

As Australis builds a data track record then we intend to monitor trends, set targets and assess relative performance going forward in future years.

As part of our commitment to reducing emissions Australis also carries out periodic gas leak surveys using forward-looking infrared (FLIR) cameras to identify any sources of emission to allow remedial action to be taken. Australis operated locations are designed and equipped with modern air emissions control equipment to minimise emissions.

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 air emissions footprint.

### Water Management: Responsibly sourcing and managing the water we utilise

Australis is aware that water is a precious commodity and is conscious of the quantities of water consumed during drilling and fracing operations as well as the produced water volumes 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 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

On average Australis produces slightly less than 1 bbl of water for each bbl of oil. The volumes for 2019 and 2020 are shown in the table above. 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 and legally. 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 to the environment, Australis operates using best practice initiatives such as full secondary 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 and wear and tear and are more easily repaired when required. Australis maintains Spill Prevention, Control and Countermeasure (SPCC) Plan documents for all operated locations.

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.

The following table provides a summary of the spill performance of Australis operations in 2019 and 2020

	2019	2020
Non reportable spills <sup>1</sup>	11	8
Reportable spills <sup>2</sup>	3	1
Oil volume spilled inside containment (bbls)	51	0
Oil volume spilled outside containment (bbls)	17.9	13.4
Produced water spill volume (bbls)	4.6	10.7

<sup>1</sup> Non-Reportable Spill: >1 gallon but below a government reporting threshold

<sup>2</sup> Reportable Spill: meets a government reporting threshold

A number of the non-reportable and the one reportable spill were associated with vibration induced damage to small valve fittings on pumps and production vessels. A targeted program reduced vibrations and connections were inspected and where possible changed out for higher strength options.

## 2020 EHS Performance

In 2020, Australis achieved the target for all four EHS related KPIs. Throughout the year there was one reportable spill under applicable regulation, which was a total of 17 bbls (9 bbls oil/8 bbls produced water), after vibrations damaged a connection, leading to a slow leak. This spill was immediately addressed through existing containment and remediation procedures adopted by the Company that meet or exceeded industry standards. There were no incidents reported in the other categories of motor incidents or OSHA reportable safety incidents.

As covered earlier, the Company runs a Safety Observation Suggestion program and sets minimum rolling monthly average participation levels as a proactive incentive mechanism. By achieving this target it allows for one category KPI to be wound back one step, which offset the single reportable spill and led to the Company achieving all four EHS related KPIs in 2020.

## 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 our field locations.
- In previous years Australis has carried out Emergency Response drills in collaboration with local authorities. Due to the COVID-19 and the reduced activity levels in the field it was not carried out during 2020 but will be reinstated on an annual basis when pandemic risks recede.
- Australis maintains its corporate website which includes an Owner Relations page 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

Australis produced oil is presently trucked to a local refinery near Baton Rouge in Louisiana. Whilst the transfer of custody occurs at the oil manifold and therefore the trucking company works for 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. We have also started tracking load counts so that we can monitor usage. Each truck can hold approximately 180 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. The table below provides a monthly breakdown of the total truck loads during 2020 and shows the percentage of split loads achieved.

Month	Total Loads Hauled	Split Loads Hauled	% of Split Loads of Total Loads
January	357	49	14%
February	349	40	11%
March	328	30	9%
April	217	46	21%
May	0	0	NA
June	182	10	5%
July	256	14	5%
August	275	19	7%
September	311	48	15%
October	269	31	12%
November	217	4	2%
December	280	49	18%
<b>Total</b>	<b>3,041</b>	<b>340</b>	<b>11%</b>

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



## Fiscal impact on the local community

Australis sold 505,000 bbls of oil (WI) during 2020 managed the operated production from 37 wells across 20 sites, of which 17 are in Mississippi. This level of activity generated some significant fiscal benefits to the local community, which included:

- US\$4.05 million paid in royalties to local mineral rights owners
- US\$3.15 million spent with local Mississippi vendors and contractors
- US\$2.56 million spent with local Louisiana vendors and contractors
- US\$0.75 million paid in production taxes to local Mississippi and Louisiana authorities.

These are significant sums and total in excess of US\$10 million contributed to the local communities during a period of record low oil prices and difficult market conditions. These figures do not include the salaries and benefits paid directly to 9 full time 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 where available at a comparative cost.

## RISK MANAGEMENT

**Risk Management: Managing risk is an inherent part of our business. Australis actively identifies, quantifies, mitigates and monitors risks as a core part of our day-to-day activities**

Australis maintains a robust system of risk management and internal controls which facilitate the identification and management of risks that may have a material impact on the Company's business and on stakeholders.

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 Operational Risks are regularly reviewed by Company employees, 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.

Australis' Audit and Risk Management 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 Veriforce PEC, a third-party registration system, to qualify contractors and to require them to track and report their EHS performance to Australis. Potential contractors must meet minimum insurance, safety and environmental requirements in line with industry standards and thus achieve a minimum score on PEC'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.

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 2020.

## 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 2020 are:

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

Each director held their office from 1 January 2020 until the date of this report.

## Directors Interests in shares and options

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

	Shares	Options	Performance Rights	Fee Rights
<b>J Stewart</b>	68,335,002	15,000,000	-	7,927,458
<b>I Lusted</b>	15,903,161	6,000,000	5,104,720	9,861,125
<b>G Dowland</b>	15,478,612	5,000,000	3,336,125	7,019,458
<b>A Watson</b>	4,195,715	420,000	-	1,902,583
<b>S Scudamore</b>	296,002	420,000	-	1,902,583

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. The exploration Concessions held in Portugal were relinquished effective 29 September 2020.

## 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 Oil & Gas Limited (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. In 2005, Mr Lusted assumed the Technical Director position for Cape Energy, a private oil and gas company. The company held acreage in Australia and the Philippines where Cape Energy was a key participant in moving the offshore Galoc field to development status. Mr Lusted acted in this capacity until August 2007 when he joined Aurora and in 2008 he was appointed Technical Director. Starting with a very small technical team and drawing on the services of 3rd party contractors, Mr Lusted managed the Aurora contribution to the early evaluation and operational activity within the Sugarkane Field. As activity levels increased staff were sourced and recruited to provide in house resource and expertise, Mr Lusted continued to participate at a decision making level but took on additional supervisory and management roles.

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

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

None

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

None

### *Special responsibilities*

None

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

Qualifications - B.Com, CA

Mr Dowland was appointed Director and CFO of Australis on 12 November 2015. Previously Mr Dowland was a founding director of Aurora appointed 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. Mr. Dowland is a qualified Chartered Accountant.

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

None

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

None

### *Special responsibilities*

None

## Mr Alan Watson – Non-Executive Director

Qualifications – B.Sc (Hons.)

Mr Watson was appointed as an independent Non-Executive Director of Australis on 24 May 2016 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 – Non-Executive Director

Qualifications – MA (OXON), FCA

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

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

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. He is also Chairman of MDA National Insurance Pty Ltd, the insurance arm of a mutual medical defence organisation.

Mr Scudamore's involvement in community organisations includes acting as Vice Chair of the Trustees at the Western Australian Museum.

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

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

- Pilbara Minerals Limited
- Regis Resources Limited
- Former directorships with Australian listed public companies within the last three years
- Altona Mining Limited (Resigned April 2018)

### *Special responsibilities*

- Chairman of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination Committee

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

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

Ms Foster was appointed Vice President-Finance and 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).



### 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 directors		Meetings of committees			
	Eligible to attend	Attended	Audit		Remuneration	
			Eligible to attend	Attended	Eligible to attend	Attended
<b>Jonathan Stewart</b>	12	12	6	6	4	4
<b>Ian Lusted</b>	12	12	-	-	-	-
<b>Graham Dowland</b>	12	12	-	-	-	-
<b>Alan Watson</b>	12	12	6	6	4	4
<b>Steve Scudamore</b>	12	12	6	6	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 5 Board resolutions, 2 Audit Committee resolutions and 1 Remuneration Committee resolution were resolved by circulatory resolution during 2020.

### Shares issued on the exercise of options

No fully paid ordinary shares were issued during the year ended 31 December 2020 (2019: 1,027,500). No amounts are unpaid on these shares.

Grant Date	Year Ended 31 December 2020		Year Ended 31 December 2019	
	Number	Exercise Price	Number	Exercise Price
Options May-16	-	-	1,027,500	A\$0.275
<b>Total</b>	<b>-</b>		<b>1,027,500</b>	

19,675,000 unlisted options exercisable at A\$0.25 and 28,775,000 unlisted options exercisable at A\$0.30 expired unexercised on 31 December 2020.

## DIRECTORS' REPORT

### Shares issued on the exercise of performance rights

The following vested performance rights were exercised and settled during the year ended 31 December 2020 through the Australis Oil & Gas Employee Share Trust (Trust) with treasury shares previously acquired on market. No amounts are unpaid on these shares.

Grant Date	Year Ended 31 December 2020		Year Ended 31 December 2019	
	Number	Exercise Price	Number	Exercise Price
Performance Rights 15-Jun-17	932,506	-	677,103	-
Performance Rights 24-May-18	1,796,402	-	881,273	-
Performance Rights 1-May-2019	478,633	-	-	-
<b>Total</b>	<b>3,207,541</b>		<b>1,558,376</b>	

No vested performance rights expired during the year (2019: Nil). 593,621 performance rights were exercised to meet employee personal tax obligations in North America upon vesting (2019: 198,372). 808,206 performance rights were forfeited as a result of failure to meet the performance vesting conditions (2019: Nil). 5,958,803 performance rights lapsed as a result of failure to meet the continued employment vesting condition (2019: 2,091,440). 1,949 vested performance rights (2019: nil) were forfeited due to failure to meet exercising condition on termination of employment.

Details of all options and performance rights on issue and their terms and conditions as at 31 December 2020 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 Report are set out in the Operating 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 2020, no dividends have been paid or declared and the directors do not recommend the payment of a dividend in respect of the financial period (2019: Nil).

### Events after the reporting date

Other than disclosed, no event has occurred since 31 December 2020 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 Business Development and Corporate Strategy section on page 18 of the Review of Operations.

### Environmental developments

The Group is subject to environmental regulations within the United States under State and Federal laws in the jurisdictions where it holds mineral rights 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 our environmental performance, refer to Environmental section on page 36 of the Sustainability Report.

### Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 2016/191, dated 24 March 2016 and in accordance with that Class Order amounts in the 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 Board has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the audit independence requirement of the *Corporations Act 2001* for the following reasons:

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

Details of the amounts paid or payable to the external auditors, BDO for audit and non-audit services provided during the year are set out at Note 7.6 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 142.

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  
23 February 2021

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 2020.

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

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

In this report the remuneration and benefits reported have been presented in United States dollars unless otherwise stated. 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 on 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.

## Contents of the remuneration report:

<b>1.</b>	<b>Letter from the Chair of the Remuneration and Nomination Committee</b>
<b>2.</b>	<b>2020 Remuneration overview</b>
<b>3.</b>	<b>Key Management Personnel</b>
<b>4.</b>	<b>Responsibilities of the Board and Remuneration and Nomination Committee</b>
<b>5.</b>	<b>Remuneration Structure – Executive KMP</b>
	5.1 Remuneration principles
	5.2 Remuneration components
	5.2.1 Fixed remuneration
	5.2.2 Short term incentives
	5.2.3 Long term incentives
	5.2.4 Other remuneration
<b>6.</b>	<b>Remuneration Structure – Non-Executive Directors</b>
	6.1 Remuneration principles
	6.2 Remuneration components
<b>7.</b>	<b>Terms and Conditions of Share Based Compensation</b>
	7.1 Options
	7.2 LTI Plan Awards – Performance Rights
<b>8.</b>	<b>Share-based awards granted and vested during the year</b>
<b>9.</b>	<b>Share-based awards exercised during the year</b>
<b>10.</b>	<b>Consolidated entity performance.</b>
	10.1 Company Performance
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<b>11.</b>	<b>Total remuneration summary</b>
	11.1 Remuneration of KMP
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<b>12.</b>	<b>KMP interests in shares, performance rights and options</b>
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## 1. LETTER FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Fellow Shareholders,

As the Chairman has highlighted in his letter, our management and staff worked very hard in 2020 to protect our core TMS asset, and to continue to operate the asset safely. I believe we are fortunate to have the quality of personnel that could perform this successfully, under the most challenging of circumstances, and I wish to recognise their combined achievements.

Australis entered the 2020 year with a remuneration strategy designed to reflect the evolving industry environment and Australis's specific circumstances. Whilst the components of Company-wide and KMP remuneration were similar in structure to previous years, the short-term strategic goals were reweighted to operational performance on existing wells and cashflow maintenance.

Following the outbreak of COVID-19 and the challenging effects it caused for the oil industry from the 2<sup>nd</sup> quarter of 2020, the Company quickly reacted to further safeguard the TMS asset and balance sheet. Discretionary capital expenditure was deferred and further cost reductions were implemented. Reductions in remuneration were affected in the 2<sup>nd</sup> quarter to improve group cashflow, including rationalisations of staff numbers, reduced base remuneration, and equity in lieu of cash fees and salaries. All KMP and senior staff participated in these changes.

- The Chairman reduced cash fees to 50% in January 2020 and then to 0% in May 2020 until December 2020
- Non-Executive Directors reduced their cash fees to 50%,
- The CEO and CFO, having reduced their base remuneration prior to the commencement of 2020, further reduced their base salary by 40% and 35% respectively and voluntarily forfeited their 2020 achieved STI, and
- Cash fees and salary forgone in 2020 was converted to Performance Rights which vested in January 2021.

### Short Term Incentive remuneration (STI)

The STI program continued to focus on safety and environment as the overarching principles for all staff and consultants. The results are detailed in the sustainability report with all targets being achieved despite difficult operating conditions imposed by the COVID-19 restrictions.

The STI targets focused on balance sheet strength and cash flow, included partnering and financing for the Company assets, production, operating costs, G&A costs and reserve/resource maintenance. Results are detailed within this report and whilst the trading environment was challenging, the targets impacting cashflow established prior to the pandemic were achieved. The target of introducing a partner was not met due to the impact of the pandemic but as market conditions improve it remains a key objective for Australis for 2021. The deferral of all discretionary capital expenditure, in particular the halting of land leasing and the significant reduction in the reserves development plan, led to the net reserves and resources position being maintained and not achieving the growth targets.

The Board, recognising the difficult year it had been for all stakeholders, imposed a group wide reduction to all employee STI outcomes; reducing their achieved awards by between 50% and 70%. The Board applied a further change from prior years with over 60% of the reduced STI awards being paid in equity.

### Long Term Incentive Plan (LTI)

The 2020 LTI plan retained consistency with previous years plans, and alignment of interests of Executive KMP and staff with shareholders being the overriding objective. Performance Rights were granted based on a percentage of their fixed base remuneration. The rights vest over 3 years weighted towards the 2023 year and are subject to continued employment and, for all senior staff and KMP, achievement of increasing share price performance. For KMP between 50% and 75% of their granted rights are subject to share performance on an absolute basis (75%) and relative basis (25%).

The 2020 share price meant that only 3% of the available 5 million TSR tested rights achieved the required performance for vesting from all awards vesting based on the 2020 performance year.

As we head into 2021 the Company's disciplined financial management continues with respect to remuneration. With improving market conditions and outlook for the Company your Board will react in adopting appropriate remuneration structures for KMP and staff.



**Alan Watson**  
**Chairman, Remuneration and Nomination Committee**  
Perth, Western Australia  
23 February 2021

## 2. 2020 REMUNERATION OVERVIEW

The Board, together with the Remuneration and Nomination Committee established a remuneration structure appropriate for its activity levels and evolution of the Company's development and business which is aligned with the achievement of the Company's strategic objectives. The Board considers the components of the Australis remuneration structure are necessary to retain executives with appropriate experience, both in Australia and North America.

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

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

In 2016 the Australis Oil & Gas Limited Employee Equity Incentive Plan (Incentive Plan) was approved by Shareholders. The Incentive Plan was re-approved by Shareholders at the Company's Annual General Meeting held on 29 April 2019 in accordance with Listed Rule 7.2 (Exception 9(b)). The Incentive Plan is the structure under which equity incentives may be offered to all employees. The first long term incentive awards (LTI Awards) were made in 2017 under the Incentive Plan to employees other than Executive Directors. Further LTI Awards have been made each year from 2018 to all employees including Executive Directors.

During 2020 a one-off award was made to Executive KMP and most employees in the form of fee rights. These fee rights were granted to Executive KMP to compensate for significant reductions in cash compensation and / or to compensate for voluntary forfeiture of their achieved 2019 cash bonus (Fee Rights B). The Fee Rights B were granted under the Incentive Plan.

In order to conserve cash the Board has also determined that a proportion of the achieved 2020 short term incentives for employees excluding Executive Directors will be settled by way of the issue of ordinary shares under the Incentive Plan (STI Shares). Executive Directors have, as with 2019, voluntarily forfeited their 2020 achieved STI.

During 2020 in order to reduce the cash burden on the Company, the Non-Executive Directors elected to receive a portion of their annual fees in performance rights rather than cash (Fee Rights A). The Fee Rights A were not granted under the Incentive Plan, and their grant was approved by shareholders at the AGM on 11 June 2020.

The 2020 remuneration targets aligned with the Company strategy of protecting the value of the Company's assets. The goals included a focus on financial liquidity, business development strategy, meeting productivity and production and general expenditure targets, reserve and resource targets, whilst maintaining the Company culture and commitment to achieving high rates of safety measured with reference to injury time, safety and environmental standards and vehicle use customary for onshore oil & gas operations.

Operational safety and environmental standards continued to be maintained at high levels, with ongoing productivity demonstrating the value of the Company's TMS asset.

The impact of COVID-19 on the global oil market during 2020 are set out in the Chairman's letter on page 4 resulted in a moderate achievement of the 2020 corporate goals and targets for the short term incentive plan. In addition, reflecting the external circumstances prevailing, a group wide reduction was applied to all employee STI outcomes; reducing their achieved awards by between 50% and 70%.

## 3. KEY MANAGEMENT PERSONNEL

The KMP disclosed in this report are as follows:

Name	Position
<b>Directors</b>	
Jonathan Stewart	Non-Executive Chairman
Ian Lusted	Managing Director and Chief Executive Officer (CEO)
Graham Dowland	Finance Director and Chief Financial Officer (CFO)
Alan Watson	Independent Non-Executive Director (Lead Independent)
Steve Scudamore	Independent Non-Executive Director
<b>Other KMP</b>	
Darren Wasylucha	Chief Corporate Officer (CCO)
David Greene	VP Operations (Designated as KMP from 1 January 2020 upon assumption of responsibility for operational and corporate activity in the US)

Executive KMP are all KMP other than Non-Executive Directors.

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

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

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

For 2020 the RNC was comprised of Independent non-Executive Directors: Mr Alan Watson (Chair) and Mr Steve Scudamore and Non-Executive Chairman Mr Jonathan Stewart whose qualifications are set out within the Directors Report at page 44-46.

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

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

- Evaluate the performance of the CEO and Executive Directors in light of those KPIs;
- Approve the terms and conditions governing the appointment, remuneration and termination of employment of KMP;
- Approve KMP KPIs;
- Approve the recommendation of the CEO in relation to the outcomes of KPI performance of KMP;
- Review, based on the CEO's recommendations in relation to remuneration matters on employees who hold the title of Vice President;
- Review the remuneration of Non-Executive Directors on a regular basis and recommend any changes in remuneration to the Board; and
- Review and approve the Claw Back Policy.

## 5. REMUNERATION STRUCTURE - EXECUTIVE KMP

### 5.1 Remuneration Principles

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

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

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

- **fixed remuneration** for individual roles and responsibilities with that of peers in accordance with market practice and conditions;
- **"at risk" short term incentives** with each Executive KMP contribution and effort to the achievement of the Company's ongoing performance defined by pre-determined key performance targets. The key performance targets are based on the annual goals and targets, including outperformance targets, of the Company which are in turn linked to the corporate strategy. Prior to the effect of the Environmental, Health and Safety ("EHS") Targets on STI achievement:

<b>Executive Directors</b>	<ul style="list-style-type: none"> <li>• 100% of available STI is linked to measurable corporate targets and goals. If all outperformance stretch targets are achieved this increases to 108.3% of available STI.</li> </ul>
<b>Other KMP</b>	<ul style="list-style-type: none"> <li>• 80% of available STI is linked to measurable corporate targets and goals. If all outperformance stretch targets are achieved this increases to 88.5% of available STI.</li> <li>• 20% of available STI is linked to individual performance which contains subjective measures with all determined and approved by the Board.</li> </ul>

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. 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 spills with the overall result being a range of a maximum of an increase of up to 40% of achieved STI for achieving all EHS targets or reduction of up to 40% of achieved STI depending on the extent and number of EHS targets missed.

- **“at risk” long term incentives** with shareholder objectives through the grant of share-based incentives with performance hurdles. Prior to 2016, long term incentives were provided to Executive KMP (also founders of the Company) through the grant of non-transferable options, subject to vesting requirements linked to continued employment. Long term incentives were granted to Executive KMP under the LTI Plan from 2017 as set out herein other than Executive Directors who did not receive a grant for 2017. For 2020 the long term incentives offered to Executive KMP were subject to continued employment and performance hurdles (for between 50% and 75% of the grant) that include minimum absolute shareholder return (“TSR”) and are benchmarked to a peer group that could be considered as an alternative investment to Australis.

The Company has adopted a Claw Back Policy which permits the claw back of vested and unvested short and long term incentives granted to Executive KMP and other senior executives, in accordance with the terms of the applicable incentive, including if the Company becomes aware of a material misstatement in its financial statements or other reports for the immediately preceding financial year for LTI’s and 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 / or other senior executives.

## 5.2 Remuneration Components

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

*Table 1: Executive KMP remuneration components*

5.2.1 Fixed remuneration									
<b>Base Remuneration</b>	<ul style="list-style-type: none"> <li>• Base remuneration for Executive KMP is reviewed annually by the RNC as part of the Company’s annual performance review processes. Consideration is given to comparable roles in organisations of a similar size, industry and complexity. Where relevant, remuneration information derived from relevant remuneration surveys conducted by independent third parties are used to supplement this data.</li> <li>• As a result of the impact of COVID-19 on the oil and gas industry and the Australis share price performance during 2020, annual base remuneration for Executive KMP was reduced as follows: <table> <tr> <td>CEO</td><td>40% reduction to A\$240,000 (from 1 Jan 2020)</td></tr> <tr> <td>CFO</td><td>35% reduction to A\$197,600 (from 1 Jan 2020)</td></tr> <tr> <td>CCO</td><td>26.67% reduction to C\$241,798 (10% from 1 Jan 20, additional 16.67% from 1 Apr 20)</td></tr> <tr> <td>VP Operations</td><td>25% reduction to US\$187,500 (from 1 Apr 2020)</td></tr> </table> </li> </ul>	CEO	40% reduction to A\$240,000 (from 1 Jan 2020)	CFO	35% reduction to A\$197,600 (from 1 Jan 2020)	CCO	26.67% reduction to C\$241,798 (10% from 1 Jan 20, additional 16.67% from 1 Apr 20)	VP Operations	25% reduction to US\$187,500 (from 1 Apr 2020)
CEO	40% reduction to A\$240,000 (from 1 Jan 2020)								
CFO	35% reduction to A\$197,600 (from 1 Jan 2020)								
CCO	26.67% reduction to C\$241,798 (10% from 1 Jan 20, additional 16.67% from 1 Apr 20)								
VP Operations	25% reduction to US\$187,500 (from 1 Apr 2020)								
<b>Post-employment benefits</b>	<ul style="list-style-type: none"> <li>• Minimum Superannuation Guarantee contributions are made for Australian - based Executive KMP.</li> <li>• USA - based Executive KMP receive a contribution towards “401k” retirement plans which matches their own contributions to such plans. In 2020, contributions were matched for USA Executive KMP up to a maximum of 6% of base salary.</li> <li>• 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\$15,000 and the allocation of the funds to medical insurance and RRSP is at the discretion of the CCO. In 2020 the contribution to RRSP was C\$7,821 (2019: C\$8,164).</li> <li>• In January 2020, a 2% one-off employer only 401k contribution was made to US employees including the VP Operations based on total cash remuneration (base plus STI subject to IRS limits) for 2019.</li> <li>• Termination benefits are payable to Executive KMP as part of their contractual agreements as set out in section 13. These termination benefits were approved by shareholders on 27 June 2016 for Executive KMP other than the VP Operations.</li> </ul>								



<b>Other benefits</b>	<ul style="list-style-type: none"> <li>For the year ended 31 December 2020, the following benefits or allowances (including fringe benefits tax where applicable) were made available to Executive KMP:</li> <li>Car parking – CEO, CFO and VP Operations.</li> <li>Health, dental and life insurance benefits – CCO and VP Operations (a standard benefit for North American based employees).</li> </ul>
<b>5.2.2 Short term incentives</b>	
<b>What is a short term incentive (STI)</b>	<ul style="list-style-type: none"> <li>An STI is an 'at risk' incentive payment which is awarded to Executive KMP at the discretion of the Board on an annual basis, subject to the satisfaction of performance conditions including pre-set Board approved corporate goals and targets which align with corporate strategy and assessment for Other KMP of individual performance for 2020.</li> <li>The maximum amount of STI awarded to Executive KMP is expressed as a percentage of their commencing 2020 base remuneration and is based on employment level and may be settled in cash and / or equity.</li> <li>The STI percentage for individual Executive KMP is pre-approved by the Board or RNC.</li> <li>The Board retains the right to grant STI's in recognition of, however is not restricted to, additional workload and ad hoc assignments.</li> </ul>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>To provide reward for each Executive KMP's performance in achieving pre-agreed individual and corporate objectives which have been determined to be priorities for the relevant period.</li> </ul>
<b>Performance conditions</b>	<ul style="list-style-type: none"> <li>The level of STI achieved is determined by reference to both individual and Company performance. For Executive Directors up to 108.3% of their individual available STI is linked to corporate performance. For Other KMP 88.5% of their individual available STI is linked to corporate performance. Maximum availability assumes all stretch targets achieved however is prior to EHS target multiplier.</li> <li>As detailed within this Report the Board imposed a "COVID-19" reduction to all Executive KMP's achieved STI for 2020. The reductions were between 53% and 71% of the achieved STI. Further the CEO and CFO voluntarily forfeited 100% of their achieved STI for 2020.</li> <li>For 2020 Company performance was assessed based on weighted components that included the following Corporate KPI's:</li> </ul>

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## 5.2.2 Short term incentives (continued)

### Performance conditions

Corporate KPI's		As a % of target STI Range (subject to minimum threshold achievement)			EHS Multiplier <sup>(1)</sup>
		Target <sup>(2)</sup>	Base <sup>(2)</sup>	Stretch <sup>(2)</sup>	
1. Goals aligned to partnering and financing activities in the TMS and Portugal for future development.	Executive Directors	70%	n/a	70%	
	Other KMP	50%	n/a	50%	
2. Target relating to general and administrative expenditure	Executive Directors	14%	10.5%	17.5%	
	Other KMP	10%	7.5%	12.5%	
3. Target relating to production from existing operated wells	Executive Directors	8%	4%	10%	
	Other KMP	10%	5%	12.5%	
4. Target relating to production expenses	Executive Directors	4%	2%	6%	
	Other KMP	5%	2.5%	7.5%	
5. Target relating to maintaining / increasing reserves and resources	Executive Directors	4%	2%	4.8%	
	Other KMP	5%	2.5%	6%	
<b>Total not greater than</b>	<b>Executive Directors</b>	<b>100%</b>	<b>88.5%</b>	<b>108.3%</b>	<b>0.6 to 1.4 x</b>
	<b>Other KMP</b>	<b>80%</b>	<b>67.5%</b>	<b>88.5%</b>	<b>0.6 to 1.4 x</b>

(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 overrules the existing corporate and individual KPI's. A multiplier of between 0.6 to 1.4 times, dependent on the level of achievement of EHS targets, will be applied to the achieved STI %.

(2) At the end of the financial year, the RNC determined the corporate KPI outcomes based on the allocation (set at the commencement of the year) appropriate to the Company's activity during 2020 and assessed achievement of certain components of Company performance 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.

- In addition, for Executive KMP excluding Executive Directors 20% of available STI is linked to individual performance and is measured against personal objectives which support both the base business and promote business growth. The individuals' performance rating assesses the achievement of these goals as well as overall performance and behaviour.
- The STI outcome for each Executive Director is approved by the Board after receiving recommendations from the RNC. For Executive KMP other than the CEO and CFO, the amount of STI to be paid is approved by the RNC based on the recommendation of the CEO. The payment of STI's will occur after lodgement of the 2020 Audited Financial Report.

## 5.2.2 Short term incentives (continued)

- 2020 Award**
- The Group's performance in 2020 was satisfactory despite the significant impact on the global economy and the oil and gas industry as a result of COVID-19. Whilst the corporate goals for 2020 were impacted by the COVID-19 restrictions and uncertainty the corporate targets were all achieved to varying degrees. The Company was able to achieve its results with continued prioritisation of a safety culture and whilst conserving cash through the deferral of discretionary expenditure.
  - In assessing the achievement of the 2020 Award the RNC took into account the changes during the year in the oil & gas industry, oil price and the general limitations on normal operations as a result of the COVID-19 pandemic. Whilst the RNC recognised the continued effort and achievement of its employees in 2020 the financial impact of the COVID-19 pandemic on the Company has meant that it was deemed appropriate to apply a COVID-19 reduction to the achieved STI. In addition, in order to conserve cash the RNC determined that the adjusted STI will be settled in cash and / or ordinary shares after the release of the 2020 Annual Financial Statements. The cash portion of the settlement is capped for each employment category. For the 2020 award the COVID-19 reduction % and cash cap for Executive KMP is set out below.

Executive KMP	COVID-19 Reduction %	Cash Cap US\$
I Lusted	n/a STI forfeited	n/a STI forfeited
G Dowland	n/a STI forfeited	n/a STI forfeited
D Wasylucha	63.83%	\$5,000
D Greene	52.92%	\$5,000

- Corporate Goals

Whilst the management team have developed a number of partnering or financing potential interests in the TMS during 2020 the restrictions imposed in jurisdictions to try to contain the pandemic have made negotiations challenging for a large proportion of 2020 therefore goals not achieved. Australis continued to encounter delays in progressing the exploration program in Portugal and this worsened as a result of the pandemic. In August 2020 the Board determined the Portuguese concessions would be relinquished effective 29 September 2020 and as such all activity in Portugal has now ceased and the corporate goal was not satisfied.

- Corporate Targets

- General and administrative expenses for 2020 met the target performance requirements. General and administrative expenses for 2020 were 53% lower than for 2019 due to cost saving initiatives implemented and staff and remuneration reductions to reflect the change in activity level during the year.
- The oil productivity in 2020 from all wells on production at the commencement of 2020 met the target performance requirement. Note production targets were adjusted to reflect the voluntary curtailment that occurred in Q2 2020.
- Production expenses in 2020 met the target performance requirement. Australis was able to achieve a 13% reduction compared to 2019 on a per bbl basis largely due to the effects of initiatives implemented in 2019 and continued into 2020.
- Reserves and Resources as at 31 December 2020 met the minimum base performance target requirement being the maintenance of independent assessed reserves and resources relative to the TMS Core acreage. Please refer to the Reserves and Resources Statement on page 25 of the Annual Report for disclosure of the independently assessed reserve and resource results.

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## 5.2.2 Short term incentives (continued)

**2020 Award** • The STI Targets and achieved awards for the year ended 31 December 2020 were as follows:

Executive KMP	Maximum Available STI*		STI not Achieved and Forfeited		STI Achieved and Subsequently Voluntarily Forfeited / COVID-19 Adjustment <sup>(4)</sup>		STI Achieved and payable <sup>(3)</sup>	
	US\$ <sup>(1)</sup>	% of Base Salary	US\$ <sup>(2)</sup>	% of Maximum Available STI	US\$ <sup>(2)</sup>	% of Maximum Available STI	US\$ <sup>(2)</sup>	% of Maximum Available STI <sup>(3)</sup>
<b>Directors</b>								
I Lusted	348,286	113.72%	245,376	70%	102,910	30%	-	-
G Dowland	229,405	98.55%	161,621	70%	67,783	30%	-	-
<b>Other</b>								
D Wasylucha	172,290	68.36%	87,177	51%	54,323	31%	30,790	18%
D Greene	123,419	49.37%	61,311	50%	32,870	26%	29,238	24%

\* Includes stretch targets and maximum EHS multiplier.

(1) Maximum Available STI calculated on base salary as at 31 December 2019.

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

(3) STI achieved and payable represents the STI payable after voluntary forfeiture and COVID-19 adjustment.

(4) Messrs Lusted and Dowland were subject to a 71% and 60% COVID-19 reduction to their assessed STI respectively and voluntarily forfeited 100% of their resultant achieved STI. Messrs Wasylucha and Greene forfeited 64% and 53% of their assessed STI respectively to reflect the impact of COVID-19 on the operation of the Company during 2020. A COVID-19 adjustment was implemented Company wide due to the significant negative impact COVID-19 has had on the oil industry, oil prices and the Company's earnings.

(5) To reinforce the Company's commitment to a culture of safety an STI target focussed on EHS was introduced from 2017 and is applied to all employees. 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 spills with the overall result being a range of a maximum of an increase of up to 40% of achieved STI for achieving all EHS targets or reduction of up to 40% of achieved STI depending on the extent and number of EHS targets missed. For 2020 the EHS multiplier stretch target was achieved. Whilst one reportable spill was recorded, the Company's active group wide safety observation proactive measures (minimum being 30 written safety observations/ recommendation per month over a rolling 4 month period for 2020), allowed the annual one incident only clawback to be utilised. Therefore 140% of the achieved STI was maintained.

The COVID-19 Adjusted STI achieved will be settled as follows:

Executive KMP	STI Achieved US\$	Cash Settlement US\$	Share Settlement <sup>(1)</sup> US\$
I Lusted	-	n/a STI forfeited	n/a STI forfeited
G Dowland	-	n/a STI forfeited	n/a STI forfeited
D Wasylucha	30,790	5,000	25,790
D Greene	29,238	5,000	24,238

(1) Represents the value of the STI achieved to be settled in Australis ordinary shares after the lodgement of the 2020 Annual Financial Report. The number of ordinary shares to be issued in settlement will be based on the five day volume weighted average price at the date of grant

(2) The fair value of the ordinary shares issued will be calculated in accordance with AASB 2 Share Based payments. The fair value of the grant may differ to the A\$ share settlement.

## 5.2.3 Long term incentives

<b>What is a long term incentive (LTI)</b>	An LTI is an “at risk” incentive the value of which is derived from the equity of the Company and is designed to align compensation with the total shareholder return of the Company over the medium to long term. In 2016 the Company established the Australis Oil & Gas Limited Employee Equity Incentive Plan (EI Plan) which was approved by shareholders at a general meeting on 27 June 2016. The EI Plan was re-approved by shareholders at the Annual General Meeting on 29 April 2019. LTI awards under the EI Plan can include options, performance rights and shares.
<b>Objectives</b>	<ul style="list-style-type: none"> <li>To reward, retain and motivate eligible employees.</li> <li>To assist in the engagement of high calibre employees.</li> <li>To link the reward of eligible employees to performance and creation of shareholder value.</li> <li>To align the interests of eligible employees with those of shareholders.</li> <li>To provide eligible employees with the opportunity to share in any future growth in value of the Company.</li> <li>To provide greater incentive for eligible employees to focus on the Company’s longer term goals.</li> </ul>
<b>Performance Conditions</b>	<p>For the 2020 LTI award for Executive Directors under the EI Plan:</p> <ul style="list-style-type: none"> <li>25% is subject to continued employment within the Group and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period.</li> <li>56.25% is subject to an Absolute TSR Performance Target and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period (2019 Award 56.25% and 2018 Award 37.5%)</li> <li>18.75% is subject to a Relative TSR performance (compared to peer group as set out in Section 10.2) and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period (2019 Award 18.75% and 2018 Award 37.5%).</li> </ul> <p>For the 2020 LTI awards to the CCO under the EI Plan:</p> <ul style="list-style-type: none"> <li>40% is subject to continued employment within the Group and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period.</li> <li>45% is subject to an Absolute TSR Performance Target and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period (2017 to 2019 Awards 30%)</li> <li>15% is subject to a Relative TSR performance (as against peer companies – see below) and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period (2017 to 2019 Awards 30%).</li> </ul> <p>For the 2020 LTI awards to the VP Operations under the EI Plan:</p> <ul style="list-style-type: none"> <li>50% is subject to continued employment within the Group and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period (2018 and 2019 Awards 80%).</li> <li>37.5% is subject to an Absolute TSR Performance Target and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period (2018 and 2019 Awards 15%)</li> <li>12.5% is subject to a Relative TSR performance (as against peer companies – see below) and service condition and vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period (2018 and 2019 Awards 5%).</li> </ul>



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## 5.2.3 Long term incentives (continued)

<b>Performance Conditions</b>	<p>For the 2020 LTI award and all previous awards</p> <ul style="list-style-type: none"> <li>The EI 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.</li> <li>Specific details regarding the Absolute TSR Performance Targets are set out in section 7.</li> <li>Based on the outcomes of the performance conditions, as set at the time of grant, the CEO provides to the RNC, for their approval, the awards to be vested for Executive KMP other than the CEO and CFO.</li> <li>The RNC provides a recommendation to the Board, for their approval, the awards to be vested for the CEO and CFO.</li> </ul>
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<b>Awards</b>	<ul style="list-style-type: none"> <li>The following performance rights were granted pursuant to the annual LTI awards to Executive KMP in 2020 (and in 2019):</li> </ul>
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Executive KMP	2020 Performance Rights Grant	2019 Performance Rights Grant
Ian Lusted	3,835,616	1,111,111
Graham Dowland	2,498,630	723,810
Darren Wasylucha <sup>(1)(2)</sup>	1,958,027	729,711
David Greene <sup>(3)</sup>	1,838,726	-

(1) On 29 April 2019, the Board approved an out of sequence performance right award to senior executives (excluding the CEO and CFO). The terms and conditions of the Senior Executive Award granted during 2019 are set out in Section 7 of this report. This award was an additional incentive offered to 4 senior executives with a vesting date of 1 January 2022 which requires continued employment and an Australis share price minimum achievement for each tranche as follows: A\$0.60 VWAP for December 2019 (Tranche 1), A\$0.90 VWAP for December 2020 (Tranche 2) and A\$1.25 VWAP for December 2021. The fair value of the 2019 Senior Executive Award were calculated by RSM Australia Pty Ltd and will be expensed over the vesting periods commencing in the 2019 reporting period. Tranche 1 and 2 did not meet the share price requirements and as a result will not vest.

(2) The performance rights granted to Mr Wasylucha in 2020 relate to the 2020 LTI Award. (2019: 479,711 related to 2019 LTI Award and 250,000 related to 2019 Senior Executive Award).

(3) Mr Greene was designated KMP from 1 January 2020. The performance rights granted to Mr Greene in 2020 relate to the 2020 LTI Award. Performance rights had been granted to Mr Greene prior to his designation as KMP. Mr Greene current holdings are set out in Section 12 of this Report.

- The terms and conditions of the 2020 and 2019 LTI Awards and Senior Executive Awards are set out in Section 7 of this Report.
- The fair value of the 2020 LTI Awards and Senior Executive Awards were calculated by RSM Australia Pty Ltd and will be expensed over the vesting periods commencing in the 2020 reporting period.

## 5.2.4 Other remuneration

**Objective** • Performance rights were granted to Executive KMP to compensate for significant reductions in cash compensation for 2020 and /or voluntary forfeiture of the 2019 achieved STI (Fee Rights B).

**Awards** • Fee Rights B were granted to Executive KMP to compensate for base salary forgone between 1 November 2019 and 31 December 2020 and the forfeiture of their 2019 achieved STI where applicable. The number of Fee Rights B granted to Executive Directors was based on the Company's Volume Weighted Average Price for the period 1 January to 31 March 2020 being A\$0.024 cents. The grant of Fee Rights B to Executive Directors was approved by shareholders at the Annual General Meeting in June 2020. The number of Fee Rights B granted to Other KMP was based on a deemed issue price of A\$0.022 cents, which was issued at an 8.3% discount to the Company's Volume Weighted Average Price for the period 1 January to 31 March 2020.

Executive KMP	Grant value <sup>(1)</sup> A\$	Issue Price A\$	Number of Fee Rights B	Fair Value at grant <sup>(2)</sup> A\$
I Lusted	236,667	0.024	9,861,125	285,973
G Dowland	168,467	0.024	7,019,458	203,564
D Wasylucha	77,860	0.022	3,539,091	102,634
D Greene	71,023	0.022	3,228,318	93,621

(1) For Messrs Wasylucha and Greene the grant value was converted to Australian dollars at the average exchange rate for the period 1 January 2020 to 31 March 2020.

(2) Fair value at date of grant is calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.3 of the Financial Statements for details of the assumptions used in calculating the value of each Fee Right B at grant date.

The Fee Rights B vest on 31 January 2021 subject to continuous employment requirements.

## 6. REMUNERATION STRUCTURE - NON-EXECUTIVE DIRECTORS

## 6.1 Remuneration Principles

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

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

- market rates;
- the size and complexity of Australis operations; and
- the responsibilities and expected workloads of the NEDs.

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

Remuneration is not linked to individual performance, however to align directors' interests with shareholders' interests, NEDs are encouraged to hold shares in the Company.

For 2020, 83.33% of the Chair base fee and 50% of the base fees for other NEDs were settled by way of the issue of performance rights in Australis (Fee Rights A) as approved by shareholders at the Annual General Meeting in June 2020. The remaining base fees for the NEDs was paid in cash. NED shareholdings are detailed in section 12.

No other options or performance rights were granted to NEDs during 2020 (2019: Nil).

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## 6.2 Remuneration Components

Table 2: Non-Executive Directors' remuneration components

<b>Base remuneration</b>	<ul style="list-style-type: none"> <li>Base fee – Chair of the Board of A\$228,310 exclusive of superannuation (A\$190,259 settled in equity awards and A\$38,051 in cash).</li> <li>Base fee of A\$77,624 exclusive of superannuation for other Non-Executive Directors (A\$38,812 settled in equity awards and A\$38,812 in cash).</li> <li>Additional fees: A\$13,700 exclusive of superannuation - Chair of the Remuneration and Nomination Committee. (A\$6,850 settled in equity awards and A\$6,850 in cash)</li> <li>A\$13,700 exclusive of superannuation – Chair of the Audit and Risk Management Committee. (A\$6,850 settled in equity awards and A\$6,850 in cash).</li> <li>Maximum aggregate fees payable to Non-Executive Directors as approved by shareholders on 27 June 2016 are set at A\$600,000.</li> </ul>
<b>Post-employment benefits</b>	<ul style="list-style-type: none"> <li>Superannuation contributions which comply with the superannuation guarantee legislation were made in relation to the fees settled in cash as set out above.</li> </ul>
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>No other benefits were paid to Non-Executive Directors.</li> </ul>

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

### 7.1 Options

There are no LTI awards (Options) affecting KMP remuneration in the current or a future reporting period.

The following options lapsed on 31 December 2020:

Director	Number	Date Granted	Date Vested	Exercise Price
Jon Stewart	10,000,000	13 Nov 2015	13 Nov 2015	A\$0.25
	15,000,000	13 Nov 2015	13 Nov 2016	A\$0.30
Ian Lusted	4,000,000	13 Nov 2015	13 Nov 2015	A\$0.25
	6,000,000	13 Nov 2015	13 Nov 2016	A\$0.30
Graham Dowland	3,200,000	13 Nov 2015	13 Nov 2015	A\$0.25
	5,000,000	13 Nov 2015	13 Nov 2016	A\$0.30

### 7.2 Performance Rights

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

Table 3: Terms and conditions of performance rights granted to KMP

Type of grant	Grant date	Tranche	Vesting Date	Expiry date	Exercise Price	Value per right at grant date <sup>(1)</sup>	Vesting condition	Vested
Performance Rights 2020	25 June 2020	1 <sup>(2)</sup>	31 Jan 2021 <sup>(11)</sup>	31 Jan 2023	Nil	A\$0.029	Service condition <sup>(3)</sup>	N/A
						A\$0.0186	Performance hurdle 1 <sup>(4)(8)</sup>	
						A\$0.0241	Performance hurdle 2 <sup>(7)(8)</sup>	
		2 <sup>(2)</sup>	31 Jan 2022 <sup>(11)</sup>	31 Jan 2024	Nil	A\$0.029	Service condition <sup>(3)</sup>	N/A
						A\$0.0188	Performance hurdle 1 <sup>(4)(8)</sup>	
						A\$0.0247	Performance hurdle 2 <sup>(7)(8)</sup>	
		3 <sup>(2)</sup>	31 Jan 2023 <sup>(11)</sup>	31 Jan 2025	Nil	A\$0.029	Service condition <sup>(3)</sup>	N/A
						A\$0.0172	Performance hurdle 1 <sup>(4)(8)</sup>	
						A\$0.0231	Performance hurdle 2 <sup>(7)(8)</sup>	
Fee Rights A	25 June 2020	1	31 Jan 2021 <sup>(11)</sup>	31 Jan 2023	Nil	A\$0.029	Service condition <sup>(3)</sup>	N/A
Fee Rights B	25 June 2020	1	31 Jan 2021 <sup>(11)</sup>	31 Jan 2023	Nil	A\$0.029	Service condition <sup>(3)</sup>	N/A
Performance Rights-2019 LTI Plan Award	1 May 2019	1 <sup>(2)</sup>	31 Jan 2020 <sup>(11)</sup>	31 Jan 2022	Nil	A\$0.28	Service condition <sup>(3)</sup>	33%
						A\$0.172	Performance hurdle 1 <sup>(5)(8)</sup>	
						A\$0.148	Performance hurdle 2 <sup>(7)(8)</sup>	
		2 <sup>(2)</sup>	31 Jan 2021 <sup>(11)</sup>	31 Jan 2023	Nil	A\$0.28	Service condition <sup>(3)</sup>	N/A
						A\$0.171	Performance hurdle 1 <sup>(5)(8)</sup>	
						A\$0.150	Performance hurdle 2 <sup>(7)(8)</sup>	
		3 <sup>(2)</sup>	31 Jan 2022 <sup>(11)</sup>	31 Jan 2024	Nil	A\$0.28	Service condition <sup>(3)</sup>	N/A
						A\$0.149	Performance hurdle 1 <sup>(5)(8)</sup>	
						A\$0.135	Performance hurdle 2 <sup>(7)(8)</sup>	

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Type of grant	Grant date	Tranche	Vesting Date	Expiry date	Exercise Price	Value per right at grant date <sup>(1)</sup>	Vesting condition	Vested
<b>Performance Rights-2019 Senior Executive Award (excluding Executive Directors )</b>	1 May 2019	1 <sup>(10)</sup>	1 Jan 2022 <sup>(11)</sup>	1 Jan 2024	Nil	A\$0.012	Service condition <sup>(9)</sup>	N/A
							Performance hurdle <sup>(9)</sup>	
		2 <sup>(10)</sup>	1 Jan 2022 <sup>(11)</sup>	1 Jan 2024	Nil	A\$0.020	Service condition <sup>(9)</sup>	N/A
							Performance hurdle <sup>(9)</sup>	
		3 <sup>(10)</sup>	1 Jan 2022 <sup>(11)</sup>	1 Jan 2024	Nil	A\$0.024	Service condition <sup>(9)</sup>	N/A
<b>Performance Rights-2018 LTI Plan Award</b>	25 May 2018	1 <sup>(2)</sup>	31 Jan 2019 <sup>(11)</sup>	31 Jan 2021	Nil	A\$0.405	Service condition <sup>(3)</sup>	96%
						A\$0.386	Performance hurdle 1 <sup>(6)(8)</sup>	
						A\$0.331	Performance hurdle 2 <sup>(7)(8)</sup>	
		2 <sup>(2)</sup>	31 Jan 2020 <sup>(11)</sup>	31 Jan 2022	Nil	A\$0.405	Service condition <sup>(3)</sup>	33%
						A\$0.362	Performance hurdle 1 <sup>(6)(8)</sup>	
						A\$0.313	Performance hurdle 2 <sup>(7)(8)</sup>	
		3 <sup>(2)</sup>	31 Jan 2021 <sup>(11)</sup>	31 Jan 2023	Nil	A\$0.405	Service condition <sup>(3)</sup>	N/A
						A\$0.331	Performance hurdle 1 <sup>(6)(8)</sup>	
						A\$0.284	Performance hurdle 2 <sup>(7)(8)</sup>	

- (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 below) of each tranche of performance rights granted under the 2018, 2019 and 2020 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 5.2.4 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 Date for the 2020 LTI Award:  
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 following vesting schedule 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 2019 to the VWAP of the Company for the month of December prior to the particular Vesting Date.

## Vesting Schedule – Absolute TSR – 2020 Grant

ATS TSR increase compared to December 2019 VWAP of A\$0.073	0% to < 5%	5% to < 10%	10% to < 15%	15% to < 20%	20% to < 25%	25% to < 30%	30% to < 40%	40%+
Vesting to occur:	% of Absolute TSR tested tranche that vests							
31 Jan 2021 (December 2020 VWAP)	10%	20%	40%	60%	80%	100%	100%	100%
31 Jan 2022 (December 2021 VWAP)	5%	10%	20%	40%	60%	80%	100%	100%
31 Jan 2023 (December 2022 VWAP)	0%	5%	10%	20%	40%	60%	80%	100%

- (5) The following vesting conditions will be assessed for the Executive KMP on the Vesting Date for the 2019 LTI Award:  
Performance hurdle 1: up to 56.25% for Executive Directors, 45% for the CCO and 15% for the VP Operations of the relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the performance of the Company's Absolute TSR performance measure, being the increase of the Company's volume weighted average price ("VWAP") for December 2018 to the VWAP of the Company for the month of December prior to the particular Vesting Date.

## Vesting Schedule – Absolute TSR – 2019 Grant

ATS TSR increase compared to December 2018 VWAP of A\$0.315	<15%	15% to 20%	>20% to 25%	>25% to 30%	>30% to 40%	40% +
Vesting to occur:	% of Absolute TSR tested tranche that vests					
31 Jan 2020 (December 2019 VWAP)	0%	60%	80%	100%	100%	100%
31 Jan 2021 (December 2020 VWAP)	0%	40%	60%	80%	100%	100%
31 Jan 2022 (December 2021 VWAP)	0%	20%	40%	60%	80%	100%

- (6) The following vesting conditions will be assessed for the Executive KMP on the Vesting Date for the 2018 LTI Award:  
Performance hurdle 1: up to 37.5% for Executive Directors and 30% for the CCO and 10% for the VP Operations of the relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the performance of the Company's Absolute TSR performance measure, being the increase of the Company's volume weighted average price ("VWAP") for December 2017 to the VWAP of the Company for the month of December prior to the particular Vesting Date.



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## Vesting Schedule – Absolute TSR – 2018 Grant

ATS TSR increase compared to December 2017 VWAP of A\$0.215	<10%	≥10%	≥15%	≥20%	≥25%	≥30%	≥40% +
Vesting to occur:	% of Absolute TSR tested tranche that vests						
31 Jan 2019 (December 2018 VWAP)	0%	25%	37.5%	50%	75%	100%	0%
31 Jan 2020 (December 2019 VWAP)	0%	10%	25%	37.5%	50%	75%	100%
31 Jan 2021 (December 2020 VWAP)	0%	0%	0%	25%	37.5%	50%	100%

(7) The following vesting condition will be assessed on the Vesting Date for Executive KMP for the 2018, 2019 and 2020 LTI Awards:

### Performance hurdle 2

- 2018 LTI Award: up to 37.5% for Executive Directors, 30% for the CCO and 10% 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 following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's December 2017 VWAP) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 10.2 (being the 16 largest ASX listed oil and gas exploration and production companies with a market capitalisation between A\$100 million and A\$600 million). 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 2017 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.
- 2019 LTI Award: up to 18.75% for Executive Directors, 15% for the CCO and 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 following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's December 2018 VWAP) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 10.2 (being the 12 largest ASX listed oil and gas exploration and production companies with a market capitalisation between A\$100 million and A\$1 billion). 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 2018 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.
- 2020 LTI Award: 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 following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's December 2019 VWAP) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 10.2. 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 2019 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.

ATS Ranking within Peer Group	LTI Vesting for the Relative TSR portion of the 2020 LTI	LTI Vesting for the Relative TSR portion of the 2019 LTI	LTI Vesting for the Relative TSR portion of the 2018 LTI
1st	100.0%	100.0%	100.0%
2nd	83.3%	83.3%	87.5%
3rd	66.7%	66.7%	75.0%
4th	50.0%	50.0%	62.5%
5th	33.3%	33.3%	50.0%
6th	16.7%	16.7%	37.5%
7th	0.0%	0.0%	25.0%
8th	0.0%	0.0%	12.5%
9th	0.0%	0.0%	0.0%

- (8) 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.
- (9) The following vesting condition will be assessed on the Vesting Date for the Other KMP (Executive Directors did not participate) for the 2019 Senior Executive Award:
- Service based vesting condition: subject to the participant being employed by the Company throughout the relevant period from the grant date up to and including the Vesting Date for each tranche of an award; and
  - Performance Hurdle: The relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the performance of the Company's share price. Each Tranche will lapse if the minimum December VWAP is not achieved at the respective Vesting Date.

Tranche	Vesting Date	ATS Share Price Performance
1	1 Jan 2022	Dec 2019 ATS VWAP > A\$0.60
2	1 Jan 2022	Dec 2020 ATS VWAP > A\$0.90
3	1 Jan 2022	Dec 2021 ATS VWAP > A\$1.25

- (10) Tranche 1 – 40% of total performance rights awarded  
 Tranche 2 – 40% of total performance rights awarded  
 Tranche 3 – 20% of total performance rights awarded
- (11) Performance rights can only be exercised if they have vested and can be exercised for two years from the date of vesting other than for North American based KMP (the two year exercise period does not apply). Upon exercise each performance right is convertible into one ordinary share which will rank equally with all other issued ordinary shares.
- (12) Performance rights carry no dividend or voting rights.

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

The following options and performance rights were granted and / or vested to KMP during 2020:

Table 4: KMP share-based awards granted, vested or forfeited during 2020

	Award	Grant date	Grant value <sup>(1)</sup> (A\$)	Number of rights/ options granted	Number of rights/ options vested during year	Number of rights/ options forfeited during year
<b>Non-Executive Directors</b>						
Jonathan Stewart	Fee Rights A <sup>(3)</sup>	25 June 2020	229,896	7,927,458	-	-
Alan Watson	Fee Rights A <sup>(4)</sup>	25 June 2020	55,175	1,902,583	-	-
Steve Scudamore	Fee Rights A <sup>(5)</sup>	25 June 2020	55,175	1,902,583	-	-
<b>Executive Directors</b>						
Ian Lusted	2018 LTI Award	25 May 2018	-	-	98,837	-
	2019 LTI Award	1 May 2019	-	-	39,682	-
	2020 LTI Award <sup>(2)</sup>	25 June 2020	83,380	3,835,616	-	-
	Fee Rights B <sup>(6)</sup>	25 June 2020	285,973	9,861,125	-	-
Graham Dowland	2018 LTI Award	25 May 2018	-	-	69,768	-
	2019 LTI Award	1 May 2019	-	-	25,850	-
	2020 LTI Award <sup>(2)</sup>	25 June 2020	54,316	2,498,630	-	-
	Fee Rights B <sup>(7)</sup>	25 June 2020	203,564	7,019,458	-	-
<b>Other KMP</b>						
Darren Wasylucha	2018 LTI Award	25 May 2018	-	-	75,682	-
	2019 LTI Award	1 May 2019	-	-	27,412	-
	2020 LTI Award <sup>(2)</sup>	25 June 2020	45,408	1,958,027	-	-
	Fee Rights B <sup>(8)</sup>	25 June 2020	102,634	3,539,091	-	-
David Greene	2018 LTI Award	25 May 2018	-	-	75,244	-
	2019 LTI Award	1 May 2019	-	-	28,866	-
	2020 LTI Award	25 June 2020	44,422	1,838,726	-	-
	Fee Rights B <sup>(9)</sup>	25 June 2020	93,621	3,228,318	-	-

(1) The grant value of performance rights represents fair value at the date of grant was calculated by RSM Australia Pty Ltd using a binomial tree distribution and Monte Carlo simulation valuation technique as set out in Note 7.3 to the Financial Report.

(2) The number of performance rights granted to Executive KMP for the 2020 LTI Award was calculated by dividing an amount equal to a percentage of base salary as at 1 January 2020 by the Australis VWAP for the month of December 2019. The percentage applied to base salary was determined by the Board.

(3) The number of Fee Rights A granted to Mr Stewart was calculated by dividing the fees settled in equity of A\$190,259 by the volume weighted average price for the period 1 January to 31 March 2020, being A\$0.024.

(4) The number of Fee Rights A granted to Mr Watson was calculated by dividing the fees settled in equity of A\$45,662 by the volume weighted average price for the period 1 January to 31 March 2020, being A\$0.024.

(5) The number of Fee Rights A granted to Mr Scudamore was calculated by dividing the fees settled in equity of A\$45,662 by the volume weighted average price for the period 1 January to 31 March 2020, being A\$0.024.

- (6) The number of Fee Rights B granted to Mr Lusted was calculated by dividing the award value of A\$236,667 by the volume weighted average price for the period 1 January to 31 March 2020, being A\$0.024.
- (7) The number of Fee Rights B granted to Mr Dowland was calculated by dividing the award value of A\$168,467 by the volume weighted average price for the period 1 January to 31 March 2020, being A\$0.024.
- (8) The number of Fee Rights B granted to Mr Wasylucha was calculated by dividing the award value of A\$77,860 by the deemed issue price, being A\$0.022, representing a discount of 8.3% to the Australis VWAP for the period 1 January to 31 March 2020.
- (9) The number of Fee Rights B granted to Mr Greene was calculated by dividing the award value of A\$71,023 by the deemed issue price, being A\$0.022 representing a discount of 8.3% to the Australis VWAP for the period 1 January to 31 March 2020.
- (10) The assessed fair value of the performance rights and fee rights at grant date is allocated to remuneration equally over the period from effective grant date to Vesting Date.

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

During the year the following vested performance rights were exercised by KMP.

KMP	Number of rights exercised	Value of rights at exercise (A\$)	Award
Ian Lusted	188,408	5,841	2018 Tranche 1
	98,837	3,064	2018 Tranche 2
	39,682	1,230	2019 Tranche 1
Graham Dowland	132,994	3,591	2018 Tranche 1
	69,768	1,884	2018 Tranche 2
	25,850	698	2019 Tranche 1
Darren Wasylucha	35,169	2,778	2018 Tranche 2
	12,738	1,006	2019 Tranche 1

The value of the rights exercised was determined as the intrinsic value of the performance rights (i.e. the Australis share price) at the date of exercise.

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

## 10. CONSOLIDATED ENTITY PERFORMANCE

### 10.1 Company Performance

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

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

# REMUNERATION REPORT

Table 5: Company Performance

	Year Ended				Six months ended		
	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	30 June 2020	30 June 2019	30 June 2018
Revenue from oil sales (US\$'000)	26,148	52,570	33,704	23,347	13,590	28,182	16,028
Profit/(Loss) before impairment and taxation (US\$'000)	1,502	7,009	85	(1,159)	922	4,459	(395)
Profit/(Loss) after impairment and taxation (US\$'000)	(125,208)	7,009	85	(1,159)	(125,788)	4,459	(395)
Profit/(Loss) per share							
• Basic (US cents)	(0.12)	0.72	0.01	(0.18)	(12.76)	0.47	(0.05)
• Diluted (US cents)	(0.12)	0.63	0.01	(0.18)	(12.76)	0.41	(0.05)
Share price at start of year/period	A\$0.08	A\$0.28	A\$0.23	A\$0.22	A\$0.08	A\$0.28	A\$0.23
Share price at end of year/period	A\$0.06	A\$0.08	A\$0.28	A\$0.23	A\$0.026	A\$0.26	A\$0.46
Proved reserves (mmbbl)	10.4	48.6	31.9	29	48.6	31.9	29
Proved plus Probable reserves (mmbbl)	21.0	62.1	49.7	47	62.1	49.7	47
2C Contingent Resource							
• TMS (mmbbl)	149.4	129.5	107.8	98	129.5	107.8	98
• Portugal (Bcf)	-	458	458	458	458	458	458
Gross sales (WI) (bbls)	505,000	846,000	506,000	469,000 <sup>(1)</sup>	236,000	441,000	255,000
Net (after royalties) sales (NRI) (bbls)	411,000	694,000	409,000	374,000 <sup>(2)</sup>	193,000	362,000	207,000

(i) Gross sales are for the period April – December 2017

(ii) Net sales are for the period April – December 2017

## 10.2 LTI Award Peer Group

The peer group for the 2020, 2019 and 2018 LTI awards Relative TSR Performance is set out below. Refer to Section 7.2, Note 7 for details of each peer group's criteria for selection in each years LTI award.

*Table 6: 2020, 2019 and 2018 LTI award Peer Group*

Peer Group Company	2020 LTI Award	2019 LTI Award	2018 LTI Award
Buru Energy Ltd	√	-	√
Blue Energy Ltd	-	-	√
Cooper Energy Ltd	√	√	√
Central Petroleum Ltd	√	√	-
Carnarvon Petroleum Ltd	√	√	√
Freedom Oil and Gas Ltd <sup>(4)</sup>	-	√	√
Horizon Oil Ltd	√	√	√
Sundance Energy Australia Ltd <sup>(2)(4)</sup>	-	√	-
Sino Gas & Energy Holdings Ltd <sup>(1)</sup>	-	-	√
88 Energy Ltd	√	√	√
AWE Ltd <sup>(2)</sup>	-	-	√
Byron Energy Ltd	-	-	√
Comet Ridge Ltd	√	√	√
Far Ltd <sup>(3)</sup>	√	√	√
Karoo Gas Australia Ltd	√	√	√
Senex Energy Ltd	√	√	√
Liquefied Natural Gas Ltd <sup>(3)</sup>	√	√	√
Global Energy Ventures Ltd	-	-	√
Otto Energy <sup>(4)</sup>	√	-	-

(1) AWE Ltd and Sino Gas & Energy Holdings Ltd were delisted from the ASX in 2018 and will therefore not be included in the peer group for the performance testing of the 2018 LTI award.

(2) Sundance Energy Australia Ltd was delisted from the ASX in 2019 and will therefore not be included in the peer group for the performance testing of the 2019 LTI award.

(3) Far Ltd and Liquefied Natural Gas Ltd were suspended from trading on the ASX as at 31 December 2020 and will therefore not be included in the peer group for the performance testing of Tranche 3 for 2018 LTI award, Tranche 2 for 2019 LTI award and Tranche 1 for the 2020 LTI award.

(4) The same peer group used for the 2019 LTI was selected for the 2020 LTI other than replacing Freedom Oil & Gas Ltd (suspended) and Sundance Energy Australia Ltd (delisted) with Buru Energy Ltd and Otto Energy Ltd, both ASX listed oil companies with a similar market capitalisation (as at 31 December 2019) as Australis.



# REMUNERATION REPORT

## 11. TOTAL REMUNERATION SUMMARY

### 11.1 Remuneration of KMP

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

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

Name	Short term benefits			Postem- ploy- ment benefit	Total Cash			Share-based		Total	Perfor- mance related
	Cash salary & fees	STI Cash (1)(2)	Other bene- fits(3)	Super- annua- tion	Remunera- tion	Annual leave provi- sion	Equity settled fees(4)(6)	STI Shares (1)(2)	Options/ Rights(5)(6)	Remunera- tion	
Non-Executive Directors											
Jonathan Stewart											
31 Dec 2020	25,206	n/a	-	2,395	27,601	n/a	139,321	n/a	n/a	166,922	n/a
31 Dec 2019	159,194	n/a	691	15,123	175,009	n/a	n/a	n/a	n/a	175,009	n/a
Alan Watson											
31 Dec 2020	31,675	n/a	-	3,009	34,684	n/a	33,437	n/a	n/a	68,121	n/a
31 Dec 2019	63,672	n/a	1,532	6,049	71,253	n/a	n/a	n/a	1,624	72,877	n/a
Steve Scudamore											
31 Dec 2020	31,675	n/a	n/a	3,009	34,684	n/a	33,437	n/a	n/a	68,121	n/a
31 Dec 2019	63,672	n/a	n/a	6,049	69,721	n/a	n/a	n/a	5,239	74,960	n/a
Executive Directors											
Ian Lusted											
31 Dec 2020	201,414	-	2,951	10,198	214,563	(24,895)	n/a	n/a	320,832	510,500	19%
31 Dec 2019	350,310	(50)	9,675	18,706	378,641	(2,024)	n/a	n/a	188,729	565,346	13%
Graham Dowland											
31 Dec 2020	157,368	-	2,951	12,217	172,537	(6,348)	n/a	n/a	223,298	389,487	17%
31 Dec 2019	264,939	(34)	9,675	15,559	290,138	(5,072)	n/a	n/a	130,141	415,207	12%
Other KMP											
Darren Wasylucha											
31 Dec 2020	190,861	1,946	5,399	5,731	203,937	3,038	n/a	25,790	136,366	369,131	18%
31 Dec 2019	243,479	45,046	5,140	6,126	299,791	4,122	n/a	n/a	100,633	404,546	22%
David Greene(5)(7)											
31 Dec 2020	203,125	5,000	18,572	17,163	243,860	10,777	n/a	24,238	105,052	383,927	10%
Michael Verm(8)											
31 Dec 2019	285,000	50,018	16,899	20,383	372,300	13,733	n/a	n/a	130,493	516,526	23%
Total 2020	841,324	6,946	29,872	53,722	921,864	(17,428)	206,195	50,028	785,548	1,956,207	
Total 2019	1,430,267	94,979	43,612	87,994	1,656,853	10,759	n/a	n/a	556,859	2,224,471	

- (1) STI represents the amount earned in relation to 2020 which will be settled in 2021 after release of the 2020 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2020. 2019 STI represents the amount earned in relation to 2019 which were paid in 2020 after release of the 2019 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2019.
- (2) Achieved STI for 2020 is to be settled in cash and / or ordinary shares. Messrs Lusted and Dowland voluntarily forfeited their achieved 2020 STI. Approximately 83% of Messrs Wasylucha and Greene 2020 STI will be settled in ordinary shares after the release of the 2020 Annual Financial Statements. The number of ordinary shares to be issued will be based on the five day volume weighted average share price at the date of grant. The fair value of the Share award will be determined at the date of grant.
- (3) Other benefits include car parking, health and travel benefits and associated fringe benefit tax, where applicable.
- (4) Part of the non-executive director base fees for 2020 were settled in performance rights (Fee Rights A) – Mr Stewart A\$190,259, Mr Watson A\$45,662 and Mr Scudamore A\$45,662. AASB 2 requires the equity instruments to be valued in accordance with footnote (6) below at the date of grant. The Fee Rights A vest on 31 January 2021 and the fair value at grant is expensed over the period of vesting.
- (5) Includes Fee Rights B.
- (6) 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 2020 other than as set out in Section 8.
- (7) Mr Greene was designated KMP per AASB 124 from 1 January 2020.
- (8) Mr Verm did not meet the definition of KMP per AASB 124 from 1 November 2019 and as such Mr Verm Remuneration for 2019 is pro rated to the date of derecognition.

## 11.2 Share-based compensation benefits

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

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

If vested options, performance rights or fee rights are not exercised by their expiry date they will be forfeited and will have no value.

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

The maximum value of options, performance rights and fee rights yet to vest has been determined based on the fair value at the grant date. This amount will be expensed over the remaining vesting period.

# REMUNERATION REPORT

Table 8: Summary of options, performance rights and fee rights (as at 31 December 2020)

Name	Type of grant	Year granted	Vested %	Retest <sup>(1)(2)</sup> %	Forfeited %	Financial year in which benefits have or may vest	Maximum total value of grant yet to vest A\$
<b>Non-Executive Directors</b>							
Jonathan Stewart	\$0.25 options	2015	100%	-	100%	2015	-
	\$0.30 (Series A) options	2015	100%	-	100%	2016	-
	\$0.35 (Series A) options	2015	100%	-	-	2017	-
	Fee Rights A	2020	-	-	-	2021	190,259
Alan Watson	\$0.275 (Series B) options	2016	100%	-	-	2017	-
	\$0.275 (Series C) options	2016	100%	-	-	2018	-
	\$0.275 (Series D) options	2016	100%	-	-	2019	-
	Fee Rights A	2020	-	-	-	2021	45,662
Steve Scudamore	\$0.3125 (Series A) Options	2016	100%	-	-	2017	-
	\$0.3125 (Series B) Options	2016	100%	-	-	2018	-
	\$0.3125 (Series C) Options	2016	100%	-	-	2019	-
	Fee Rights A	2020	-	-	-	2021	45,662
<b>Executive Directors</b>							
Ian Lusted	\$0.25 options	2015	100%	-	100%	2015	-
	\$0.30 (Series A) options	2015	100%	-	100%	2016	-
	\$0.35 (Series A) options	2015	100%	-	-	2017	-
	2018 LTI Award Tranche 1	2018	95%	5%	-	2019	3,067
	2018 LTI Award Tranche 2		25%	75%	-	2020	100,073
	2018 LTI Award Tranche 3		-	-	-	2021	262,413
	2019 LTI Award Tranche 1	2019	25%	75%	-	2020	19,762

Name	Type of grant	Year granted	Vested %	Retest <sup>(1)(2)</sup> %	Forfeited %	Financial year in which benefits have or may vest	Maximum total value of grant yet to vest A\$
	2019 LTI Award Tranche 2		-	-	-	2021	61,687
	2019 LTI Award Tranche 3		-	-	-	2022	113,730
	2020 LTI Award Tranche 1	2020	-	-	-	2021	12,181
	2020 LTI Award Tranche 2		-	-	-	2022	24,610
	2020 LTI Award Tranche 3		-	-	-	2023	46,589
	Fee Rights B	2020	-	-	-	2021	236,667
Graham Dowland	\$0.25 options	2015	100%	-	100%	2015	-
	\$0.30 (Series A) options	2015	100%	-	100%	2016	-
	\$0.35 (Series A) options	2015	100%	-	-	2017	-
	2018 LTI Award Tranche 1	2018	95%	5%	-	2019	2,165
	2018 LTI Award Tranche 2		25%	75%	-	2020	70,639
	2018 LTI Award Tranche 3		-	-	-	2021	185,232
	2019 LTI Award Tranche 1	2019	25%	75%	-	2020	12,873
	2019 LTI Award Tranche 2		-	-	-	2021	40,185
	2019 LTI Award Tranche 3		-	-	-	2022	74,087
	2020 LTI Award Tranche 1	2020	-	-	-	2021	7,935
	2020 LTI Award Tranche 2		-	-	-	2022	16,031
	2020 LTI Award Tranche 3		-	-	-	2023	30,349
	Fee Rights B	2020	-	-	-	2021	168,467

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Name	Type of grant	Year granted	Vested %	Retest <sup>(1)(2)</sup> %	Forfeited %	Financial year in which benefits have or may vest	Maximum total value of grant yet to vest A\$
<b>Other KMP</b>							
Darren Wasylucha	\$0.285 options	2017	100%	-	-	2017	-
	\$0.345 options	2017	100%	-	-	2018	-
	\$0.40 options	2017	100%	-	-	2019	-
	2018 LTI Award Tranche 1	2018	96%	4%	-	2019	1,174
	2018 LTI Award Tranche 2		40%	60%	-	2020	38,314
	2018 LTI Award Tranche 3		-	-	-	2021	131,118
	2019 LTI Award Tranche 1	2019	40%	60%	-	2020	6,826
	2019 LTI Award Tranche 2		-	-	-	2021	28,981
	2019 LTI Award Tranche 3		-	-	-	2022	54,632
	2019 Senior Executive Award Tranche 1	2019	-	-	-	2023	1,200
	2019 Senior Executive Award Tranche 2		-	-	-	2023	2,000
	2019 Senior Executive Award Tranche 3		-	-	-	2023	1,200
	2020 LTI Award Tranche 1	2020	-	-	-	2021	6,597
	2020 LTI Award Tranche 2		-	-	-	2022	13,295
	2020 LTI Award Tranche 3		-	-	-	2023	25,516
	Fee Rights B	2020	-	-	-	2021	77,860

Name	Type of grant	Year granted	Vested %	Retest <sup>(1)(2)</sup> %	Forfeited %	Financial year in which benefits have or may vest	Maximum total value of grant yet to vest A\$
David Greene	2018 LTI Award Tranche 1	2018	99%	1%	-	2019	195
	2018 LTI Award Tranche 2		80%	20%	-	2020	6,349
	2018 LTI Award Tranche 3		-	-	-	2021	72,515
	2019 LTI Award Tranche 1	2019	80%	20%	-	2020	1,198
	2019 LTI Award Tranche 2		-	-	-	2021	18,558
	2019 LTI Award Tranche 3		-	-	-	2022	36,531
	2020 LTI Award Tranche 1	2020	-	-	-	2021	6,432
	2020 LTI Award Tranche 2		-	-	-	2022	12,943
	2020 LTI Award Tranche 3		-	-	-	2023	25,046
	Fee Rights B	2020	-	-	-	2021	71,023

(1) The performance rights that did not vest during the year Tranche 2 of the 2018 LTI award will be retested along with Tranche 3 of the 2018 LTI Award.

(2) The performance rights that did not vest during the year for Tranche 1 of the 2019 LTI award will be retested along with Tranche 3 of the 2019 LTI Award.

(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 as the fair value at grant date of the rights that are yet to be exercised.



# REMUNERATION REPORT

## 12. KMP INTERESTS IN SHARES, PERFORMANCE RIGHTS AND OPTIONS

### 12.1 Shareholdings, performance rights and option holdings

The number of shares, options and performance rights in the Company held during the financial year by KMP, including their personally related parties, are set out below. No shares or options were issued or granted during the period ending 31 December 2020 (2019 - nil) as compensation.

Table 9: 2020 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	Vested and exercisable	Unvested
<b>Non-Executive Directors</b>								
Jonathan Stewart <sup>(1)</sup>	Shares	68,335,002	-	-	-	68,335,002	n/a	n/a
	Options	40,000,000	-	-	(25,000,000)	15,000,000	15,000,000	-
	Fee Rights A	-	7,927,468	-	-	7,927,458	-	7,927,458
Alan Watson <sup>(2)</sup>	Shares	4,195,715	-	-	-	4,195,715	n/a	n/a
	Options	420,000	-	-	-	420,000	420,000	-
	Fee Rights A	-	1,902,583	-	-	1,902,583	-	1,902,583
Steve Scudamore <sup>(3)</sup>	Shares	296,002	-	-	-	296,002	n/a	n/a
	Options	420,000	-	-	-	420,000	420,000	-
	Fee Rights A	-	1,902,583	-	-	1,902,583	-	1,902,583
<b>Executive Directors</b>								
Graham Dowland <sup>(4)</sup>	Shares	15,250,000	-	-	228,612	15,478,612	n/a	n/a
	Options	13,200,000	-	-	(8,200,000)	5,000,000	5,000,000	-
	Performance Rights	1,700,554	2,498,630	(228,612)	-	3,970,572	-	3,970,572
	Fee Rights B	-	7,019,458	-	-	7,019,458	-	7,019,458
Ian Lusted <sup>(5)</sup>	Shares	15,576,234	-	-	326,927	15,903,161	n/a	n/a
	Options	16,000,000	-	-	(10,000,000)	6,000,000	6,000,000	-
	Performance Rights	2,494,832	3,835,616	(326,927)	-	6,033,521	-	6,033,521
	Fee Rights B	-	9,861,125	-	-	9,861,125	-	9,861,125
Darren Wasylucha <sup>(6)</sup>	Shares	341,055	-	-	47,907	388,962	n/a	n/a
	Options	1,500,000	-	-	-	1,500,000	1,500,000	-
	Performance Rights (2018)	1,050,870	1,958,027	(103,094)	-	2,905,803	-	2,905,803
	Performance Rights (2019 SE Award)	250,000	-	-	-	250,000	-	250,000
	Fee Rights B	-	3,539,091	-	-	3,539,091	-	3,539,091
David Greene <sup>(7)</sup>	Shares	32,669	-	-	-	32,669	n/a	n/a
	Performance Rights (2018)	535,333	1,838,726	(30,869)	-	2,343,190	73,241	2,269,949
	Fee Rights B	-	3,228,318	-	-	3,228,318	-	3,228,318

- (1) On 25 June 2020 7,927,468 Fee Rights A were issued to Mr Stewart in part settlement of director fees for 2020. On 31 December 2020 Mr Stewart's A\$0.25 and A\$0.30 unlisted options, (25,000,000) expired unexercised.
- (2) On 25 June 2020 1,902,583 Fee Rights A were issued to Mr Watson in part settlement of director fees for 2020.
- (3) On 25 June 2020 1,902,583 Fee Rights A were issued to Mr Scudamore in part settlement of director fees for 2020.
- (4) On 2 September 2020 Mr Dowland exercised 228,612 vested performance rights. On 31 December 2020 Mr Dowland's A\$0.25 and A\$0.30 unlisted options, (8,200,000) expired unexercised. On 25 June 2020, 2,498,630 2020 LTI awards and 7,019,458 Fee rights B were granted to Mr Dowland, refer notes 5.2.3 and 5.2.4 of this Report.
- (5) On 8 April 2020 Mr Lusted exercised 326,927 vested performance rights. On 31 December 2020 Mr Lusted's A\$0.25 and A\$0.30 unlisted options, (10,000,000) expired unexercised. On 25 June 2020, 3,835,616 2020 LTI awards and 9,861,125 Fee Rights B were granted to Mr Lusted, refer notes 5.2.3 and 5.2.4 of this Report.
- (6) On 31 January 2020 55,187 performance rights were deemed exercised in relation to Canadian tax liability arising on vesting of 103,094 performance rights. On 6 February 2020 Mr Wasylucha exercised 47,907 vested performance rights. On 25 June 2020 1,958,027 2020 LTI awards and 3,339,091 Fee Rights B were granted to Mr Wasylucha, refer notes 5.2.3 and 5.2.4 of this Report.
- (7) Mr Greene was designated KMP from 1 January 2020. On 31 January 2020 30,869 performance rights were deemed exercised in relation to USA tax liability arising on vesting of 104,110 performance rights. On 25 June 2020 1,838,726 2020 LTI awards and 3,228,318 Fee Rights B were granted to Mr Greene, refer notes 5.2.3 and 5.2.4 of this Report.
- (8) Of the 33,778,991 performance rights granted to Executive KMP in 2020 1,447,285 related to Tranche 1, 2,894,570 related to Tranche 2 and 5,789,144 related to Tranche 3 for the 2020 LTI Award, 23,647,992 related to Fee Rights B.

### 13. EMPLOYMENT AGREEMENTS KMP

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

Name	Employing Company	Contract Duration	Termination – Material Diminution	Termination notice period company <sup>(3)</sup>	Termination notice period executive	Post-employment restraints <sup>(4)</sup>
Ian Lusted	Australis Oil & Gas Limited	Unlimited	1 month <sup>(1)</sup>	12 months	12 months	12 months
Graham Dowland	Australis Oil & Gas Limited	Unlimited	1 month <sup>(1)</sup>	12 months	12 months	12 months
Darren Wasylucha	Australis Oil & Gas Limited	Unlimited	2 months <sup>(2)</sup>	6 months increasing by one month for each anniversary to a maximum of 9 months.	3 months	6 months
David Greene <sup>(5)</sup>	Australis TMS Inc	Unlimited	N/A	At will	At will	12 months – non solicitation only

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

(2) The contractual Termination Benefit for Mr Wasylucha was approved by shareholders at Annual General Meeting on 29 April 2019.

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

(4) Non-compete and non-solicitation provisions apply from notification of termination.

(5) Mr Greene was designated KMP as per AASB 124 definition from 1 January 2020.

#### Loans to KMP

No loans were made to KMP during 2020.

#### Deed of Indemnity

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

#### Policy for Trading in Company Securities

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

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

## 14. 2021 REMUNERATION STRATEGY

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

The remuneration framework for 2020 provided for a blend of fixed and variable pay and short and long term incentives. Due to the impact COVID-19 has and continues to have on the oil industry and the Company, the remuneration strategy for 2021 is based on retention of key personnel whilst maintaining fiscal discipline. Alignment of remuneration with shareholders interests continues into 2021.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Operating revenue	2.1	26,148	52,570
Cost of sales	2.2	(13,499)	(28,547)
<b>Gross profit</b>		<b>12,649</b>	<b>24,023</b>
Other income	2.1	249	21
Other expenses	2.2	(8,465)	(14,878)
Impairment provision	3.4	(126,710)	-
<b>(Loss) / Profit from operating activities</b>		<b>(122,277)</b>	<b>9,166</b>
Net finance (expenses)	2.7	(2,931)	(2,157)
<b>(Loss) / Profit from continuing operations before income tax expense</b>		<b>(125,208)</b>	<b>7,009</b>
Income tax expense	2.8	-	-
<b>Net (loss) / profit attributable to owners of the Company</b>		<b>(125,208)</b>	<b>7,009</b>
<b>Other comprehensive (loss) / income</b>			
Items that may be reclassified to profit or loss;			
Change in fair value of cash flow hedges	4.3	308	(3,732)
<b>Other comprehensive (loss) / income for the year net of tax</b>		<b>308</b>	<b>(3,732)</b>
<b>Total comprehensive (loss) / income for the year attributable to the owners of the Company</b>		<b>(124,900)</b>	<b>3,277</b>
<b>(Loss) / profit per share attributable to owners of the Company</b>			
Basic (loss) / profit per share (cents per share)	2.9	(12.70)	0.72
Diluted (loss) / profit per share (cents per share)	2.9	(12.70)	0.63

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 2020

	Notes	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Current assets</b>			
Cash and cash equivalents	4.1	4,687	16,116
Trade and other receivables	5.1	3,012	5,306
Inventories	5.2	736	897
<b>Total current assets</b>		<b>8,435</b>	<b>22,319</b>
<b>Non-current assets</b>			
Oil and gas properties	3.1	56,471	143,418
Exploration and evaluation	3.2	12,690	51,713
Plant and equipment	3.3	9,794	11,448
Other receivables	5.1	710	729
Derivative financial instruments hedge	5.4	124	-
<b>Total non-current assets</b>		<b>79,789</b>	<b>207,308</b>
<b>Total assets</b>		<b>88,224</b>	<b>229,627</b>
<b>Current liabilities</b>			
Trade and other payables	5.3	(5,207)	(11,317)
Provisions	5.5	(357)	(427)
Derivative financial instruments hedge	5.4	(427)	(336)
Borrowings	5.7	(4,035)	(4,000)
Lease liability		(346)	(512)
<b>Total current liabilities</b>		<b>(10,372)</b>	<b>(16,592)</b>
<b>Non-current liabilities</b>			
Provisions	5.6	(2,660)	(2,660)
Borrowings	5.7	(15,909)	(27,363)
Derivative financial instruments hedge	5.4	-	(275)
Lease liability		(587)	(933)
<b>Total non-current liabilities</b>		<b>(19,156)</b>	<b>(31,231)</b>
<b>Total liabilities</b>		<b>(29,528)</b>	<b>(47,823)</b>
<b>Net assets</b>		<b>58,696</b>	<b>181,804</b>
<b>Equity</b>			
Contributed equity	4.2	176,109	176,194
Treasury shares	4.2	(137)	(188)
Share based payment reserve	4.3	11,426	9,600
Foreign exchange reserve	4.3	(467)	(467)
Cash flow hedge reserve	4.3	(303)	(611)
Accumulated losses	4.3	(127,932)	(2,724)
<b>Total equity</b>		<b>58,696</b>	<b>181,804</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year to 31 December 2020

	Contributed Equity US\$'000	Treasury Shares US\$'000	Other Reserves US\$'000	Accumulated Losses US\$'000	Total US\$'000
<b>Balance as at 1 January 2019</b>	<b>154,996</b>	<b>(59)</b>	<b>10,836</b>	<b>(9,733)</b>	<b>156,040</b>
Profit for the year	-	-	-	7,009	7,009
<b>Other comprehensive income</b>					
Change in fair value of cash flow hedges	-	-	(3,732)	-	(3,732)
<b>Total comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>(3,732)</b>	<b>7,009</b>	<b>3,277</b>
<b>Transactions with owners, in their capacity as owners</b>					
Contributed equity net of transaction costs	22,339	-	-	-	22,339
Purchase of treasury shares	-	(356)	-	-	(356)
Release of treasury shares	(227)	227	-	-	-
Share-based payments	-	-	1,418	-	1,418
Transaction Costs	(914)	-	-	-	(914)
<b>Balance as at 31 December 2019</b>	<b>176,194</b>	<b>(188)</b>	<b>8,522</b>	<b>(2,724)</b>	<b>181,804</b>
<b>Balance as at 1 January 2020</b>	<b>176,194</b>	<b>(188)</b>	<b>8,522</b>	<b>(2,724)</b>	<b>181,804</b>
Loss for the year	-	-	-	(125,208)	(125,208)
<b>Other comprehensive income (loss)</b>					
Change in fair value of cash flow hedges	-	-	308	-	308
<b>Total comprehensive income / (loss)</b>	<b>-</b>	<b>-</b>	<b>308</b>	<b>(125,208)</b>	<b>(124,900)</b>
<b>Transactions with owners, in their capacity as owners</b>					
Contributed equity net of transaction costs	-	-	-	-	-
Purchase of treasury shares	-	(34)	-	-	(34)
Release of treasury shares	(85)	85	-	-	-
Share-based payments	-	-	1,826	-	1,826
Transaction Costs	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>176,109</b>	<b>(137)</b>	<b>10,656</b>	<b>(127,932)</b>	<b>58,696</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year to 31 December 2020

	Notes	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		28,318	53,510
Payments to suppliers and employees		(21,892)	(36,556)
Other revenue		195	21
<b>Net cash inflow from operating activities</b>	2.11	<b>6,621</b>	<b>16,975</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of exploration interests		(472)	(6,488)
Payment for property, plant and equipment		(617)	(4,442)
Payment for capitalised oil and gas assets		(2,628)	(71,428)
Refund of security deposits and bonds		97	1,000
(Acquisition) of security deposits and bonds		-	(32)
Interest Received		7	270
<b>Net cash (outflow) from investing activities</b>		<b>(3,613)</b>	<b>(81,120)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shares and other equity securities		-	22,341
Share issue costs		-	(916)
Treasury shares acquired		(34)	(356)
Proceeds from borrowings		696	25,000
Repayment of borrowings		(13,000)	(2,000)
Debt facility costs		(2,156)	(1,667)
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(14,494)</b>	<b>42,402</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(11,486)</b>	<b>(21,743)</b>
Cash and cash equivalents at the beginning of the year		16,116	37,943
Effect of exchange rates on cash holdings in foreign currencies		57	(84)
<b>Cash and cash equivalents at the end of the financial year</b>	4.1	<b>4,687</b>	<b>16,116</b>

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

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# SECTION 1: BASIS OF REPORTING

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### CORPORATE INFORMATION

The consolidated financial report for the year ended 31 December 2020 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 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 2020

### 1.2 BASIS OF PREPARATION AND COMPLIANCE STATEMENT

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

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

The accounting policies adopted are consistent with those of previous financial years.

The following amendments to accounting standards were issued with an effective date of 1 January 2020.

Title	Amendment	Impact
<i>Amendments to AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors</i>	Amended to ensure a consistent definition of materiality throughout International Reporting Standards and clarify when information is material.	No material impact on current or prior period consolidated financial report.
<i>Amendments to AASB 3 Business Combinations</i>	Amended the definition of a business.	No material impact on current or prior period consolidated financial report.
<i>Amendments to AASB 7 Financial Instruments: Disclosures, AASB 9 Financial Instruments and AASB 139 Financial Instruments: Recognition and Measurement</i>	Amendment provided certain reliefs in relation to interest rate benchmark reforms.	No material impact on current or prior period consolidated financial report.
<i>Amendments to AASB 1054 Australian Additional Disclosures</i>	Amendment added a further requirement for entities to disclose potential impact of IFRSs that have not yet been issued.	No material impact on current or prior period consolidated financial report.

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

# SECTION 1: BASIS OF REPORTING

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 period ended 31 December 2020 the Consolidated Entity recorded a loss of US\$125 million after a non-cash provision for impairment of US\$127 million. Earnings for the period excluding all non-cash items were US\$6.8 million.

During the reporting period the impact of the COVID-19 pandemic has resulted in unprecedented uncertainty in the global financial markets and the oil industry with a resultant decline in oil prices during the period.

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

- Earnings excluding non-cash items were US\$6.8 million\*;
- Net hedge book position of US\$0.3 million at 31 December 2020 protects a sales price of >US\$45/bbl for in excess of 70% of the Groups forecast 2021 net sales of oil;
- The group restructured its debt arrangements in 2020 (refer below for further detail);
- Whilst at the reporting date the Consolidated Entity recorded a working capital deficit after the recognition of amortisation payments for the next 12 months it remains in compliance and the Board forecasts continual compliance with the Macquarie Facility covenants; and
- Cost reduction initiatives implemented by the Group.

In response to this uncertainty and falling oil prices during the first quarter of 2020 the Group negotiated the restructure of the terms of the Macquarie Facility (Facility) and took action to reduce debt levels. On 6 April 2020 the Facility was amended including the amendment and waiver of key covenants for the remainder of 2020. Repayment of outstanding debt was accelerated with US\$10 million of debt repaid on this date. Other key amendments implemented were:

- Cancellation of undrawn debt availability and associated standby fees;
- Deferral of amortisation payments until 31 December 2020; and
- Waiver of the financial covenant relating to producing reserves valuation until 31 December 2020.

At 31 December a further US\$3 million amortisation payment was made. With the reduction of the Facility balance to US\$20 million, the improvements in oil price and the impact of improving oil prices on the valuation of the producing reserves independently certified by Ryder Scott LP at 31 December 2020, the Board anticipates future Facility quarterly amortisation repayments will remain at US\$1 million per quarter. Note, however the valuation of producing reserves is sensitive to oil price and in the event the oil price materially reduces from current levels the amortisation payable at one or more future quarters may be increased to US\$3m per quarter.

*\* Earnings excluding non-cash items is considered a non-IFRS measure. Refer to NON-IFRS Measures on page 34*

# SECTION 1: BASIS OF REPORTING

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020 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 2020

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

#### (ii) Translation and balances

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

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

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

### 1.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined using 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.

## SECTION 1: BASIS OF REPORTING

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 1 and/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.

**Future restoration costs** – Note 3.1

**Reserve estimates** – Note 3.1

**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.

# SECTION 1: BASIS OF REPORTING

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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.

## SECTION 1: BASIS OF REPORTING

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### 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

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

- AASB 9 *Financial Instruments*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 7 *Financial Instruments: Disclosures*, and AASB 16 *Leases* – to address issues that arise during the reform of an interest rate benchmark (IBOR)
- AASB 9 *Financial Instruments* – amend derecognition of financial liabilities requirements.
- AASB 16 *Leases* – leasehold improvements and lease incentives amendments.
- AASB 3 *Business Combinations* – update references to Conceptual Framework for Financial Reporting.
- AASB 116 *Property, Plant and Equipment* – measurement and disclosure amendments
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* – measurement and recognition amendments
- AASB 101 *Presentation of Financial Statements* – classification amendments
- AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* – recognition amendments

The Group is in the process of assessing the impact however it is not anticipated that these changes will have a material effect on the current financial statements.

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### 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 value 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Revenue from continuing operations</b>		
<i>Sales revenue</i>		
Oil sales	21,416	52,480
Realised profit / (loss) on forward commodity price contracts	4,732	90
<b>Total revenue from continuing operations</b>	<b>26,148</b>	<b>52,570</b>

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Other income</b>		
Government subsidies (COVID-19 initiatives)	195	-
Gain on sale of inventory	-	21
Foreign exchange gain	54	-
<b>Total other income</b>	<b>249</b>	<b>21</b>

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Cost of sales</b>			
Production costs		(6,731)	(13,018)
Royalties		(4,046)	(9,517)
Production taxes		(751)	(1,611)
Depletion	3.1	(434)	(3,060)
Depreciation – production equipment	3.3	(1,521)	(1,427)
Loss on sale of equipment/inventory		(8)	-
Other – inventory movements		(8)	86
<b>Total cost of sales</b>		<b>(13,499)</b>	<b>(28,547)</b>
<b>Other expenses</b>			
Administrative expenses	2.3	(5,944)	(12,742)
Exploration costs expensed	2.5	(56)	(511)
Depreciation	3.3	(639)	(119)
Unrealised foreign exchange loss		-	(88)
Share based payments	7.3	(1,826)	(1,418)
<b>Total expenses</b>		<b>(8,465)</b>	<b>(14,878)</b>

The administrative expenses for the year ended 31 December 2020 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 2020

#### Good and services tax

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

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

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

#### Foreign exchange risk

The functional currency of the Group is US dollars (USD) however the Group operates internationally and is exposed to various currencies including the Australian Dollar (AUD), Euro (EUR) and Pound Sterling (GBP). The Group is primarily exposed to foreign exchange risk arising from fluctuations in AUD and USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The exposure to risks is measured using sensitivity analysis and cash flow forecasting. Refer to Notes 4.1, 5.1, 5.3 and 5.4.

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

### 2.3 ADMINISTRATIVE EXPENSES

Administrative expenses of the Group include the following:

	Notes	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Administrative expenses</b>			
Personnel expenses	2.4	(4,821)	(9,152)
Consulting and professional expenses		(596)	(1,637)
Other general and administrative expenses		(527)	(1,953)
	2.2	(5,944)	(12,742)

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### 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. In 2019 and 2020, contributions for US-based employees were matched up to a maximum of 6% of the base salary of each employee and for both 2019 and 2020 an additional 2% employee 401k contribution was made based on total remuneration (base plus STI) for each employee.

Expensed employee benefits of the Group are as follows:

	Notes	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Employee benefits</b>			
Salaries and fees		(3,563)	(6,647)
Short term incentives		(196)	(810)
Superannuation and 401k		(293)	(360)
Other payroll expenses <sup>(1)</sup>		(769)	(1,335)
	2.3	(4,821)	(9,152)
Share based payments	7.3	(1,826)	(1,418)
		(6,647)	(10,570)
<sup>(1)</sup> Includes medical benefits and employer on costs in the USA and the movement in annual leave provision for the year of US\$70,000 (2019: \$55,000)			

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### 2.5 EXPLORATION EXPENDITURE

##### Recognition and measurement

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

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

Exploration expenditure of the Group includes the following:

	Notes	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Exploration expenditure</b>			
Portuguese exploration expenditure		4	(368)
TMS exploration expenditure		(60)	(143)
	2.2	(56)	(511)

#### 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 and Portugal.

##### *Other*

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

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

	Oil & Gas Production		Exploration		Other		Total	
US\$000	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
<b>External revenues</b>	<b>26,148</b>	52,570	-	-	-	-	<b>26,148</b>	52,570
Other income		21	-	-	<b>195</b>	-	<b>195</b>	21
Direct operating costs	<b>(11,544)</b>	(24,060)	-	-	-	-	<b>(11,544)</b>	(24,060)
Corporate	-	-	-	-	<b>(5,944)</b>	(12,742)	<b>(5,944)</b>	(12,742)
Unrealised foreign currency gains / (losses)	-	-	-	-	<b>54</b>	(88)	<b>54</b>	(88)
Share based payments	-	-	-	-	<b>(1,826)</b>	(1,418)	<b>(1,826)</b>	(1,418)
<b>EBITDAX <sup>(1)</sup></b>	<b>14,604</b>	28,531	-	-	<b>(7,521)</b>	(14,248)	<b>7,083</b>	14,283
Depletion	<b>(434)</b>	(3,060)	-	-	-	-	<b>(434)</b>	(3,060)
Depreciation	<b>(1,521)</b>	(1,427)	-	-	<b>(639)</b>	(119)	<b>(2,160)</b>	(1,546)
Impairment	<b>(87,215)</b>	-	<b>(39,495)</b>	-	-	-	<b>(126,710)</b>	-
Exploration costs expensed	-	-	<b>(56)</b>	(511)	-	-	<b>(56)</b>	(511)
<b>EBIT <sup>(2)</sup></b>	<b>(74,566)</b>	24,044	<b>(39,551)</b>	(511)	<b>(8,160)</b>	(14,367)	<b>(122,277)</b>	9,166
Net finance (costs) / income	<b>(2,938)</b>	(2,427)	-	-	<b>7</b>	270	<b>(2,931)</b>	(2,157)
<b>Segment (loss) / profit</b>	<b>(77,504)</b>	21,617	<b>(39,551)</b>	(511)	<b>(8,153)</b>	(14,097)	<b>(125,208)</b>	7,009
<sup>(1)</sup> EBITDAX represents net profit for the year including net realised hedging effect of \$4,732,000 profit (2019: \$90,000 profit), before income tax expense or benefit, finance costs, depletion, depreciation, exploration and evaluation expenses and impairment.								
<sup>(2)</sup> EBIT represents net profit for the year before income tax expense or benefit and finance costs.								

	Oil & Gas Production		Exploration		Other		Total	
US\$000	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
<b>Capital expenditure</b>								
Exploration and evaluation assets	-	-	<b>472</b>	6,030	-	-	<b>472</b>	6,030
Oil and gas assets:								
- production and development								
- production	<b>702</b>	58,363	-	-	-	-	<b>702</b>	58,363
- rehabilitation provision	-	280	-	-	-	-	-	280
Other plant and equipment	<b>622</b>	3,602	-	-	<b>(116)</b>	97	<b>506</b>	3,699
	<b>1,324</b>	62,245	<b>472</b>	6,030	<b>(116)</b>	97	<b>1,680</b>	68,372

	Oil & Gas Production		Exploration		Other		Total	
US\$000	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Segment assets	<b>68,827</b>	159,049	<b>12,825</b>	51,960	<b>6,572</b>	18,618	<b>88,224</b>	229,627
Segment liabilities	<b>(27,344)</b>	(44,090)	-	(198)	<b>(2,184)</b>	(3,535)	<b>(29,528)</b>	(47,823)

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### Geographical segments

The Group operates primarily in the United States of America but also has a head office in Australia. During the year the Group also held exploration Concessions in Portugal. The Concessions were relinquished effective 29 September 2020. In presenting information on the basis of geographical segments, segment revenue and segment assets are grouped based on the location of operating activities.

Production from the designated segments is sold on commodity markets.

US\$'000	Revenue		Non-current assets	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019	Year ended 31 Dec 2020	Year ended 31 Dec 2019
United States of America	<b>26,148</b>	52,570	<b>79,149</b>	197,865
Portugal	-	-	-	8,363
Australia	-	-	<b>640</b>	1,080
	<b>26,148</b>	52,570	<b>79,789</b>	207,308

## 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
Interest income	<b>7</b>	270
Amortised debt finance transaction costs	<b>(885)</b>	(795)
Interest expense on debt finance	<b>(2,053)</b>	(1,632)
	<b>(2,931)</b>	(2,157)

## 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.

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>(a) Income tax expense</b>		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
<b>(b) Reconciliation of income tax expense to prima facie tax payable</b>		
(Loss) / profit from continuing operations before income tax expense	(125,208)	7,009
Prima facie tax expense at the Australian statutory tax rate of 30% (31 December 2019: 30%)	(37,563)	2,103
<b>Tax effect of amounts that are not deductible (taxable) in calculating taxable income</b>		
Share-based payment expense	356	215
Other non-allowable deductions	2,939	233
Income tax rate difference	(10,206)	872
	(44,474)	3,423
Movements in unrecognised temporary differences	34,287	(21,696)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	10,187	18,273
<b>Income tax expense / (benefit)</b>	-	-



## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>(c) Tax affect relating to each component of other comprehensive income</b>		
Cash flow hedges	-	-
	-	-
<b>(d) Deferred tax asset</b>		
<i>Arising from temporary differences attributable to</i>		
Other provisions and accruals	36,472	1,164
Tax losses in Australia	2,479	2,476
Tax losses in USA	22,330	26,318
Tax losses in Portugal	932	939
Tax losses in United Kingdom	49	51
<b>Total deferred tax assets</b>	<b>62,262</b>	<b>30,947</b>
<b>(e) Deferred tax liability</b>		
Oil and gas properties	22,104	27,034
Other accruals	-	-
Unrealised foreign exchange gain	(10)	21
<b>Total deferred tax liabilities</b>	<b>22,094</b>	<b>27,055</b>

Potential deferred tax assets have not been brought into account at 31 December 2020 (31 December 2019: 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:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- The Company continues to comply with conditions for deductibility imposed by law; and
- 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.

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 2020 US cents	Year ended 31 December 2019 US cents
<b>Profit per share attributable to members of the Company</b>		
Basic (loss) / profit per share	(12.70)	0.72
Diluted (loss) / profit per share	(12.70)	0.63
<b>Profit used in calculation of basic / diluted loss per share</b>	<b>US\$'000</b>	<b>US\$'000</b>
Net (loss) / profit after tax	(125,208)	7,009
<b>Weighted average number of ordinary shares used as the denominator in calculating:</b>	<b>Shares</b>	<b>Shares</b>
Basic (loss) / profit per share <sup>(1)</sup>	985,963,678	970,694,686
Diluted (loss) / profit per share <sup>(2)</sup>	985,963,678	1,112,990,058
<sup>(1)</sup> 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.		
<sup>(2)</sup> 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 2020 (2019: Nil).

## SECTION 2: RESULTS FOR THE YEAR

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Net (loss) / profit for the year</b>	<b>(125,208)</b>	<b>7,009</b>
<i>(i) Add / (less) non-cash items</i>		
Impairment provision	126,710	-
Depreciation, depletion and amortisation	3,477	5,401
Share based payment expense	1,826	1,418
Net unrealised foreign exchange (profit) / loss	(55)	88
<i>(ii) Add / (less) items classified as investment / financing activities:</i>		
Net interest received	(7)	(270)
<i>(iii) Change in assets and liabilities during the financial year</i>		
Decrease / (Increase) in receivables	2,268	548
(Increase) / decrease in inventories	(278)	(642)
(Decrease) / Increase in payables	(2,042)	3,368
(Decrease) / Increase in employee provisions	(70)	55
<b>Net inflow from operating activities</b>	<b>6,621</b>	<b>16,975</b>

#### 2.12 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	31 December 2019 US\$'000	Cash Flows US\$'000	Non-cash Movements Fair Value Changes US\$'000	31 December 2020 US\$'000
Long term borrowings	31,363	(15,156)	3,737	19,944
<b>Total liabilities from financing activities</b>	<b>31,363</b>	<b>(15,156)</b>	<b>3,737</b>	<b>19,944</b>

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

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

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

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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 2020 rehabilitation obligations have a carrying value of US\$2,660,000 (31 December 2019: US\$2,660,000).

##### *Reserve estimates*

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

Reserve estimates are used to calculate amortisation of producing assets and to assess.

##### *Depletion and depreciation*

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

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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.

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
At cost	149,119	148,417
Accumulated impairment	(87,215)	-
Accumulated depletion	(5,433)	(4,999)
	56,471	143,418

	Producing Projects US\$'000	Development Projects US\$'000	Total US\$'000
<b>2020</b>			
Balance at 1 January 2020	128,435	14,983	143,418
Additions	519	183	702
Depletion / Depreciation charge	(434)	-	(434)
Impairment provision <sup>(1)</sup>	(87,215)	-	(87,215)
<b>Balance at 31 December 2020</b>	<b>41,305</b>	<b>15,166</b>	<b>56,471</b>

	Producing Projects US\$'000	Development Projects US\$'000	Total US\$'000
<b>2019</b>			
Balance at 1 January 2019	60,362	25,819	86,181
Additions	53,689	4,675	58,364
Transfer from exploration and evaluation asset	1,653	-	1,653
Transfer from development projects to producing projects	15,511	(15,511)	-
Restoration provision	280	-	280
Depletion / Depreciation charge	(3,060)	-	(3,060)
<b>Balance at 31 December 2019</b>	<b>128,435</b>	<b>14,983</b>	<b>143,418</b>

<sup>(1)</sup> See Note 3.4 Impairment

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 3.2 EXPLORATION AND EVALUATION ASSETS

##### Recognition and measurement

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

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

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

##### Costs

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

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

During the year ended 31 December 2020, no exploration and evaluation expenditure was transferred to Oil and Gas Properties in relation to leases that had commenced development during the year (2019: \$1,653,000).

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.



## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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 measured in accordance with AASB 136.

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Opening balance</b>	<b>51,713</b>	47,336
Capitalised expenditure <sup>(1)</sup>	472	6,030
Transfer to oil and gas properties	-	(1,653)
Impairment <sup>(2)</sup>	(39,495)	-
<b>Closing balance</b>	<b>12,690</b>	51,713
<sup>(1)</sup> Capitalised expenditure represents the costs associated with the acquisition of new leases and the renewal and extension of existing leases in the TMS during the year and the annual surface rentals for the Portuguese concessions.		
<sup>(2)</sup> See Note 3.4 Impairment.		

#### Exploration commitments

As at 31 December 2020 there were no exploration commitments (2019: 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.

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

### 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
<b>2020</b>					
Opening net book amount	275	9,605	123	1,445	11,448
Additions	-	622	-	(116)	506
Write down in year					
Depreciation charge	(65)	(1,521)	(23)	(551)	(2,160)
<b>Closing net book amount</b>	<b>210</b>	<b>8,706</b>	<b>100</b>	<b>778</b>	<b>9,794</b>
<b>2020</b>					
At cost	553	13,348	213	1,329	15,443
Accumulated depreciation	(343)	(4,642)	(113)	(551)	(5,649)
<b>Closing net book amount</b>	<b>210</b>	<b>8,706</b>	<b>100</b>	<b>778</b>	<b>9,794</b>

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

	Office Equipment US\$'000	Production Equipment US\$'000	Motor Vehicles US\$'000	Right of Use Asset US\$'000	Total US\$'000
<b>2019</b>					
Opening net book amount	269	7,429	151		7,849
Additions	97	3,603	-	1,445	5,145
Write down in year					
Depreciation charge	(91)	(1,427)	(28)		(1,546)
<b>Closing net book amount</b>	<b>275</b>	<b>9,605</b>	<b>123</b>	<b>1,445</b>	<b>11,448</b>
<b>2019</b>					
At cost	553	12,726	213	1,445	14,937
Accumulated depreciation	(278)	(3,121)	(90)	-	(3,489)
<b>Closing net book amount</b>	<b>275</b>	<b>9,605</b>	<b>123</b>	<b>1,445</b>	<b>11,448</b>

### 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 two identified Cash Generating Units ("CGU") as set out below and have assessed the CGUs independently.

- i. Portugal
- ii. TMS

Impairment indicators were identified at the reporting date requiring the Group to assess the recoverable amount of the above noted CGUs and their associated assets in accordance with AASB 136 Impairment of Assets. As a result an impairment provision of US\$126.7 million was recognised during the period which includes an impairment provision to the carrying value of the TMS CGU and the full impairment of the carrying value of the Portuguese CGU as a result of the relinquishment of the Portuguese Concessions as indicated in the half year report.

The Impairment provision is non-cash in nature and has no impact on the Group's debt facility covenants.

#### *Significant estimates and judgements*

For oil and gas assets, the expected future cash flow estimations and recoverable amounts are based on a number of factors, variables and future development plans assumptions, the most significant of which are as follows (and are discussed in more detail below):

- Hydrocarbon reserves;
- Future production profiles;
- Commodity prices;
- Operating expenses;
- Discount rate; and
- Fair value of the undeveloped acreage held.

The impact of COVID-19 is also factored into the calculation and future uncertainty has also been factored in including its impact on global economics, oil demand and financing availability.

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's oil and gas assets could change materially and result in further impairment or the reversal of previous impairment provisions.

Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on the others and individual variables rarely change in isolation. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and hence, on the likelihood, or extent of impairments, or reversals of impairments under different sets of assumptions in subsequent reporting periods.

#### Portuguese CGU

During the year, due to the current economic uncertainty as a result of COVID-19 and its impact on gas and NGL prices, the economy in Portugal, the availability of finance and our ability to progress the project in country including travel restrictions on staff and consulting specialists, the Board determined that substantive expenditure would not be allocated to the Portuguese asset. In the second half of 2020 the Board determined that the two concessions held in Lusitanian basin in Portugal would be relinquished effective 29 September 2020 for the following reasons:

- The prevailing COVID-19 conditions continued and prevented further progress on the Environmental Impact Assessment for the foreseeable future;
- The Portuguese implementation of European environmental directives was increasing the anticipated costs of an exploration program and significantly diminishing the likelihood of a development approval in a success case: and
- Environmental activism and resistance to the planned operations had increased, which has led to a diminishing political appetite at a local and federal level to support the project despite the significant benefits to the country that it presented. Concerns over non-operational issues such as staff safety and the potential for disruptive activity have also risen.

An impairment provision of \$8,445,000 in respect of the Portuguese Exploration and Evaluation asset was recorded to fully write down the carrying value.

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

#### TMS CGU

The carrying value of the assets within the TMS cash generating unit primarily comprises of oil & gas properties, TMS exploration and evaluation asset and associated production plant and equipment.

The Board assessed the conditions prevalent at the reporting date and concluded that impairment indicators were present and the recoverable amount of the TMS CGU was determined.

Due to the continued impact of COVID-19, oil price volatility and the effect on the oil and gas and global economies, the Board determined it was unlikely that a development program would be undertaken in the short term and consequently the recoverable amount of the TMS CGU was calculated as follows:

- 1) a fair value less cost of disposal (not value in use) was the most appropriate methodology to assess the recoverable amount, and
- 2) Whilst in the opinion of the Board the undeveloped acreage remains valuable in a higher and less volatile oil price environment it was determined that as at the reporting date the recoverable amount of the allocable assets within the TMS CGU remains uncertain and therefore (which includes but not limited to disclosure below) was assessed as follows:

CGU component	Financial statement category	Recoverable amount
Producing assets and associated assets -existing TMS wells, plant and equipment associated with producing wells, rehabilitation provision for the producing wells and hedging derivatives	Oil & gas properties, Property, Plant & Equipment, Current and non-current assets and non-current liabilities	Fair value less cost of disposal – Discounted cash flow
Held by production (HBP) development units and Future development units -undeveloped TMS acreage of approximately 40,000 net acres	Oil & Gas Properties and Exploration and Evaluation	Fair value less cost of disposal

## SECTION 3: INVESTED CAPITAL

### Notes to the Financial Statements

For the year ended 31 December 2020

#### Assumptions – 31 December 2020 Impairment Assessment

##### i. Producing assets and associated balances

The discounted cash flow of the producing assets reflects the present value of the future expected cashflows from the existing producing wells based on the following key assumptions:

Production Profile and hydrocarbon estimates for all existing wells	Based on the 2P production estimates for each existing well generated by the independent reserves Engineers for the 2020 Reserves Report <sup>(1)</sup>
Oil Price	Based on Australis internal oil price forecast with reference to futures pricing and consensus opinion at the reporting date inclusive of LLS differential as follows: 2021 onwards US\$52.00
Operating Expenses	Based on the average actual costs for the TMS operations for the 12 months to November 2020 excluding the month of May 2020 (voluntary production curtailment month) as follows: Fixed: US\$8,335 per well per month Variable water: US\$2.04 per barrel Variable fluid: US\$1.43 per barrel
Discount rate	10%

<sup>(1)</sup> Refer to the "Reserve and Resource Update Year End 2020" announcement lodged with the ASX on 5 February 2021.

The results were as follows:

	Impairment Loss US\$000		Recoverable Amount US\$000	
	2020	2019	2020	2019
Oil & Gas Properties: Producing projects	(87,215)	-	41,305	-
Producing plant and equipment	-	-	8,707	-
Rehabilitation provision	-	-	(2,660)	-
Derivatives – hedging	-	-	(303)	-

##### ii. Held by production (HBP) development units and future development units

The recoverable value for HBP development units and future development units were assessed at 31 December 2020 using a market and asset based approach. The range of fair value less cost of disposal per acre attributable to these units was conservatively estimated at US\$160 per acre - US\$500 per acre.

The results were as follows:

	Impairment Loss US\$000		Recoverable Amount US\$000	
	2020	2019	2020	2019
Oil & Gas Properties: Development Projects	-	-	15,166	-
Exploration and evaluation	(31,050)	-	12,690	-

## SECTION 4: CAPITAL AND DEBT STRUCTURE

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 4.1 CASH AND CASH EQUIVALENTS

##### Recognition and measurement

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

Cash and cash equivalents as defined above, consist of:

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<i>Held with Australian banks and financial institutions</i>		
Cash at bank and in hand	813	8,910
<i>Held with Portuguese banks and financial institutions</i>		
Cash at bank and in hand	4	7
<i>Held with US banks and financial institutions</i>		
Cash at bank and in hand	3,870	7,199
	<b>4,687</b>	<b>16,116</b>
<b>Cash and cash equivalents in the Cash Flow Statement comprises the following Statement of Financial Position amounts:</b>		
Cash on hand and balances at bank	4,687	16,116
<b>Cash and cash equivalents</b>	<b>4,687</b>	<b>16,116</b>

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

	31 December 2020 Amount in Currency \$'000	31 December 2020 Amount in USD US \$'000	31 December 2019 Amount in Currency \$'000	31 December 2019 Amount in USD US \$'000
<b>Cash &amp; cash equivalents</b>				
AUD Dollars	856	655	3,822	2,671
Euro	4	5	7	7
UK Pounds	3	4	-	-
		<b>664</b>		<b>2,678</b>



## SECTION 4: CAPITAL AND DEBT STRUCTURE

### Notes to the Financial Statements

For the year ended 31 December 2020

#### *Foreign exchange risk*

The Group held US \$0.7 million of cash and cash equivalents at 31 December 2020 (31 December 2019: US\$2.7 million) in currencies other than US dollars (predominantly AUD dollars).

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

#### *Credit risk*

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

#### *Interest rate risk*

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at and during the year ended 31 December 2020, the Group's interest-bearing assets consisted of cash and cash equivalents and a bank guarantee held with Australian and Portuguese banks and financial institutions and earned interest at 0.02% floating rate (31 December 2019: 0.21%). As such the impact on the Group's income and operating cash flows from movements in market interest rates is not considered material.

#### *Liquidity risk*

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

#### *Capital risk management*

The Group manages its capital to ensure entities in the Group will be able to continue as a going concern while maximising the potential return to shareholders. The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and potential investment opportunities.

On the 5th June 2018 Australis entered into a credit agreement with Macquarie Bank Limited (Facility). The terms of the Facility were again amended in early 2020. The key terms of the Facility can be found in Note 5.7. Under the Facility, the Group is required to maintain at least US\$1 million at all times and a minimum of US\$2m at each month end in its approved controlled Group bank accounts. As at 31 December 2020 US\$20 million (31 December 2019 US\$33 million) was the balance of funds drawn from the Facility, refer to Note 5.7 for further information.

## SECTION 4: CAPITAL AND DEBT STRUCTURE

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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 2020 Securities	31 December 2019 Securities	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Share capital</b>				
Ordinary shares	<b>985,963,678</b>	985,963,678	<b>176,109</b>	176,194
Treasury shares	<b>(1,001,932)</b>	(930,211)	<b>(137)</b>	(188)
<b>Total contributed equity</b>	<b>984,961,746</b>	985,033,467	<b>175,972</b>	176,006

##### (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 Financial Statements

For the year ended 31 December 2020

#### (b) Movements in contributed equity

	Date	Number of Securities	Issue Price A\$	US\$'000
<b>Balance at 1 January 2019</b>		895,936,178		154,996
Exercise of options	19 Feb 19	227,500	0.275	44
Placement – Tranche 1 <sup>(1)</sup>	27 Feb 19	83,857,142	0.35	21,012
Issue Costs		-	-	(916)
Share Issue – Employee Share Trust <sup>(2)</sup>	2 Apr 19	2,000,000	0.25	356
Placement – Tranche 2 <sup>(1)</sup>	30 Apr 19	3,142,858	0.35	776
Exercise of options	18 Jun 19	550,000	0.275	105
Exercise of options	25 Jun 19	250,000	0.275	48
Treasury share release <sup>(3)</sup>	Various	-	Various	(227)
<b>Balance at 31 December 2019</b>		<b>985,963,678</b>		<b>176,194</b>
Treasury share release <sup>(3)</sup>	Various	-	Various	(85)
<b>Balance at 31 December 2020</b>		<b>985,963,678</b>		<b>176,109</b>

<sup>(1)</sup> On 27 February 2019 Australis issued 83,857,142 new fully paid ordinary shares (Tranche 1) and on 30 April 2019 Australis issued 3,142,858 new fully paid ordinary shares (Tranche 2) at A\$0.35 per share to raise A\$30.5 million before costs of issue. The funds raised were predominately applied to the next phase of the initial drilling program in the Tuscaloosa Marine Shale.

<sup>(2)</sup> On 2 April 2019 Australis issued 2 million new fully paid ordinary shares to the trustee of the employee share trust to meet the trust's obligations to employees on exercise of vested performance rights.

<sup>(3)</sup> During the reporting period employees of the Company exercised their vested performance rights, resulting in the release of the treasury shares to the employees.

#### (c) Treasury shares

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

	Date	Number of securities acquired on market	Purchase price per share A\$	US\$'000
<b>Balance at 1 January 2019</b>		<b>290,215</b>		<b>59</b>
Australis Oil & Gas Employee Share Trust Acquisition	Apr 19	2,000,000	0.25	356
Australis Oil & Gas Employee Share Trust Distribution	Apr 19	(1,360,004)	-	(227)
<b>Balance at 31 December 2019</b>		<b>930,211</b>		<b>188</b>
On market acquisition	Various	2,685,641		34
Australis Oil & Gas Employee Share Trust Distribution	Various	(2,613,920)		(85)
<b>Balance at 31 December 2020</b>		<b>1,001,932</b>		<b>137</b>

## SECTION 4: CAPITAL AND DEBT STRUCTURE

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 4.3 RESERVES AND ACCUMULATED LOSSES

	Year ended 31 December 2020 US \$'000	Year ended 31 December 2019 US \$'000
<b>(a) Share-based payment reserve</b>		
Balance at the beginning of the financial year	9,600	8,182
Share-based payment expense arising during the year	1,826	1,418
<b>Balance at end of the year</b>	<b>11,426</b>	<b>9,600</b>
<b>(b) Foreign exchange reserve</b>		
Balance at the beginning of the financial year	(467)	(467)
Currency translations differences arising during the year	-	-
<b>Balance at end of the year</b>	<b>(467)</b>	<b>(467)</b>
<b>(c) Cash flow hedge reserve</b>		
Balance at the beginning of the financial year	(611)	3,121
Change in derivatives financial instruments at fair value through comprehensive income	308	(3,732)
<b>Balance at end of the year</b>	<b>(303)</b>	<b>(611)</b>
<b>(d) Accumulated losses</b>		
Balance at the beginning of the financial year	(2,724)	(9,733)
Net (loss) / profit for the year	(125,208)	7,009
<b>Balance at end of the year</b>	<b>(127,932)</b>	<b>(2,724)</b>

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Current assets</b>		
Trade receivables	2,276	4,619
Other receivables	736	687
	3,012	5,306
<b>Non-current assets</b>		
Other receivables	710	729
	710	729

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

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

	31 December 2020 Currency Amount in \$'000	31 December 2020 Amount in USD US\$'000	31 December 2019 Amount in Currency \$'000	31 December 2019 Amount in USD US\$'000
<b>Trade and other receivables</b>				
AUD Dollars	303	232	388	275
Euro	139	170	291	326
		402		601

#### 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 2020 (2019: 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 2020, 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 2020 is considered immaterial.

##### Foreign exchange risk

The Group held other receivables in Australian dollars of US\$232,000 at 31 December 2020 (31 December 2019: US\$275,000) and Euro's of US\$170,000 at 31 December 2020 (31 December 2019: US\$326,000). A reasonable possible change in the exchange rate of the US dollar to the Australian dollar and Euro (+ 10%/- 10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current year.

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
Oil Inventory	45	56
Warehouse stores and Inventory	691	841
	<b>736</b>	<b>897</b>

#### 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
Trade payables	4,664	10,331
Other payables	543	986
	<b>5,207</b>	<b>11,317</b>

	31 December 2020 Amount in Currency \$'000	31 December 2020 Amount in USD US\$'000	31 December 2019 Amount in Currency \$'000	31 December 2019 Amount in USD US\$'000
<b>Trade and other payables</b>				
Australian Dollars	257	197	234	170
Euro	1	1	180	201
UK Pounds	9	12	8	12
		<b>210</b>		<b>383</b>



## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### Fair value

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

#### Risks

##### *Liquidity risk*

Trade and other payables are non-interest bearing and normally settled within 30 to 60 day terms except US\$2,806,000 (2019: US\$2,903,000) 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 are met. Once met 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\$210,000 of trade and other payables at 31 December 2020 (31 December 2019: \$383,000) in currencies other than US dollars (being Australian dollars, Euros and British pounds). A reasonable possible change in the exchange rate of the US dollar to the Australian dollar (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period. A reasonable possible change in the exchange rate of the US dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

The impact on post tax profits and equity of a hypothetical change in the US dollar / Sterling exchange rate is not considered significant.

## 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.

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

The outstanding oil hedge contracts held by the Group at 31 December 2020 are as follows:

Monthly Contract Period	Subject of Contract	Reference	Option Traded	Barrels	Put Price \$US/bbl	Floor Price \$US/bbl	Fair Value US\$'000
Jan-2021-Jun-2021	Oil	Nymex WTI	Zero Cost Collar	7,002	55.00	73.05	51
Mar-2021-Oct-2021	Oil	Nymex WTI	Zero Cost Collar	28,900	40.00	50.50	(47)
Nov-2021	Oil	Nymex WTI	Zero Cost Collar	3,000	40.00	50.50	(4)
Jan-2021	Oil	Nymex WTI	Swap	5,000	38.77	n/a	(49)
Jan-2021	Oil	Nymex WTI	Swap	600	41.73	n/a	(4)
Jan-2021	Oil	Nymex WTI	Swap	3,500	44.00	n/a	(16)
Jan-2021-Jun-2021	Oil	Nymex WTI	Swap	25,000	50.82	n/a	55
Jan-2021-Jun-2021	Oil	Nymex WTI	Swap	46,600	51.00	n/a	112
Feb-2021	Oil	Nymex WTI	Swap	5,000	38.90	n/a	(49)
Feb-2021-Mar 2022	Oil	Nymex WTI	Swap	36,600	42.86	n/a	(189)
Mar-2021	Oil	Nymex WTI	Swap	5,000	39.07	n/a	(48)
Mar-2021	Oil	Nymex WTI	Swap	4,800	42.10	n/a	(32)
Apr-2021	Oil	Nymex WTI	Swap	5,000	39.24	n/a	(47)
Apr-2021	Oil	Nymex WTI	Swap	4,300	42.27	n/a	(27)
May-2021	Oil	Nymex WTI	Swap	5,000	39.38	n/a	(46)
May-2021	Oil	Nymex WTI	Swap	4,400	42.41	n/a	(27)
Jun-2021	Oil	Nymex WTI	Swap	5,000	39.50	n/a	(45)
Jun-2021	Oil	Nymex WTI	Swap	3,800	42.55	n/a	(23)
Jul-2021	Oil	Nymex WTI	Swap	9,000	42.30	n/a	(54)
Jul-2021-Dec-2021	Oil	Nymex WTI	Swap	21,000	50.49	n/a	59
Jul-2021-Dec-2021	Oil	Nymex WTI	Swap	33,700	50.60	n/a	87
Aug-2021	Oil	Nymex WTI	Swap	4,200	42.43	n/a	(24)
Sep-2021	Oil	Nymex WTI	Swap	3,900	42.54	n/a	(21)
Oct-2021	Oil	Nymex WTI	Swap	4,600	42.66	n/a	(24)
Nov-2021	Oil	Nymex WTI	Swap	4,100	42.76	n/a	(20)
Dec-2021	Oil	Nymex WTI	Swap	4,300	42.84	n/a	(20)
Jan 2022-Sep 2022	Oil	Nymex WTI	Swap	22,300	50.00	n/a	72
Jan-2022-Feb-2022	Oil	Nymex WTI	Swap	11,000	50.32	n/a	34
Oct-2022-Dec-2022	Oil	Nymex WTI	Swap	6,000	50.45	n/a	25
Jan-2023-Feb-2023	Oil	Nymex WTI	Swap	4,000	50.40	n/a	18
<b>Total</b>				<b>326,602</b>			<b>(303)</b>

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
Forward commodity contracts – cash flow hedges:		
Current <sup>(1)</sup>	(427)	(336)
Non-Current <sup>(2)</sup>	124	(275)
	(303)	(611)
<sup>(1)</sup> To be settled in 2021 (2019 balance to be settled in 2020)		
<sup>(2)</sup> To be settled in 2022 and 2023 (2019 balance to be settled in 2021 and 2022)		

#### 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 2020 is \$21,416,000 (2019: \$52,480,000). Impact on profit after tax based on a +/- 5% change in average oil price based on the oil volumes translated would be as follows;

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
If the WTI + LLS average differential price was 5% (2019: 5%) higher <sup>(1)</sup>	1,071	2,624
If the WTI + LLS average differential price was 5% (2019: 5%) lower <sup>(1)</sup>	(1,071)	(2,624)
<sup>(1)</sup> WTI is defined as West Texas Intermediate and LLS is defined as Louisiana Light Sweet.		

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 5.5 PROVISIONS FOR EMPLOYEE BENEFITS

##### Recognition and measurement

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

##### (i) Short-term employee benefits

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

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

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

##### (ii) Other long-term employee benefits

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

Employee benefit provisions	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Balance at beginning of year</b>	<b>427</b>	372
Arising during the year	<b>254</b>	554
Utilisation	<b>(324)</b>	(499)
<b>Balance at beginning of year</b>	<b>357</b>	427
Comprising		
Current	<b>357</b>	427
Non-current	-	-
	<b>357</b>	427

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

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 5.6 PROVISIONS – NON-CURRENT

##### Recognition and measurement

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

	31 December 2020 US\$'000	31 December 2019 US\$'000
Restoration provision	2,660	2,660
<b>Reconciliation of movement in restoration provision</b>		
Balance at beginning of year	2,660	2,380
Provision made during the year <sup>(1)</sup>	-	280
<b>Balance at end of year</b>	<b>2,660</b>	<b>2,660</b>
<sup>(1)</sup> The provision made in the year ended 31 December 2019 related to rehabilitation provisions provided for the four new wells completed in 2019.		

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Interest bearing loans and borrowings</b>		
Borrowings Current <sup>(1)</sup>	4,035	4,000
Borrowings Non Current <sup>(2)</sup>	15,909	27,363
<b>Total interest bearing loans and borrowings</b>	<b>19,944</b>	<b>31,363</b>

<sup>(1)</sup> Current borrowings are made up of \$4 million in relation to the Macquarie Facility and \$35,000 relating to the loan received from the US Federal Governments COVID-19 economic stimulus initiative, the Paycheck Protection Program. Under the Macquarie Facility, Australis is required to make repayments of a minimum of US\$1 million each quarter for the period of the loan. Australis expects to make four repayments of US\$1 million during 2021. Repayments under the Payroll Protection Program will not commence until 1 October 2021 if the loan is not forgiven prior (see below).

<sup>(2)</sup> Non current borrowings consist of \$15.2 million relating to the Macquarie Facility and \$0.66 million relating to the Paycheck Protection Program Loan. The Macquarie Facility non current borrowings are net of capitalised transaction costs of \$0.8 million, of which \$0.6 million (net of amortisation) relates to the fair value of the 20 million options granted to Macquarie which vested on the initial drawdown of Tranche 1 funding and expiring on 4 June 2021.

## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### Macquarie Facility

Australis entered into a senior secured non-revolving facility with Macquarie Bank Limited (Facility) in June 2018. The Facility has a maturity date of November 2023, an interest rate of LIBOR plus 6.0% per annum and is secured over the US based assets. During the first half of 2020 in response to the unprecedented uncertainty in the financial and oil markets due to the impact of COVID-19 the Group restructured the terms of the Facility debt and reduced debt levels. On 6 April 2020 the Facility was amended including the waiver of key covenants for the remainder of 2020. US\$10 million of outstanding debt was immediately repaid.

Other key amendments implemented were:

- Cancellation of undrawn debt availability and associated standby fees;
- Deferral of amortisation payments until 31 December 2020; and
- Waiver of the financial covenant relating to producing reserves valuation until 31 December 2020, providing protection from short term low oil prices.

An amortisation payment of US\$3 million was made on 31 December 2020. At 31 December 2020, US\$20 million was the balance of funds drawn under the Facility (2019: \$33 million).

In addition to customary upfront and drawdown fees payable to Macquarie, the Company in June 2018, issued to Macquarie 30,000,000 options to subscribe for fully paid ordinary shares in the Company, all of which were or are subject to vesting conditions. The key pricing terms of the Option issue include:

- 20 million options at an exercise price of A\$0.49 (representing a 20% premium to the 30 day VWAP prior to 5 June 2018) which vested on the initial draw down of Tranche 1 funding and expire on 4 June 2021.
- 10 million options at an exercise price of A\$0.51 (representing a 25% premium to the 30 day VWAP prior to 5 June 2018). As a result of the renegotiation of terms these options will not vest and will expire on 4 June 2021.

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 2020 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 PDP reserves ratios. In addition there is a financial debt to PDP value ratio which may increase minimum quarterly repayments to US\$3 million until such time as the target ratio is achieved.



## SECTION 5: OTHER ASSETS AND LIABILITIES

### Notes to the Financial Statements

For the year ended 31 December 2020

#### Paycheck Protection Program Loan

Australis TMS Inc, a wholly owned subsidiary, was successful in applying for and receiving during the period a US\$696,000 business loan from the Paycheck Protection Program (PPP) established by the US Federal government as part of their COVID-19 initiatives.

The PPP allows entities to apply for low interest private loans to help businesses retain workers.

The terms and conditions of the PPP loan are set out below:

- 1% interest rate
- 5 year term (increased from 2 years by subsequent legislation)
- 17 month deferral for loan repayments (increased from 6 months by subsequent legislation)

At the end of the 24 week designated covered period an application for forgiveness of the loan may be submitted subject to compliance with employee retention criteria and use of funds for eligible expenses.

Applications for forgiveness are currently suspended until the finalisation of further legislation which is expected to simplify the forgiveness application process. Australis TMS anticipates that the loan will meet the currently stated requirements for forgiveness and in a subsequent reporting period will be forgiven in full.

	2020		2019	
	Carrying amount US\$'000	Fair value US\$'000	Carrying amount US\$'000	Fair value US\$'000
Borrowings	19,944	20,696	31,363	35,569
	19,944	20,696	31,363	35,569

## SECTION 6: GROUP STRUCTURE

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 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 2020 and 2019
Australis Europe Pty Limited	Oil & gas exploration	Australia	100%
Australis USA 1 Pty Limited	Oil & gas exploration	Australia	100%
Australis Oil & Gas UK Ltd	Oil & gas exploration	United Kingdom	100%
Australis Oil & Gas Portugal Sociedade Unipessoal Lda	Oil & gas exploration	Portugal	100%
Australis TMS Inc	Oil & gas exploration	United States	100%
Australis Services Inc	Oil & gas exploration	United States	100%

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

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Sales of goods and services</b>		
Management fees and expense recharges to subsidiaries	1,380	2,641
<b>Advances to subsidiaries</b>		
Balance at beginning of financial year	-	945
Repaid by the subsidiary	(340)	(500)
Advanced during year	3,611	1,264
Converted to equity	-	(1,709)
<b>Balance at end of year</b>	<b>3,271</b>	<b>-</b>

At 31 December 2020 Australis Oil & Gas Limited was owed US\$3.3 million by its subsidiaries (2019: US \$nil). The amounts outstanding are repayable on normal credit terms.

Australis TMS Inc was owed US\$0.2 million by Australis Oil & Gas Portugal Sociedade Unipessoal Lda. The amounts outstanding are repayable on normal credit terms.

## SECTION 6: GROUP STRUCTURE

### Notes to the Financial Statements

For the year ended 31 December 2020

#### 6.2 PARENT ENTITY INFORMATION

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

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Summary financial information</b>		
Current assets	5,674	6,267
Non-current assets	55,094	163,619
<b>Total assets</b>	<b>60,768</b>	<b>169,886</b>
Current liabilities	(643)	(854)
Non-current liabilities	(128)	-
<b>Total liabilities</b>	<b>(771)</b>	<b>(854)</b>
<b>Net assets</b>	<b>59,997</b>	<b>169,032</b>
Contributed equity	176,421	176,421
Treasury shares	(448)	(415)
Share-based payment reserve	11,426	9,600
Foreign currency translation reserve	10	10
Accumulated losses	(127,412)	(16,584)
<b>Total equity</b>	<b>59,997</b>	<b>169,032</b>
<b>(Loss) for the year</b>	<b>(110,828)</b>	<b>(2,692)</b>
<b>Total comprehensive (loss) for the year</b>	<b>(110,828)</b>	<b>(2,692)</b>

As result of the relinquishment of the Portuguese Concessions and the requirement under the accounting standards for the impairment of the TMS assets, Australis Oil and Gas Limited reduced the carrying value of its investments in its subsidiaries by US\$108 million during the year.

Australis Oil & Gas Limited had no contingent liabilities or contractual obligations as at 31 December 2020 (31 December 2019: Nil).

Australis Oil & Gas Limited has provided a letter of financial support for wholly owned subsidiaries Australis Oil & Gas UK Limited and Australis Oil & Gas Portugal Sociedade Unipessoal Lda in relation to its ongoing costs including the expenditure associated with the finalisation of the Portuguese concession's relinquishment which is not anticipated to be material. It is anticipated that the UK and Portuguese subsidiaries will be deregistered in the near term.

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 2020

#### 7.1 JOINT ARRANGEMENTS

Australis holds through an indirect wholly owned subsidiary an approximate 95% average working interest in 38 operated wells and an average 10% working interest in 17 non-operated wells held in the TMS, onshore USA.

Australis held through an indirect wholly owned subsidiary a 100% working interest (subject to a consultant incentive of 3% working interest) in two concessions located onshore in the Lusitanian Basin, Portugal, known as the Batalha and Pombal concessions which collectively cover an area of approximately 620,000 acres. In August 2020 the Group advised the Portuguese Authorities that the licences would be relinquished effective 29 September 2020.

#### 7.2 OIL AND GAS LEASES AND CONCESSIONS

At 31 December 2020 Australis holds approximately 107,500 net acres in the TMS core (31 December 2019: 115,000 net acres).

The two Portuguese concessions held in the Lusitanian Basin, Portugal were relinquished during the year.

#### 7.3 SHARE BASED PAYMENTS

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

##### i) Options

The movement in the year is set out below:

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
<b>Balance at beginning of year</b>	<b>111,990,000</b>	130,514,230
- Expired <sup>(1)</sup>	(48,450,000)	(17,496,730)
- Exercised <sup>(2)</sup>	-	(1,027,500)
<b>Balance at end of year <sup>(3)</sup></b>	<b>63,540,000</b>	111,990,000
<b>Vested and exercisable at end of the year</b>	<b>53,540,000</b>	101,990,000
<sup>(1)</sup> 19,675,000 unlisted A\$0.25 options and 28,775,000 unlisted A\$0.30 options expired on 31 December 2020. (17,496,730 unlisted options exercisable at A\$0.275 expired on 30 June 2019).		
<sup>(2)</sup> A\$0.275 options exercised during 2019.		
<sup>(3)</sup> Includes 10 million options granted to Macquarie as part of the credit facility. As a result of the renegotiation of the terms of this facility these options will not vest and will expire on 4 June 2021.		

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

## SECTION 7: OTHER NOTES

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### Recognition and measurement

The fair value of options granted during was calculated using the Black Scholes options pricing model. The expense is apportioned pro-rata to reporting periods where vesting periods apply. No options were granted during the year ended 31 December 2020 (31 December 2019: nil).

#### ii) 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 be exercised at no cost, within a period ranging up to two years depending on residency of this rights holder, 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 with the LTI awards commencing with the 2017 year. The Performance Rights granted will be tested for vesting on the basis of 1/7th, 2/7th and 4/7ths each year respectively. The performance hurdles for 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. Relative 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 10.2) 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.

## SECTION 7: OTHER NOTES

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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.

In order to reduce the cash burden on the Company in 2020, performance rights were also issued during the year at nil consideration to employees to compensate for the voluntary forfeiture of a portion of their base remuneration and / or to compensate for permanent reductions in their cash remuneration (Fee Rights B). The performance rights were granted to employees under the EI plan and vest on 31 January 2021 subject to continuous service requirements. The number of performance rights granted was based on the cash remuneration foregone and a deemed issue price at the date of grant of between A\$0.020 and A\$0.024 cents each dependent on employment category. These issue prices were based on a discount of between 0% and 16.7% to the Company's volume weighted average price for the period 1 January to 31 March 2020. The discount reduced by seniority.

As a further measure to reduce the cash burden the non-executive directors agreed to the settlement of a portion of their base fees in performance rights (Fee Rights A). The performance rights were issued for nil consideration and vest on 31 January 2021 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 2.4 cents which was based on the Company's volume weighted average price for the period 1 January to 31 March 2020.

The movement in the year is set out below:

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
<b>Balance at beginning of year</b>	<b>18,146,688</b>	12,635,701
- Granted <sup>(1)</sup>	<b>81,171,258</b>	9,160,803
- Exercised <sup>(2)</sup>	<b>(3,207,541)</b>	(1,558,376)
- Forfeited <sup>(3)</sup>	<b>(6,768,958)</b>	(2,091,440)
<b>Balance at end of year</b>	<b>89,341,447</b>	18,146,688
<b>Vested at end of the year</b>	<b>423,184</b>	826,107

<sup>(1)</sup> During the year ended 31 December 2020 Australis issued 25,384,452 performance rights (2019: 9,160,803) to certain employees and executive directors under the annual long term incentive plan. In addition, 44,054,182 Fee Rights B (2019: nil) were issued to certain employees and Executive Directors to compensate for reduction in cash remuneration. A further 11,732,624 Fee Rights A (2019: nil) were issued to Non-Executive Directors in lieu of forgoing cash fees. The grant of performance and fee rights to directors were approved by Shareholders in general meeting on 11 June 2020.

<sup>(2)</sup> During the year ended 31 December 2020 2,613,920 vested performance rights were exercised by employees and 593,621 vested performance rights were deemed exercised and sold to satisfy North American personal tax liabilities on vesting.

<sup>(3)</sup> During the year ended 31 December 2020 6,767,009 unvested performance rights were forfeited due non-achievement of vesting conditions and 1,949 vested performance rights were forfeited due to failure to meet exercising condition on termination of employment.

## SECTION 7: OTHER NOTES

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### Recognition and measurement

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

#### Performance rights fair value assumptions

	25 June 2020	1 May 2019	1 May 2019
- Share price <sup>(1),(2)</sup>	A\$0.029	A\$0.26	A\$0.28
- Expected volatility <sup>(3)</sup>	100%	53.2%	53.2%
- Risk free rate <sup>(4)</sup>	%0.27	1.40% to 1.47%	1.40% to 1.47%
- Dividend yield	0%	0%	0%
<sup>(1)</sup> Share price represents the share price at close of trade prior to the date of valuation.			
<sup>(2)</sup> Share price represents the twenty day volume weighted average price at close of trade prior to date of valuation.			
<sup>(3)</sup> Expected price volatility is based on the historical volatility from the first date of trading to the valuation date and adjusted for any future impacts on volatility.			
<sup>(4)</sup> Risk free rate of securities with comparable terms to maturity.			

#### Expense arising from share based payment transactions

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

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Options expense	-	14
Performance rights expense	1,826	1,404
	1,826	1,418

#### 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.



## SECTION 7: OTHER NOTES

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### 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 (2019: Nil).

##### Key management personnel

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

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Base remuneration, short-term incentives and benefits (inc. annual leave provision)	860,715	1,579,618
Post-employment benefits	53,722	87,994
Share-based payments	1,041,771	556,859
	1,956,208	2,224,471

##### 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 2020 (2019: Nil).

## SECTION 7: OTHER NOTES

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

#### 7.5 CONTINGENCIES

The Company had no contingent liabilities as at 31 December 2020 (31 December 2019: 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 or payable for services provided by the auditor of the Group

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Auditors of the Group – BDO and related network firms</b>		
<b>BDO Audit (WA) Pty Ltd for</b>		
Audit and assurance services:		
Audit and review of financial statements	89	106
Other services	-	1
<b>Total remuneration of BDO Audit (WA) Pty Ltd</b>	<b>89</b>	<b>107</b>
<b>BDO LLP (UK) for</b>		
Audit and assurance services:		
Audit and review of financial statements	10	7
<b>Total remuneration of BDO LLP (UK)</b>	<b>10</b>	<b>7</b>
<b>Total auditor's remuneration</b>	<b>99</b>	<b>114</b>

It is the Group's policy to engage BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are assessed to ensure they do not compromise auditor independence prior to engagement.

#### 7.7 EVENTS AFTER REPORTING DATE

No events have occurred since 31 December 2020 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 83 to 140 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 2020 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 2020.

For and on behalf of the Board



**Jonathan Stewart**

**Chairman**

Perth, Western Australia

23 February 2021

# AUDITOR'S INDEPENDENCE DECLARATION



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38 Station Street  
Subiaco, WA 6008  
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 for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'P. Murdoch', with a long horizontal line extending to the right.

**Phillip Murdoch**

Director

**BDO Audit (WA) Pty Ltd**

Perth 23 February 2021

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



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## INDEPENDENT AUDITOR'S REPORT

To the members of Australis Oil & Gas Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Australis Oil & Gas Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 2020 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.

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



## Recoverability of the Tuscaloosa Marine Shale Cash Generating Unit

Key audit matter	How the matter was addressed in our audit
<p>The Group's carrying value of its Tuscaloosa Marine Shale ("TMS") Cash Generating Unit ("CGU"), including Oil and Gas Properties, Production Equipment and Exploration and Evaluation assets as disclosed in notes 3.1, 3.2 and 3.3 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.</p> <p>The Group concluded there were impairment indicators as a result of declining oil prices and the effect of the Global Pandemic COVID-19 and its impact on global markets. Accordingly, the Group was required to estimate the recoverable amount of the TMS CGU in accordance with the Australian Accounting Standards from which an impairment expense was recognised.</p> <p>The assessment of impairment is complex and highly judgemental and includes assessing a range of external and internal factors and modelling a range of possible assumptions that could impact the recoverable amount of a CGU. Accordingly, this matter was considered to be a key audit matter.</p>	<p>We evaluated management's assessment of the CGU's recoverable amount at 31 December 2020 in accordance with AASB 136 <i>Impairment of Assets</i>. Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>Assessing the appropriateness of the Group's categorisation 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;</li> <li>Considering management's valuation methodology applied in measuring the fair value of the respective assets identified within the TMS CGU, including producing, development and exploration assets;</li> <li>Assessing management's fair value assessment of the groups development and exploration assets by comparing to latest available and accepted market transactions and acreage leasing costs;</li> <li>Obtaining and reviewing available reserve data from management's external expert to determine whether the data has been correctly included in the discounted cash flow model. This included assessing the competency and objectivity of management's expert;</li> <li>Challenging key inputs used in the discounted cash flow calculations including the following: <ul style="list-style-type: none"> <li>In conjunction with our valuation specialist, reviewing the accuracy and integrity of management's discounted cash flow model and the discount rate used by management;</li> <li>Benchmarking and analysing management's oil price assumptions against external market data; and</li> <li>Reviewing and analysing the appropriateness of operating expenditure based on recent average historical costs;</li> </ul> </li> <li>Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value; and</li> <li>Assessing the adequacy of the related disclosures in note 3.1, 3.2, 3.3, and 3.4 to the financial report.</li> </ul>



#### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, 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](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 51 to 82 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Australis Oil & Gas Limited, for the year ended 31 December 2020, 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

A handwritten signature in black ink, appearing to read 'P Murdoch', is written over a horizontal line. Above the signature, the letters 'BDO' are printed in a small, light font.

**Phillip Murdoch**

Director

Perth, 23 February 2021

The shareholder information set out below was applicable as at 1st February 2021.

## 1. TWENTY LARGEST SHAREHOLDERS

Ordinary shares	Number	Percentage
UBS Nominees Pty Ltd	53,761,467	5.45%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	47,688,192	4.84%
HSBC Custody Nominees (Australia) Limited	39,415,335	4.00%
JK Stewart Investments Pty Ltd <The Stewart Investment A/C>	33,392,858	3.39%
JP Morgan Nominees Australia Pty Limited	30,841,607	3.15%
Citicorp Nominees Pty Limited	28,780,738	2.92%
Epicure Superannuation Pty Ltd <Epicure Superannuation A/C>	26,150,001	2.65%
Mr Andrew McKenzie & Mrs Catherine McKenzie <AW McKenzie Super Fund A/C>	17,000,000	1.72%
Barrell Energy Inc	16,022,200	1.63%
Everzen Holdings Pty Ltd <Lusted Family A/C>	11,903,161	1.21%
Precision Opportunities Fund Ltd <Investment A/C>	11,500,000	1.17%
Ms Treffina Joyce Dowland	10,533,571	1.07%
Ice Cold Investments Pty Ltd <G & J Brown Super Fund A/C>	10,200,000	1.03%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	10,043,045	1.02%
Inkese Pty Ltd	10,000,000	1.01%
Mr Charles Robert Dirck Wittenoom	9,750,752	0.99%
Mr Kane Christopher Weiner	8,660,870	0.88%
National Nominees Limited	8,564,454	0.87%
Munibinea Pty Ltd <Winjac Super Fund A/C>	7,000,000	0.71%
Newpark Investments Pty Ltd	6,070,768	0.62%
<b>Total top 20</b>	<b>397,279,019</b>	<b>40.29%</b>
<b>Other</b>	<b>588,684,659</b>	<b>59.71%</b>
<b>Total ordinary shares on issue as at 1st February 2021</b>	<b>985,963,678</b>	<b>100.00%</b>

## 2. SUBSTANTIAL SHAREHOLDERS

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

## ASX ADDITIONAL INFORMATION

Shareholder	Date lodged	As at date of lodgement	
		Number of shares	Percentage
TIGA Trading Pty Ltd and its associates	31 March 2020	63,275,397	6.42%
Carol Australia Holdings Pty Ltd	2 August 2019	71,118,612	7.21%
Challenger Limited	10 August 2019	75,999,517	7.71%
Kinetic Investment Partners Ltd	18 June 2019	56,948,904	5.76%
Jon Stewart, Carolyn Stewart, Epicure Superannuation Pty Ltd and JK Stewart Holdings Pty Ltd	14 March 2019	62,977,859	6.43%
Greencape Capital Pty Ltd	8 February 2019	62,112,386	6.93%

### 3. DISTRIBUTION OF EQUITY SECURITIES

	Ordinary shares	Shares %	Ordinary Shares No of Holders	Unlisted options	Performance Rights	Fee Rights	Unlisted securities %	Unlisted securities No of Holders
1 - 1,000	9,662	0.00%	48	-	-	-	0.00%	-
1001 - 5000	535,150	0.05%	182	-	-	-	0.00%	-
5,001 - 10,000	2,470,212	0.25%	288	-	-	-	0.00%	-
10,001 - 100,000	66,377,106	6.73%	1,545	-	-	-	0.00%	-
100,001 and Over	916,571,548	92.97%	887	63,540,000	30,793,059	47,740,907	100%	44
	<b>985,963,678</b>	<b>100.00%</b>	<b>2,950</b>	<b>63,540,000</b>	<b>30,793,059</b>	<b>47,740,907</b>	<b>100.00%</b>	<b>44</b>
Unmarketable parcels	8,929		384	-	-	-	-	-

No person holds 20% or more of these securities.

### 4. VOTING RIGHTS

See section 4.2 and 7.3 of the Financial Statements.

### 5. ON-MARKET BUY BACK

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

### 6. COMPANY SECRETARY, REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE AND SHARE REGISTRY

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

### 7. LIST OF INTERESTS IN MINING TENEMENTS AND PETROLEUM LEASES

LOCATION	TENEMENT	NET ACRES
Louisiana / Mississippi	Tuscaloosa Marine Shale	107,500
<b>US TOTAL</b>		<b>107,500</b>

## 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

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

## OFFICE IN NORTH AMERICA

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

## SHARE REGISTRY

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

## SOLICITOR

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

## STOCK EXCHANGE LISTING

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

## AUDITOR

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

## WEBSITE AND EMAIL

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