AUSTRALIS OIL & GAS

For Immediate Release ASX Announcement

26 August 2020

First Half 2020 Financial Report

Australis Oil & Gas Ltd ("Australis" or "Company") is pleased to provide its consolidated financial results for the half year ended 30 June 2020.

Financial Highlights for 1H 2020

- Revenue of US$13.6 million (before royalties)
- Average realised sales price of US$57.44/bbl (including hedging)
- Field Netback of US$8.4 million (US$35.45/bbl)
- EBITDA of US$4.3 million
- Net interest expense of US$1.3 million
- Net Profit after tax but before impairment of US$0.9 million
- Net Loss after tax and impairment of US$125.8 million
- Restructure of the Macquarie Facility
    - Accelerated debt repayment of US$10 million
    - Several financial covenants waived to the end of 2020
- As at 30 June 2020:
    - Net working capital (excluding borrowings) of US$5.2 million
    - Total borrowings (Macquarie Facility) of US$23 million

The unprecedented oil price volatility, intensified by the global COVID-19 virus pandemic, significantly impacted the first half of 2020 across the entire oil industry. Lower demand for oil has resulted in the substantial reduction in capital expenditure for drilling and completion and dramatically lower production rates, particularly among US shale operators.

Australis reacted quickly to continue safeguarding our TMS asset with reductions to field-based activity, operating costs and G&A expenditure as well as the elimination of all discretionary capital expenditure (primarily leasing of TMS acreage). Production was voluntarily curtailed during periods of lower oil price 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), despite prevailing oil prices. This remains the case.

Australis achieved EBITDA of US$4.3 million and earnings after financing costs, excluding non-cash items, of US$3.7 million for the 6-month period. The limited capital expenditure incurred in the first half of 2020 primarily related to existing commitments made in 2019 for land leasing which became payable during the period and to a lesser extent necessary replacement of certain production equipment.

Recognising the current global uncertainty in the oil industry and financial markets the Company has 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.

AUSTRALIS OIL & GAS LIMITED

ABN 34 609 262 937

Level 29, Allendale Square, 77 St. George's Terrace, Perth WA 6000, Australia • GPO Box 2548, Perth WA 6831

T +61 (8) 9220 8700 • **F** +61 (8) 9220 8799

www.australisoil.com

Whilst this current period of volatility creates uncertainty for many within the oil industry, the Australis strategy remains valid and our TMS asset valuable. US onshore oil shale plays continue to face declining production and diminishing undeveloped Tier 1 well inventory. These trends have accelerated during 2020. As a result, the superior productivity and economics of the TMS core area are increasingly scarce and the Company's acreage position in the proven core of the TMS (with its substantial undeveloped reserves and resources) will become more valuable, particularly as oil prices improve.

Importantly, in early 2020, Ryder Scott Company LP updated their assessment of the Australis TMS reserves and resources with a 53% increase in proved reserves (1P) to 48.6 million barrels, noting their assessment for proved reserve classification was only in respect of approximately 35,000 net acres, which is less than the Company's "HBP" acreage position held by the Australis operated 37 producing wells.

Safeguarding the TMS asset continues to be the Company's priority whilst exploring opportunities to introduce strategic partners to further enhance potential value and returns.

TMS Operating Highlights for 1H 2020

- Production
  - Sales volume (WI) of 236,000 bbls (1,300 bopd) - a decrease of 46% from 1H 2019
    - Q1 170,000 bbls (1,873 bopd)
    - Q2 66,000 bbls (725 bopd)
  - Voluntarily curtailment for a large part of the 2nd quarter of 2020
  - Recommencement of full production in June and July was successful with reservoir recharge leading to initially higher flush production rates
- Independent Reserves[1] increased to:
  - 1P reserves of 48.6 MMbbls
  - 2P reserves of 62.1 MMbbls
  - 3P reserves of 93.8 MMbbls
- Approximately 35,000 leased acres of the Company's 110,000 net acres were assessed for development and reserve classification
- Remaining undeveloped TMS core acreage was allocated a 2C resource of 129.5 MMbbls of oil[1]
- At 30 June 2020, Australis' land holdings were 110,000 net acres within the TMS Core, with over 34% of the net acreage position held by production (HBP) and 85% HBP or having a primary expiry in 2022 or later

Portugal

With the TMS asset being the Company's priority, subsequent to 30 June, Australis advised the Portuguese authorities of its intention to relinquish the exploration concession licences it holds in the Lusitanian Basin, effective 30 September 2020. Australis took the decision to relinquish its interests in Portugal based on the following considerations:

- the prevailing COVID-19 conditions have prevented further progress on the EIA work scope for the last 5 months and for the foreseeable future;
- the Portuguese implementation of European environmental directives was increasing the anticipated costs of an exploration program and diminishing the likelihood of a development approval in a success case; and
- environmental activism and resistance to the planned operations has 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.

In an environment of limited discretionary capital and a concession contract structure that only allows annual relinquishment opportunities, the Company believes this is the correct decision and timing to allow it to continue to focus on the TMS asset. The Company will not incur any penalty or be required to make any additional payments in connection with the relinquishment.

Impairment provisions (non-cash charges)

TMS Assets and Liabilities

At each reporting date, if required by *Australian Accounting Standard 136 – Impairment*, Australis must determine whether the carrying value of its TMS oil and gas assets and liabilities exceed the assessed recoverable amount of those assets and liabilities either through an indicative 'fair value' or 'value in use' valuation methodology.

At 31 December 2019 the assessment was required and Australis used the 'value in use' methodology based on the value of existing PDP and the value attributed to the development of the reserves and resources within the acreage (approx. 40,000 net acres) designated as oil and gas assets. The assumptions adopted by the Company's independent reserves engineer, Ryder Scott, for the mid case 2P estimates as announced to ASX on 11 February 2020 were used by the Company to generate these valuations. The assessed value exceeded the Balance Sheet carrying value of the TMS oil and gas assets and liabilities and accordingly no provision for impairment was required at year end 2019.

At 30 June 2020, the COVID-19 pandemic continued to cause global uncertainty within the financial markets and oil industry. As a result, Australis recognises the TMS development program will require a period of industry stability and is unlikely to commence in the short term. Australis has therefore assessed the value of its TMS oil and gas assets and liabilities at 30 June 2020 based on a 'fair value' estimation (estimated recoverable amount on sale less sale costs) rather than the previously adopted development 'value in use' methodology. This change led to the valuation being based on existing PDP (a discounted cash flow based on the assumptions including oil price indicated in footnote 3) and an applied market value of the TMS core acreage on an undeveloped basis only. As a result, the carrying value of the TMS oil and gas assets in the Balance Sheet were reduced and a non-cash impairment loss of US$118 million was recognised at 30 June 2020 in the Statement of Profit and Loss.

The method of assessment of value and the resultant impairment provision arises for accounting purposes only at the specific reporting date and does not reflect the view of Board or management of the value of the Group's TMS assets. The impairment provision has no effect on any covenant within the Macquarie Facility.

Australis remains confident that the Group's interests in the undeveloped TMS proven reserves and resources are highly valuable. Based on the same assumptions used by Ryder Scott within the 31 December 2019 Reserves Report for the 2P case, assuming a 5 year development program and using the Company's internal (lower than the Ryder Scott Reserves Report) oil prices as outlined in footnote 3, the valuation of a development of the TMS oil and gas assets would continue to support the pre-impairment carrying value of the TMS assets and liabilities at 30 June 2020.

Portugal asset

As a result of the aforementioned issues raised in relation to the Portuguese exploration asset the Board determined to fully impair the carrying value of this asset at 30 June 2020. This resulted in an impairment loss of US$8 million. Subsequent to the reporting date the Board has made the decision to relinquish the Concessions effective 30 September 2020 and have advised the Portuguese Authorities to this effect.

The Financial Statements and Appendix 4D for the six-month period ended 30 June 2020 are attached.

END

This ASX announcement was authorised for release by the Australis Disclosure Committee.
For further information, please contact:

Ian Lusted	Graham Dowland
Managing Director	Finance Director
Australis Oil & Gas	Australis Oil & Gas
+61 8 9220 8700	+61 8 9220 8700

About Australis

Australis is an upstream oil and gas company seeking to provide shareholders value through the strategic realisation 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 provides significant upside potential with 48 million bbls of 1P reserves including 3.5 million bbls producing reserves providing free cash flow. 2P reserves of 62 million bbls and 130 million bbls of 2C contingent resource[1].

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 2019 and generated for the Australis concessions to SPE standards. See ASX announcement released on 11 February 2020 titled "Reserves and Resources Update Year End 2019". Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method which is based on a qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk based) approach estimate the quantities at each level of uncertainty discretely and separately.

2. The 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.

3. The material assumptions utilised for the carrying value of the TMS assets as at 30 June 2020:

    a. Value of the TMS proved, developed and producing wells was based on:
        i. 2P production projections and operating costs estimates for each producing well consistent with the Ryder Scott Reserves Report as at 31 December 2019
        ii. A discount rate of 10%, considered to be the industry standard
        iii. Future realised oil prices (WTI including LLS premium) used in Australis modelling are conservatively forecast as follows:

	2H 2020	2021	2022	2023+
US$/bbl	$35.50	$40.50	$50.50	$55.50

    b. A value attributed to the undeveloped acreage within the TMS core that was allocated reserves or contingent resources by Ryder Scott using the following assumptions
        i. An assessment of the lease cost to renew non HBP acreage
        ii. HBP acreage will be held for the production of life of wells, considered to be 20 years

    c. Further detail is included within Section 3 of the Financial Statements for the half year ended 30 June 2020.

AUSTRALIS OIL & GAS

GLOSSARY

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

Term	Definition
TMS Core	The Australis designated productive core area of the TMS delineated by production history
WI	Company beneficial interest before royalties
Royalty	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
Net or NRI	Company beneficial interest after royalties or burdens
C	Contingent Resources (1C/2C/3C equivalent to low/most likely/high)
NPV(10)	Net Present Value (@ discount rate)
EUR	Estimated Ultimate Recovery of a well
WTI	West Texas Intermediate oil benchmark price
LLS	Louisiana Light Sweet oil benchmark price
D, C&T	Drill, Complete and Tie - in
2D/3D	2 and 3 dimensional seismic surveys
Opex	Operating Expenditure
G&A	General & Administrative Expenditure
HBP	Held by production – within a formed unit a producing well meets all lease obligations within that unit. Primary term remains valid whilst well is on production.
KMP	Key Management Personnel
PRB	Probable Reserves
PDP	Proved Developed Producing Reserves
PDNP	Proved Developed Not Producing Reserves
PUD	Proved Undeveloped Reserves
Net Acres	Working Interest before deduction of royalties or burdens
Field Netback	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains or losses, field-based production expenses but excludes depletion and depreciation
EBITDA	Earnings before interest, tax, depreciation, depletion, and amortisation expenses
IP30	The average oil production rate over 30 days of production following clean up
TMS Type Curve	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. Refer to the Appendix of the Australis Corporate Presentation
IDP	Initial drilling program of 6 wells in the TMS by Australis commencing late 2018

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, as defined within the Glossary, is a Non-IFRS financial measure commonly used in the oil and gas industry. Non-IFRS financial measures used by the Company, including Field Netback, may not be comparable with the calculation of similar measures by other companies.

Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Australis' planned development program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Australis believes its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

26 August 2020

APPENDIX 4D
HALF YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2020

Name of Entity:

AUSTRALIS OIL & GAS LIMTED (ASX: ATS)

ABN or equivalent company reference

34 609 262 937

This information and the Australis Oil & Gas Limited Interim Financial Report for the Half Year Ended 30 June 2020 should be read in conjunction with the Australis Oil & Gas Limited 2019 Annual Report (which contains the 2019 audited Financial Report).

Results for Announcement to the Market

Revenue from ordinary activities	Decreased by 52%[(1)] from US$28.2 million for the half year ended 30 June 2019 to US$13.6 million for the half year ended 30 June 2020	
Profit from ordinary activities after tax attributable to members	Decreased by 2921%[(1)] from a profit of US$4.5 million for the half year ended 30 June 2019 to a loss of US$126 million for the half year ended 30 June 2020	
Net profit for the period attributable to members	Decreased by 2921%[(1)] from a profit of US$4.5 million for the half year ended 30 June 2019 to a loss of US$126 million for the half year ended 30 June 2020	
An explanation of the results is included in the Interim Financial Report ended 30 June 2020 which can be found on the ASX website or the Australis website at www.australisoil.com [(1)] Comparisons are made to the financial results for the half year ended 30 June 2019.		
Dividends		
No dividends are proposed (2019:nil).		
Net Tangible Asset per Security	**30 June 2020**	**30 June 2019**
	US$0.06	US$0.18
Changes in controlled entities		
There have been no changes in controlled entities during the half year ended 30 June 2020. This report is based on the consolidated half year financial statements for the half year ended 30 June 2020 which have been reviewed by BDO Audit (WA) Pty Ltd.		

AUSTRALIS OIL & GAS LIMITED
ABN 34 609 262 937
Level 29, 77 St. George's Terrace, Perth WA 6000, Australia • GPO Box 2548, Perth WA 6831
T +61 (8) 9220 8700 • **F** +61 (8) 9220 8799
www.australisoil.com

AUSTRALIS OIL & GAS LIMITED

ABN 34 609 262 937

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2020

ABN 34 609 262 937

	Page

ABN 34 609 262 937

Corporate directory

Directors

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

Company Secretary

Ms Julie Foster

Registered and Principal Office

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

Office in North America

Australis TMS Inc.

3 Allen Center
333 Clay Street, Suite 3750
Houston, Texas 77002
Telephone: +1 (346) 229 2525
Facsimile: +1 (346) 229 2526

Share Registry

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

Solicitor

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

Stock Exchange Listing

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

Auditor

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

Website and Email

www.australisoil.com

admin@australisoil.com

ABN 34 609 262 937

Directors' report

The Directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the half-year ended 30 June 2020.

Directors
The names of directors of the Company in office at any time during or since the end of the financial half-year ended 30 June 2020 are:

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

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

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

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

ABN 34 609 262 937

Directors' report

OPERATING REVIEW

Unprecedented oil price volatility, intensified by the global COVID-19 virus pandemic, occurred during the reporting period which significantly impacted the entire oil industry. Lower demand for oil has resulted in the substantial reduction in capital expenditure for drilling and completion and dramatically lower production rates, particularly among US shale operators.

Australis reacted quickly to continue safeguarding its TMS asset with reductions to field-based activity, operating costs and G&A expenditure as well as the elimination of all discretionary capital expenditure (primarily leasing of TMS acreage). Production was voluntarily curtailed during periods of lower oil price 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), despite prevailing oil prices. This remains the case.

During the reporting period Australis produced from 37 operated wells, including 6 that Australis drilled and completed in 2018/2019 as part of the Initial Drilling Program ("IDP") and a further 18 non-operated wells all within the Tuscaloosa Marine Shale ("TMS").

- Total sales volumes during the period were 236,500 bbls, with only 66,000 bbls being produced in the second quarter due to managed production curtailment.
- Production from the IDP wells was in line with expectation and when normalised for horizontal length was consistent with the TMS type curve.
- The Company received revenue of US$13.59 million including hedge book revenue of US$3.46 million.
- Achieved pricing averaged US$42.79/bbl (not including hedge revenues) and were as low as US$14.36/bbl during Q2, although Australis did not produce any unhedged volumes whilst prices were this low.
- Significant reductions in field operating costs were achieved with the average cost during the reporting period of US$12.51/bbl compared to the average for H1 2019 of US$16.38/bbl.
- Australis achieved a Field Netback of US$8.38 million during the reporting period.
- The Company achieved an EBITDA of US$4.3 million during the 6 month reporting period.
- Total capital expenditure of US$1.55 million primarily related to existing commitments made in 2019 for land leasing which became payable in the reporting period and limited replacement of production equipment.
- Operating profit was US$ 0.92 million before an impairment provision (US$126.71 million) resulting in a loss after income tax of US$125.78 million.
- The impairment provision recognises the current global uncertainty in the oil industry and financial markets. In accordance with the Accounting Standards, the Board reduced the carrying value of the TMS oil and gas assets and liabilities through the non-cash impairment provision of US$118.27 million by attributing a fair value to the existing producing TMS wells and undeveloped TMS acreage. No value was attributed to the development of the reserves and resources held within the undeveloped acreage as part of the fair value process. The Board's view is these 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' of these reserves and resources has been allocated in the Statement of Financial Position. The impairment provision has no effect on any covenant within the Macquarie Facility.
- In February 2020, Australis released its independently assessed reserves and resources estimates for the TMS as at 31 December 2019[1] with Proved reserves of 48.6 million bbls, Proved and Probable reserves of 62.1 million bbls and Proved, Probable and Possible reserves of 93.8 million bbls. The reserves report conservatively assessed only 31% of total TMS core Australis acreage for development.[1] The remaining Australis TMS core acreage was allocated a 2C Contingent Resource of 129.5 million bbls which Australis will assess for reserves allocation in future periods.
- Due to the pause in capital expenditure, the land position has reduced by 4% to 110,000 net acres due to lease expiry. At the report date 85% of leases were either HBP status or expire after January 2022.
- During the reporting period Australis accelerated repayment of US$10 million to Macquarie Bank from available cash to reduce the outstanding debt to US$23 million. The additional capacity for further drawdown was cancelled, removing standby fees.

- In Portugal efforts to conclude the substantial Environmental Impact Assessment ("EIA") work scope were hampered with the imposition of travel restrictions as a result of COVID-19. EIA activity paused in late March 2020. Subsequent to 30 June 2020, Australis advised the Portuguese authorities it intends to relinquish the exploration concession licenses, effective 30 September 2020.

FUTURE DEVELOPMENTS

With the existing cash balance and projected revenue stream including the future WTI price hedges, Australis is able to service its debt obligations. Australis believes that market conditions in the short term will remain volatile and as such will further emphasize the unique elements and value of the TMS acreage, production and development scenarios compared to more established and mature plays. The Company continues to explore potential partnerships with third parties and to monetise part of the asset base.

Safeguarding the TMS asset continues to be the Company's priority whilst exploring opportunities to introduce strategic partners to further enhance potential value and returns.

FINANCIAL AND CAPITAL MANAGEMENT

During the period, the Consolidated Entity made a net loss after tax of US$126 million (30 June 2019: Profit US$4.5 million).

As at 30 June 2020, Australis has cash and cash equivalents of US$4.4 million (31 December 2019: US$16.1 million).

During the period ended 30 June 2020, Australis TMS Inc, a wholly owned subsidiary, voluntarily accelerated the repayment of US$10 million under the Macquarie credit facility, bringing the total amount outstanding at the balance date to US$23 million (31 December 2019: US$33 million).

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Directors' report

The operating results for Australis for the period ending 30 June 2020 is as follows:

Summary Financial Results

	30 June 2020 US$ millions	30 June 2019 US$ millions
Revenue (including hedging gain/(loss))	$13.59	$28.18
Royalties	($1.92)	($5.03)
Direct Operating Costs & taxes	($3.29)	($8.02)
Field Netback	**$8.38**	**$15.13**
Other income	$0.07	-
Corporate costs	($3.38)	($7.06)
Exploration costs expensed	($0.08)	($0.22)
Net interest expense	($1.30)	($0.38)
Earnings before non-cash items	**$3.69**	**$7.47**
Impairment provisions	($126.71)	-
Unrealised foreign exchange	($0.11)	($0.03)
Share based payments	($0.50)	($0.66)
Depreciation and depletion	($1.71)	($1.92)
Amortised borrowing costs	($0.44)	($0.40)
Loss before taxation	**($125.78)**	**$4.46**

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

Dividends
In respect of the period ended 30 June 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.

Events after the reporting date
The impact of the Coronavirus (COVID-19) pandemic is ongoing and depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative impacts on the business. An assessment of the impact for the period ended 30 June 2020 is disclosed in note 1.1 Basis of preparation and compliance statement – Going Concern and note 3.4 Impairment. The impact on our activities for the remainder of 2020 and thereafter cannot be reliably predicted.

Subsequent to the reporting date the Board determined to relinquish the Portuguese Concessions effective 30 September 2020 and have advised the Portuguese Authorities to that effect. The carrying value of the Portuguese asset has been fully impaired in the reporting period.

No other event has occurred since 30 June 2020 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's Financial Statements.

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

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

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

Jonathan Stewart 26 August 2020

Directors' report

FOOTNOTES

[1]All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2019 and generated for the Australis concessions to SPE standards. See ASX announcement released on 11 February 2020 titled "Reserves and Resources Update Year End 2019". 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.

GLOSSARY

Term	Definition
bbl(s)	Barrel(s) of oil
Bopd	Barrel of oil per day
EBITDA	Earnings before interest, tax, depreciation, depletion, amortisation expenses and impairment.
Field Netback	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains or losses, field based production expenses but excludes depletion and depreciation
LLS	Louisiana Light Sweet Oil Benchmark Price
WTI	West Texas Intermediate Oil Benchmark Price
HBP	Held by production – within a formed unit a producing well meets all lease obligations within that unit. Primary term remains valid whilst is on production

Auditors' independence declaration

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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 for the review of Australis Oil & Gas Limited for the half-year ended 30 June 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2020

Independent review report

BDO

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australis Oil and Gas Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australis Oil & Gas Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

BDO

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 26 August 2020

ABN 34 609 262 937

Directors' declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 13 to 34, are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date.

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

This declaration has been made after receiving the declarations from the Chief Executive Officer and the Chief Financial Officer that are consistent with the requirements of section 295A of the *Corporations Act 2001* for the period ended 30 June 2020

Jonathan Stewart
Chairman
Perth, Western Australia

26 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2020

	Notes	Half-year ended 30 June 2020 US$'000	Half-year ended 30 June 2019 US$'000
Revenue	2.2	**13,590**	28,182
Cost of sales	2.3	**(6,549)**	(14,896)
Gross profit		**7,041**	13,286
Other income	2.4	**65**	-
Other expenses	2.5	**(4,443)**	(8,051)
Impairment loss	3.4	**(126,710)**	-
(Loss) / profit from operating activities		**(124,047)**	5,235
Net finance (expense)	2.6	**(1,741)**	(776)
(Loss) / profit before income tax		**(125,788)**	4,459
Income tax expense		**-**	-
(Loss) / profit after income tax		**(125,788)**	4,459
Other comprehensive profit / (loss)			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedges	5.3	**4,030**	(2,350)
Other comprehensive profit / (loss) for the period net of tax		**4,030**	(2,350)
Total comprehensive (loss) / profit for the period attributable to owners of the Company		**(121,758)**	2,109
(Loss) / profit per share attributable to owners of the Company			
Basic (loss) / profit per share (cents per share)	2.7	**(12.76)**	0.47
Diluted (loss) / profit per share (cents per share)	2.7	**(12.76)**	0.41

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

ABN 34 609 262 937

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 US$'000	31 December 2019 US$'000
Current assets			
Cash and cash equivalents		**4,350**	16,116
Trade and other receivables		**3,015**	5,306
Inventories		**931**	897
Derivative financial instruments	5.3	**2,503**	-
Total current assets		**10,799**	22,319
Non-current assets			
Oil and gas properties	3.2	**56,323**	143,418
Exploration and evaluation	3.1	**12,663**	51,713
Property, plant and equipment	3.3	**10,629**	11,448
Other receivables		**699**	729
Derivative financial instruments	5.3	**916**	-
Total non-current assets		**81,230**	207,308
Total assets		**92,029**	229,627
Current liabilities			
Trade and other payables		**(4,826)**	(11,317)
Provisions		**(342)**	(427)
Derivative financial instruments	5.3	**-**	(336)
Borrowings	4.3	**(3,000)**	(4,000)
Lease liability		**(422)**	(512)
Total current liabilities		**(8,590)**	(16,592)
Non-current liabilities			
Provisions	5.1	**(2,660)**	(2,660)
Borrowings	4.3	**(19,499)**	(27,363)
Derivative financial instruments	5.3	**-**	(275)
Lease liability		**(765)**	(933)
Total non-current liabilities		**(22,924)**	(31,231)
Total liabilities		**(31,514)**	(47,823)
Net assets		**60,515**	181,804
Equity			
Contributed equity	4.1	**176,134**	176,194
Treasury shares	4.1	**(162)**	(188)
Share based payment reserve	4.2	**10,103**	9,600
Foreign currency translation reserve		**(467)**	(467)
Cash flow hedge reserve		**3,419**	(611)
Accumulated losses		**(128,512)**	(2,724)
Total equity		**60,515**	181,804

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

ABN 34 609 262 937

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2020

	Contributed Equity US$'000	Treasury Shares US$'000	Other Reserve US$'000	Accumulated (Losses) US$'000	Total US$'000
Balance at 1 January 2019	154,996	(59)	10,836	(9,733)	156,040
Profit for the period	-	-	-	4,459	4,459
Other comprehensive income					
Change in fair value of cash flow hedges	-	-	(2,350)	-	(2,350)
Total comprehensive income for the period	-	-	(2,350)	4,459	2,109
Transactions with owners, in their capacity as owners					
Contributed equity net of transaction costs	21,425	-	-	-	21,425
Purchase of treasury shares	-	(356)	-	-	(356)
Share based payments	-	-	660	-	660
Balance as at 30 June 2019	176,421	(415)	9,146	(5,274)	179,878
Balance at 1 January 2020	**176,194**	**(188)**	**8,522**	**(2,724)**	**181,804**
Loss for the period	**-**	**-**	**-**	**(125,788)**	**(125,788)**
Other comprehensive income					
Change in fair value of cash flow hedges	**-**	**-**	**4,030**	**-**	**4,030**
Total comprehensive income for the period	**-**	**-**	**4,030**	**-**	**4,030**
Transactions with owners, in their capacity as owners					
Purchase of treasury shares	**-**	**26**	**-**	**-**	**26**
Transfer of treasury shares on rights exercise	**(60)**	**-**	**-**	**-**	**(60)**
Share based payments	**-**	**-**	**503**	**-**	**503**
Balance as at 30 June 2020	**176,134**	**(162)**	**13,055**	**(128,512)**	**60,515**

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

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2020

	Notes	Half-year ended 30 June 2020 US$'000	Half-year ended 30 June 2019 US$'000
Cash flows from operating activities			
Receipts from customers		13,097	29,264
Payments to suppliers and employees		(13,398)	(19,611)
Other revenue		65	-
Net cash (outflow) / inflow from operating activities		(235)	9,653
Cash flows from investing activities			
Payment for exploration and evaluation activities		(445)	(1,778)
Payment for capitalised oil and gas assets		(2,472)	(44,670)
Payment for property, plant and equipment		(819)	(2,110)
Receipt of security deposits and bonds		152	97
Interest received		6	186
Net cash (outflow) from investing activities		(3,578)	(48,275)
Cash flows from financing activities			
Proceeds from share issue		-	22,340
Share issue costs		-	(916)
Treasury shares acquired		(33)	(356)
Proceeds from hedging		2,918	-
Proceeds from borrowings		696	10,000
Repayment of borrowings		(10,000)	-
Debt facility costs		(1,423)	(661)
Net cash (outflow) / inflow from financing activities		(7,842)	30,407
Net (decrease) in cash and cash equivalents		(11,655)	(8,215)
Cash and cash equivalents at the beginning of the financial period		16,116	37,943
Effect of exchange rates on cash holdings in foreign currencies		(111)	(28)
Cash and cash equivalents at the end of the financial period		4,350	29,700

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

Section 1: Basis of Reporting

For the half-year ended 30 June 2020

1.1 Basis of preparation and compliance statement

The consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

The accounting policies adopted are consistent with those adopted and disclosed in the Company's Annual Report for the year ended 31 December 2019 unless otherwise stated.

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 30 June 2020 the Consolidated Entity recorded a loss of US$126 million after a provision for impairment of US$127 million. Earnings for the period excluding all non-cash items were US$3.7 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$3.7 million;
- Positive net hedge book position of US$3.4 million at 30 June 2020;
- Restructuring of debt arrangements (refer below for further detail);
- Forecasted compliance with the Macquarie Facility covenants; and
- Cost reduction initiatives.

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 waiver of key covenants for the remainder of 2020. Repayment of outstanding debt was accelerated with US$10 million of debt 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.

From 31 December 2020 the future Facility amortisation repayments remain at US$1 million per quarter. The repayment may be increased to US$3m per quarter determined by reference to the valuation of the producing reserves and outstanding Facility debt balance at the end of each quarter. This valuation is sensitive to the oil price futures.

AUSTRALIS OIL & GAS

ABN 34 609 262 937

Section 2: Results For The Period

For the half-year ended 30 June 2020

2.1 Segment Reporting

Recognition and measurement

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

Oil & Gas Production

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

Exploration

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

Other

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

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

	Oil & Gas Production		**Exploration**		**Other**		**Total**	
US$000	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019
External revenues	**13,590**	28,182	**-**	-	**-**	-	**13,590**	28,182
Direct operating costs	**(5,208)**	(13,041)	**-**	-	**-**	-	**(5,208)**	(13,041)
Corporate	**-**	-	**-**	-	**(3,387)**	(7,076)	**(3,387)**	(7,076)
Unrealised foreign currency gains / (losses)	**-**	-	**-**	-	**(111)**	(29)	**(111)**	(29)
Other income	**-**	-	**-**	-	**65**	-	**65**	-
Share based payments	**-**	-	**-**	-	**(503)**	(660)	**(503)**	(660)
Exploration costs expensed	**-**	-	**(79)**	(221)	**-**	-	**(79)**	(221)
EBITDA[1]	**8,382**	15,141	**(79)**	(221)	**(3,936)**	(7,765)	**4,367**	7,155
Depletion	**(555)**	(1,199)	**-**	-	**-**	-	**(555)**	(1,199)
Depreciation	**(785)**	(656)	**-**	-	**(364)**	(65)	**(1,149)**	(721)
Impairment	**(87,215)**	-	**(39,495)**	-	**-**	-	**(126,710)**	-
EBIT[2]	**(80,173)**	13,286	**(39,574)**	-	**(4,300)**	(7,830)	**(124,047)**	5,235
Net finance (costs) / income	**(1,747)**	(962)	**-**	-	**6**	186	**(1,741)**	(776)
Segment profit / (loss)	**(81,920)**	12,324	**(39,574)**	(221)	**(4,294)**	(7,644)	**(125,788)**	4,459

[1]EBITDA represents net profit / (loss) for the period including net realised hedging gain of $3,463,000 (2019: $77,000 gain) before income tax expense or benefit, finance costs, depletion and depreciation and impairment.

[2]EBIT represents net profit / (loss) for the period before income tax expenses or benefit and finance costs.

Section 2: Results For The Period

For the half-year ended 30 June 2020

2.1 Segment Reporting (continued)

	Oil & Gas Production		Exploration		Other		Total	
US$'000	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019
Capital expenditure								
Exploration and evaluation assets	**-**	-	**445**	2,911	**-**	-	**445**	2,911
Oil and gas assets								
- production	**675**	39,054	**-**	-	**-**	-	**675**	39,054
- rehabilitation provision	**-**	280	**-**	-	**-**	-	**-**	280
- transfer from exploration and evaluation	**-**	1,535	**-**	(1,535)	**-**	-	**-**	-
Other plant and equipment	**448**	1,450	**-**	-	**(118)**	-	**330**	1,525
	1,123	42,319	**445**	1,376	**(118)**	-	**1,450**	43,770

	Oil & Gas Production		Exploration		Other		Total	
US$000	**30 June 2020**	31 Dec 2019	**30 June 2020**	31 Dec 2019	**30 June 2020**	31 Dec 2019	**30 June 2020**	31 Dec 2019
Segment assets	**71,932**	159,049	**12,787**	51,960	**7,310**	18,618	**92,029**	229,627
Segment liabilities	**(29,065)**	(44,090)	**(128)**	(198)	**(2,321)**	(3,535)	**(31,514)**	(47,823)

Geographical segments

The Group operates primarily in the United States of America, but also has activities in Portugal and head office in Australia. In presenting information on the basis of geographical segments, segment revenue and segment assets are grouped based on the location of operating activities.

Production from the designated segments is sold on oil commodity markets.

	Revenue		Non-current assets	
	Half-year ended	Half-year ended		
US$'000	**30 June 2020**	30 June 2019	**30 June 2020**	31 December 2019
United States of America	**13,590**	28,182	**80,470**	197,865
Portugal	**-**	-	**-**	8,363
Australia	**-**	-	**760**	1,080
	13,590	28,182	**81,230**	207,308

Section 2: Results For The Period

For the half-year ended 30 June 2020

	30 June 2020 US$'000	30 June 2019 US$'000
2.2 Revenue		
Revenue:		
Oil sales	**10,119**	27,870
Marketing fee	**8**	235
Hedge gain	**3,463**	77
Total Revenue	**13,590**	28,182

Recognition and measurement

Revenue is largely generated from oil sales. Revenue from the sale of produced hydrocarbons is recognised when or as the Group transfer control of goods or services to a customer at the amount to which the Group expects to be entitled. Australis enters into contracts with oil marketing groups for the sale of oil produced from its operated properties including the sale of production for and on behalf of the joint property partners. A sale is recognised upon transfer of the product to the 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 Groups working interest in a producing field (the entitlement method).

2.3 Cost of sales	30 June 2020 US$'000	30 June 2019 US$'000
Cost of production:		
Production costs	**(2,959)**	(7,214)
Royalties	**(1,918)**	(5,025)
Production taxes	**(338)**	(833)
Inventory movements	**7**	31
	(5,208)	(13,041)
Depreciation, depletion and amortisation expense:		
Oil & gas assets	**(1,341)**	(1,855)
Total cost of sales	**(6,549)**	(14,896)

2.4 Other income

	30 June 2020 US$'000	30 June 2019 US$'000
Government subsidies	**65**	-
	65	-

Section 2: Results For The Period

For the half-year ended 30 June 2020

2.5 Other expenses

	30 June 2020 US$'000	30 June 2019 US$'000
Administrative expenses	**(3,387)**	(7,076)
Exploration costs expensed	**(79)**	(221)
Depreciation	**(363)**	(65)
Share based payments	**(503)**	(660)
Unrealised foreign exchange loss	**(111)**	(29)
	(4,443)	(8,051)

2.6 Net finance costs

	30 June 2020 US$'000	30 June 2019 US$'000
Interest income	**6**	186
Amortised debt finance transaction costs	**(440)**	(400)
Debt finance interest costs	**(1,307)**	(562)
	(1,741)	(776)

2.7 Earnings per share

	30 June 2020 US Cents	30 June 2019 US Cents
(Loss) / profit per share attributable to members of the Company:		
Basic (loss) / earnings per share	**(12.76)**	0.47
Diluted (loss) / earnings per share	**(12.76)**	0.41
(Loss) / profit used in the calculation of basic / diluted loss per share	**US$'000**	US$'000
Net (loss) / profit after tax	**(125,788)**	4,459
	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic (loss) / profit per share	**985,963,678**	955,172,616
Weighted average number of ordinary shares used as the denominator in calculating diluted (loss) / profit per share	**985,963,678**	1,100,286,834

2.8 Dividends

No dividend has been paid or is proposed in respect of the six month period to 30 June 2020 (six months to 30 June 2019: Nil).

Section 3: Invested Capital

For the half-year ended 30 June 2020

3.1 Exploration and evaluation

	30 June 2020 US$'000	31 December 2019 US$'000
At cost	**12,663**	51,713
Opening balance	**51,713**	47,336
Capitalised expenditure[1]	**445**	6,030
Transfer to oil and gas properties	**-**	(1,653)
Impairment provision[2]	**(39,495)**	-
Closing balance	**12,663**	51,713

[1] Capitalised expenditure represents the costs associated with the acquisition of new leases and the renewal or extension of existing leases and permitting costs in the TMS during the period and the annual surface lease rentals for the Portuguese concessions.
[2] See Section *3.4 Impairment.*

3.2 Oil and Gas Properties

	Producing Projects US$'000	**Development Projects US$'000**	**Total US$'000**
2020			
Balance at 1 January 2020	128,435	14,983	143,418
Additions	492	183	675
Depletion / Depreciation	(555)	-	(555)
Impairment provision[1]	(87,215)	-	(87,215)
Balance at 30 June 2020	**41,157**	**15,166**	**56,323**
2019			
Balance at 1 January 2019	60,362	25,819	86,181
Additions	53,689	4,675	58,364
Transfer from development projects to producing projects	1,653	-	1,653
Transfer from exploration and evaluation assets	15,511	(15,511)	-
Increase in restoration provision	280	-	280
Depletion / Depreciation	(3,060)	-	(3,060)
Balance at 31 December 2019	**128,435**	**14,983**	**143,418**

[1] See Section *3.4 Impairment*

Section 3: Invested Capital

For the half-year ended 30 June 2020

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

	Office equipment US$'000	Production Equipment US$'000	Motor Vehicles US$'000	Right of Use Asset US$'000	Total US$'000
2020					
Opening net book amount	275	9,605	123	1,445	11,448
Additions[(a)]	-	448	-	(118)	330
Depreciation charge	(35)	(786)	(12)	(316)	(1,149)
Balance at 30 June 2020	**240**	**9,267**	**111**	**1,011**	**10,629**
2019					
Opening net book amount	269	7,429	151	-	7,849
Additions	97	3,603	-	1,445	5,145
Depreciation charge	(91)	(1,427)	(28)	-	(1,546)
Balance at 31 December 2019	275	9,605	123	1,445	11,448

[(a)]Right of use asset adjustment of $118,000 relates to a restatement of the opening carrying value from 2019.

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 identified below and have assessed the CGUs independently.

i. Portugal
ii. TMS

Impairment indicators were identified during the period 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*. A combined impairment provision of US$126.7 million has been recognised for the half year ended 30 June 2020 and 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 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.

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

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.

Section 3: Invested Capital

For the half-year ended 30 June 2020

3.4 Impairment (continued)

Portuguese CGU

At 30 June 2020, 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 with travel restrictions on staff and consulting specialists, the Board have determined that substantive expenditure will not be allocated to the Portuguese asset whilst this uncertainty prevails. In accordance *with AASB 6 Exploration for and Evaluation of Mineral Resources*, the Board impaired this exploration asset and determined that an impairment provision of $8,445,000 in respect of the Portuguese Exploration and Evaluation asset be recorded. The residual carrying value with respect to these assets subsequent impairment is $Nil.

TMS CGU

At 30 June 2020 the carrying value of the assets within the TMS cash generating unit primarily comprised of oil & gas properties, TMS exploration and evaluation asset and associated production plant and equipment.

Due to the volatility in oil price, the low oil prices futures at 30 June 2020 and the unprecedented impact of COVID-19 creating further uncertainty in the oil industry and global economies thereby impacting on financing availability the Board determined that at the reporting date it is unlikely that a development program would be undertaken in the short term and consequently resolved impairment indicators were present.

As at 31 December 2019, the Board assessed the recoverable amount of the TMS CGU using a value in use model incorporating management's development plan of approximately 40,000 net acres in the TMS and no impairment was provided for.

As at 30 June 2020 due to the circumstances outlined above the Board has determined that

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) is 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

For the half-year ended 30 June 2020

3.4 Impairment (continued)

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 2019 Reserves Report[(1)]
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: 2020 US$35.50 2021 US$40.50 2022 US$50.50 2023+ US$55.50
Operating Expenses	Based on the recent average historic actual costs for the TMS operations as follows: Fixed: US$15,800 per well per month Variable water: US$2.05 per barrel Variable fluid: US$1.30 per barrel
Discount rate	10%

(1) Refer to page 8

The results are as follows:

	Impairment Loss US$000		Recoverable Amount US$000	
	2020	**2019**	**2020**	**2019**
Oil & Gas Properties: Producing projects	**(87,215)**	-	**41,157**	-
Producing plant and equipment	-	-	**9,267**	-
Rehabilitation provision	-	-	**(2,660)**	-
Derivatives – hedging	-	-	**3,419**	-

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

The recoverable value for HBP development units and future development units have been assessed at 30 June 2020 using a market and asset based approach. The range of fair value less cost of disposal per acre attributable to these units is conservatively estimated at US$200 per acre - US$500 per acre. As a result an impairment provision of US$31 million was booked with regards to these units.

The results are 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)**	-	**12,663**	-

.

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2020

4.1 Contributed equity

Share capital	**30 June 2020 Securities**	31 December 2019 Securities	**30 June 2020 US$'000**	31 December 2019 US$'000
Ordinary shares	**985,963,678**	985,963,678	**176,134**	176,194
Treasury shares	**(2,069,493)**	(930,211)	**(162)**	(188)
Total contributed equity	**983,894,185**	985,033,467	**175,973**	176,006

Movements in contributed equity:

	Date	Number of Securities	Issue Price A$	US$'000
Balance at 1 January 2019		895,936,178		154,996
Exercise of options	Feb & Jun 19	1,027,500	0.275	197
Placement Tranche 1[1]	Feb 19	83,857,142	0.350	21,012
Placement Tranche 2[2]	Apr 19	3,142,858	0.350	776
Share issue – Employee Share Trust	Apr 19	2,000,000	0.250	356
Treasury share release[3]	Various		Various	(227)
Share issue costs		-	-	(916)
Balance at 31 December 2019		**985,963,678**		**176,194**
Treasury share release[3]	Various	-	Various	(60)
Balance at 30 June 2020		**985,963,678**		**176,134**

1. On 27 February 2019 Australis completed tranche one of a A$30.5 million share placement issuing 84 million new fully paid ordinary shares at A$0.35 per share.
2. On 30 April 2019 Australis completed tranche two of a A$30.5 million share placement issuing 3 million new fully paid ordinary shares at A$0.35 per share.
3. During the reporting periods, employees of the Company exercised their vested performance rights resulting in the release of the treasury shares to the employees.

Ordinary shares

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

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2020

4.1 Contributed equity (continued)

Treasury shares

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

		Number of Treasury Shares	Purchase Price A$	Cost US$'000
Balance at 1 January 2019		290,215		59
Australis Oil & Gas Employee Share Trust Acquisition	Apr 19	2,000,000	0.25	356
Australis Oil & Gas Employee Share Trust Distribution	Various	(1,360,004)	-	(227)
Balance at 31 December 2019		**930,211**		**188**
On market acquisition	Various	**2,685,641**		**34**
Performance rights exercised	Various	**(1,546,359)**		**(60)**
Balance at 30 June 2020		**2,069,493**		**162**

4.2 Share-based payment reserve

	30 June 2020 US$'000	31 December 2019 US$'000
Balance at beginning of period	**9,600**	8,182
Share based payment expense arising during the period	**503**	1,418
Balance at 30 June 2020	**10,103**	9,600

Performance Rights	**Number of Securities**
Balance at 1 January 2019	12,635,701
Granted	9,160,803
Exercised	(1,558,376)
Forfeited	(2,091,440)
Balance at 31 December 2019	**18,146,688**
Granted(1)	**81,171,258**
Forfeited(2)	**(4,376,973)**
Exercised(3)	**(1,546,359)**
Balance at 30 June 2020	**93,394,614**

(1)During the half year ended 30 June 2020 Australis issued 25,384,452 performance rights (2019: 9,160,803) to certain employees and executive directors of the Company under the Australis Oil & Gas Limited Employee Equity Incentive Plan. In addition, 44,054,182 fee rights (2019: nil) were issued to certain employees and executive directors to compensate for reduction in cash remuneration. A further 11,732,624 fee rights (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.
(2)During the half year ended 30 June 2020 3,783,352 unvested performance rights were forfeited due non-achievement of vesting conditions and 593,621 vested performance rights were forfeited to satisfy North American personal tax liabilities on vesting.
(3)During the half year ended 30 June 2020 1,546,359 vested performance rights were exercised by employees.

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2020

4.2 Share-based payment reserve (continued)

The performance and fee rights granted during the half year ended 30 June 2020 have the following terms and conditions:

Type of grant	Grant date	Tranche	Number	Vesting date	Expiry date	Exercise Price	Value per right at grant date	Vesting condition
Performance Rights	25 June 2020	1	4,126,350	Jan 21	Two years from vesting	Nil	A$0.029	Service
– 2020 LTI Plan Award							A$0.0186	Absolute TSR*
							A$0.0241	Relative TSR*
		2	7,252,701	Jan 22	Two years from vesting	Nil	A$0.029	Service
							A$0.0247	Absolute TSR*
							A$0.0188	Relative TSR*
		3	14,005,401	Jan 23	Two years from vesting	Nil	A$0.029	Service
							A$0.0172	Absolute TSR*
							A$0.0231	Relative TSR*
2020 Fee Rights	25 June 2020	1	55,786,806	Jan 21	Two years from vesting	Nil	A$0.029	Service

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

Options

	Number of Securities
Balance at 1 January 2019	130,514,230
Granted	-
Exercised(1)	(1,027,500)
Expired(2)	(17,496,730)
Balance at 31 December 2019	**111,990,000**
Balance at 30 June 2020	**111,990,000**

(1) A$0.275 options exercised during the period

(2) A$0.275 options expired 30 June 2019

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2020

4.3 Borrowings

Recognition and measurement

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

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

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

	30 June 2020 US$'000	31 December 2019 US$'000
Interest bearing loans and borrowings		
Borrowings [1] Current	**3,000**	4,000
Borrowings[2] Non Current	**19,499**	27,363
Balance at 30 June 2020	**22,499**	31,363

(1) Under the Macquarie Facility Agreement, Australis is required to make minimum repayments of US$1 million each quarter for the period of the loan recommencing from 31 December 2020.

(2) Net of capitalised transaction costs of $1.2 million, of which $0.6 million (net of amortisation) relates to the fair value of the 20 million options granted to Macquarie Bank Limited which vested on the initial drawdown of Tranche 1 funding, expiring on 4 June 2021.

Macquarie Facility

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 Macquarie debt and reduce debt levels. On 6 April 2020 the Macquarie facility was amended including the waiver of key covenants for the remainder of 2020. US$10 million of outstanding debt was immediately repaid.

The 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.

Section 4: Capital and Debt Structure

For the half-year ended 30 June 2020

4.3 Borrowings (continued)

Australis TMS Inc obligations under the Facility are guaranteed by pledged security from the parent entity, Australis and Australis USA 1 Pty Limited a wholly owned subsidiary of Australis (Obligors). At 30 June 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 leases within units of the Initial Drilling Plan locations.

Under the Facility there are industry standard financial covenant which include minimum liquidity, current asset and liability ratio and PDP reserves ratio.

Australis is in compliance with all required covenants.

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
- 2 year term
- Six month deferral for loan repayments

If at the end of an initial 24 week period Australis TMS Inc is able to demonstrate that employee retention criteria were met and all funds received were used for eligible expenses then Australis TMS Inc can apply to have the loan forgiven. It is anticipated that Australis TMS Inc will meet the forgiveness criteria.

Section 5: Other Assets and Liabilities

For the half-year ended 30 June 2020

5.1 Provisions – Non-Current

Recognition and measurement

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

	30 June 2020 US$'000	31 December 2019 US$'000
Restoration provision	**2,660**	2,660
Reconciliation of movement in restoration provision		
Balance at the beginning of the financial period	**2,660**	2,380
Provision made during the financial period	-	280
Balance at 30 June 2020	**2,660**	2,660

5.2 Fair Value of Financial Instruments

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

5.3 Derivative Financial Instruments

	30 June 2020 US$'000	31 December 2019 US$'000
Opening balance	**(611)**	583
Matured in period	**(3,463)**	(36)
Mark to market increase (decrease) in value	**7,493**	(1,158)
Balance at 30 June 2020	**3,419**	(611)

The derivative financial instruments represent oil hedge contracts, comprising collars and swaps, held by the Group at the 30 June 2020.

Section 6: Other Notes

For the half-year ended 30 June 2020

6.1 Related party disclosures

Transactions with key management personnel

The following performance rights (Rights) have been issued to key management personnel during the half year ended 30 June 2020. The Rights were issued under the Company's long-term incentive plan. The Rights granted to executive directors were approved by Shareholders at the Annual General Meeting of the Company held on 11 June 2020. The terms and conditions associated with the plan are detailed in the AGM Notice.

	Grant date	Vesting period	Number	Exercise price	Total fair value A$ (1)	Expiry	Vesting condition	Expense recognised at 30 June 2020 US$
Ian Lusted – Executive director	25 June 2020	Jan 21	547,945	Nil	12,181	Two years from vesting	Service Absolute TSR Relative TSR	1,197
	25 June 2020	Jan 22	1,095,890	Nil	24,610	Two years from vesting	Service Absolute TSR Relative TSR	891
	25 June 2020	Jan 23	2,191,781	Nil	46,589	Two years from vesting	Service Absolute TSR Relative TSR	1,034
	25 June 2020	Jan 21	9,861,125	Nil	285,973	Two years from vesting	Service	24,590
Graham Dowland – Executive director	25 June 2020	Jan 21	356,947	Nil	7,935	Two years from vesting	Service Absolute TSR Relative TSR	780
	25 June 2020	Jan 22	713,894	Nil	16,031	Two years from vesting	Service Absolute TSR Relative TSR	580
	25 June 2020	Jan 23	1,427,789	Nil	30,349	Two years from vesting	Service Absolute TSR Relative TSR	673
	25 June 2020	Jan 21	7,019,458	Nil	203,564	Two years from vesting	Service	17,504
Darren Wasylucha – Chief Corporate Officer	25 June 2020	Jan 21	279,718	Nil	6,597	Two years from vesting	Service Absolute TSR Relative TSR	648
	25 June 2020	Jan 22	559,436	Nil	13,295	Two years from vesting	Service Absolute TSR Relative TSR	481
	25 June 2020	Jan 23	1,118,873	Nil	25,516	Two years from vesting	Service Absolute TSR Relative TSR	566
	25 June 2020	Jan 21	3,539,091	Nil	102,634	Two years from vesting	Service	8,825

Section 6: Other Notes

For the half-year ended 30 June 2020

6.1 Related party disclosures (continued)

Transactions with key management personnel (continued)

	Grant date	Vesting period	Number	Exercise price	Total fair value A$ (1)	Expiry	Vesting condition	Expense recognised at 30 June 2020 US$
David Greene – Vice President Operations	25 June 2020	Jan 21	262,675	Nil	6,432	Two years from vesting	Service Absolute TSR Relative TSR	632
	25 June 2020	Jan 22	525,350	Nil	12,943	Two years from vesting	Service Absolute TSR Relative TSR	469
	25 June 2020	Jan 23	1,050,701	Nil	25,046	Two years from vesting	Service Absolute TSR Relative TSR	556
	25 June 2020	Jan 21	3,228,318	Nil	93,621	Two years from vesting	Service	8,050

The following Rights granted to non-executive directors were not issued under the Company's long term incentive plan. The Rights were approved by Shareholders at the Annual General Meeting of the Company held on 11 June 2020. The terms and conditions associated with the issued of the Rights are detailed in the AGM Notice.

	Grant date	Vesting period	Number	Exercise price	Total fair value A$ (1)	Expiry	Vesting condition	Expense recognised at 30 June 2020 US$
Jonathon Stewart – Non-executive Chairman	25 June 2020	Jan 21	7,927,458	Nil	229,896	Two years from vesting	Service	19,768
Alan Watson – Non-executive Director	25 June 2020	Jan 21	1,902,583	Nil	55,175	Two years from vesting	Service	4,744
Steve Scudamore – Non-executive Director	25 June 2020	Jan 21	1,902,583	Nil	55,175	Two years from vesting	Service	4,744

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

Section 6: Other Notes
For the half-year ended 30 June 2020

6.2 Commitments

There have been no material changes to the commitments reported at 31 December 2019.

6.3 Contingencies

As at 30 June 2020 the Group had no contingent liabilities (31 December 2019: nil).

6.4 Events after the reporting date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative impacts on the business. An assessment of the impact for the period ended 30 June 2020 is disclosed in note 1.1 Basis of preparation and compliance statement -Going Concern and note 3.4 Impairment. The exact impact on our activities in the remainder of 2020 and thereafter cannot be reliably predicted.

Subsequent to the reporting date the Board determined to relinquish the Portuguese Concessions effective 30 September 2020 and have advised the Portuguese Authorities to that effect. The carrying value of the Portuguese asset has been fully impaired in the reporting period.

No other event has occurred since 30 June 2020 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

6.5 Rounding of amounts

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