For Immediate Release
ASX Announcement

24 February 2023

2022 Annual Report and Audited Financial Statements

Australis Oil & Gas ("Australis" or "Company") is pleased to provide its 2022 Annual Report including the audited consolidated financial statements for the year ended 31 December 2022.

As with prior years, in 2022 Australis focused on managing its existing TMS asset in a safe manner and using strategic leasing activities to maintain the valuable undeveloped asset position in the play. With the high oil prices achieved during the year and despite the volatility caused by the Ukraine war and the inflationary pressures experienced in the US, the Company achieved many of its financial goals in 2022.

The Company continued to generate surplus cashflow from operations, which was used to reduce debt, undertake a modest leasing program and participate in the development of two non operated wells. Positive cashflow was generated despite an increase in costs, particularly electricity and steel.

Australis achieved positive EBITDA for each quarter during 2022 (as in the previous 2 years) despite the increasing cost environment and the settlement of credit facility required oil price hedges (loss US$5.2 million).

These results, together with the improved US oil and gas industry environment, contribute to the boards confidence that an appropriate partner or partners for the development and unlocking of the value of the Company's TMS asset will be achieved.

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

Financial Results 2022 - (US$)

Gross revenue from oil sales (before royalties& hedges)	$33.6 million
Loss from hedging	$(5.2) million
Average realised sales price (including hedges)	$82/bbl
Field Netback* (US$)	$12.1 million
Field Netback (Working Interest)* (bbl)	$34.70/bbl
EBITDA*	$6.1 million
Net profit after taxation	$2.0 million
Year end cash position	$7.8 million
Total Facility borrowings	$12.0 million
Working capital (excluding Macquarie debt repayments)	$2.6 million

Operating Results 2022

Oil sales (Working Interest)	347,000 bbls
Net oil sales (after royalties)	281,000 bbls
TMS year end independent PDP reserves (Net)[1]	2.5 MMbls
Year end independent mid case(2C) contingent resources[1]	117.1 MMbbls
Acreage leased within the TMS Core	~79,500 net acres
Acreage leased and HBP within the TMS Core	38,700 net acres

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

The 2022 Annual Report and Appendix 4E is attached.

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

a) The 2023 Annual General Meeting (AGM) will be held at 11 am (WST) on Tuesday 2 May 2023, and
b) the closing date for the receipt of nominations from persons wishing to be considered for election as a director is 9 March 2023. Any nominations must be received in writing no later than 5.00 pm (WST) on 9 March 2023 at the Company's registered office.

Shareholders of the Company (Shareholders) will be advised of further details regarding the AGM in a separate Notice of Meeting, which will be provided to Shareholders in March 2023. The Notice of Meeting will also be available on the ASX Company Announcements Platform and on the Company's website at www.australisoil.com.

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

For further information, please contact:

Ian Lusted
Managing Director
Australis Oil & Gas Limited
+61 8 9220 8700

Graham Dowland
Finance Director
Australis Oil & Gas Limited
+61 8 9220 8700

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 3.1 million bbls of producing reserves (mid case) providing free cash flow and approximately 117 million bbls of mid case 2C recoverable oil.

The Company was formed by the founders and key executives of Aurora Oil & Gas Limited, a team with a demonstrated track record of creating and realising shareholder value.

Footnotes

1. All estimates and risk factors taken from Ryder Scott, report prepared as at 31 December 2022 and generated for the Australis concessions to SPE standards. See ASX announcement released on 9 February 2023 titled "Reserves and Resources Update Year End 2022". Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method which is based on a qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk based) approach estimate the quantities at each level of uncertainty discretely and separately.

Non-IFRS Financial Measures

References are made within this report to certain financial measures that do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS). Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non–IFRS financial measures. Field Netback and 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.
EBITDAX represents EBITDA before exploration expenditure.

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

	31 December 2022
	US$'000
Net profit after tax	**1,967**
Adjustments:	
Net finance expenses	1,113
EBIT	**3,080**
Depletion	1,621
Depreciation – production equipment	1,153
Depreciation	268
EBITDA	**6,122**
Exploration expenditure	77
EBITDAX	**6,199**

FIELD NETBACK

Field Netback represents oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains or losses, field based production expenses but excludes depletion and depreciation.

GLOSSARY

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

24 February 2023

APPENDIX 4E
FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022 Annual Report (which contains the 2022 audited Financial Report and other information required for Appendix 4E)

Results for Announcement to the Market

Revenue from ordinary activities	Increased by 24%(1) from US$22.9 million in 2021 to US$28.4 million in 2022	
Profit / Loss from ordinary activities after tax attributable to members	Increased by 182%(1) from a loss of US$2.4 million for 2021 to a profit of US$2.0 million for 2022	
Net profit / loss for the period attributable to members	Increased by 182%(1) from a loss of US$2.4 million for 2021 to a profit of US$2.0 million for 2022	
An explanation of the results is contained within the 2022 Annual Report which can be found on the ASX website or the Australis website at www.australisoil.com (1) Comparisons are made to the financial year ended 31 December 2021		
Dividends		
No dividends have been paid or proposed for the year ended 31 December 2022 (2021: nil)		
Net Tangible Asset per Security	**31 December 2022**	**31 December 2021**
	US$0.05	US$0.05
This report is based on audited accounts		

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

For further information, please contact either:

Graham Dowland
Finance Director
Australis Oil & Gas Limited
+61 8 9220 8700

Julie Foster
Company Secretary
Australis Oil & Gas Limited
+61 8 9220 8700

AUSTRALIS
OIL & GAS

2022
ANNUAL REPORT

Australis Oil & Gas Limited

ABN 34 609 262 937

CONTENTS

2022 HIGHLIGHTS

COMMITMENT TO SAFETY & ENVIRONMENT	• 100% safety record in 2022 – no incidents – continuing safe operating • Two reportable oil spills – 2.5bbls oil captured in secondary containment, and 1 bbl on well pad, remediated with no environmental impact
POSITIVE CASH FLOW	• Each quarter delivered positive EBITDA. Total of US$6.1 million for 2022. • Operating cashflow of US$6.7 million • Net profit after tax US$2.0 million
BALANCE SHEET STRENGTH	• Cash balance of US$7.8 million • Credit Facility debt balance reduced by 25% to US$12 million at year end • Independent value of PDP reserves (**NPV10**) US$82 million
RESERVES AND RESOURCES	• Independently estimated 2P + 2C resource at 120 million bbls including 2.5 million bbls PDP reserves
SCALE	• Largest acreage holder in the TMS Core; a contiguous and controlling position • TMS Core Acreage 80,000 net acres, 50% Held by Production (**HBP**)
STRATEGY	• The oil weighted TMS Core is a unique and desirable undeveloped onshore oil shale play, given its large overall size, characteristics and substantial remaining Tier 1 inventory • The TMS Core area is delineated but largely undeveloped with substantial de-risking having already occurred • Positioned for significant value re-rating by partnering driven by the improved market conditions and declining nature of the established US shale plays

EBITDA is considered a non-IFRS measure. Refer to Non-IFRS Financial Measures on page 30.

CHAIRMAN'S LETTER

At the time of writing this report I have recently returned from Houston where, amongst various scheduled meetings, I was interested to evaluate the more macro industry trends that impact Australis

With higher oil prices, why isn't the industry in all out buy mode? Certainly, the stronger oil prices of the past year have resulted in significant profits for many operators, in particular the larger oil companies. With the prevailing strong oil price and outlook why won't Big Oil raise production? It is a matter of simple economics. Keeping the supply tight has been very good for the bottom line. In fact, according to figures from Deloitte LLP, oil producers in the United States are making more money now than at any other point in the history of shale production.

The restraint being applied is a new development for the shale industry brought on by investor demands. Historically, shale producers were unable to resist a "drill, drill, drill" mentality when oil prices are high, ultimately flooding the market and deflating prices. Management incentives were aimed at production growth which encouraged this response. This would then be followed by a period of production cuts and austerity measures until oil prices recovered, and then companies would again drill heavily and look for acquisitions setting up the familiar cyclic nature of our industry.

This is no longer the case. Executives are now incentivised to maximise cash distributions to shareholders, de-leverage balance sheets and buy back stock. Even though global energy demand has bounced back to pre-pandemic levels, U.S. oil production has remained 12% lower – this is a very big number. Globally, the lack of exploration and development investment means that incremental supply is limited, which is exacerbated by the tragic events in Ukraine, allowing OPEC to resume their traditional role of price stabilisation.

So, without an increase in drilling activity in the US, driven by higher oil prices, how does Australis and the TMS become sought after and hence valuable? The big issue for Australis and recognition of that inherent value revolves around industry inventory levels and the quality of that inventory. If overstated or of diminishing quality this is clearly a positive for us.

Highly productive "sweet spots" are a small proportion of what are often depicted as very large plays, typically only 20 percent or less of the various shale plays comprises the "core areas" or "sweet spots." Outside those core areas, production rates and recoveries are substantially lower.

Inventory estimates tend to be based on an average recovery per well from the core areas applied over an entire play or in some cases over broad sub-areas within a play. This does not reflect the actual geology of typical plays.

This is consistent with the TMS evaluation we hold to. We are the largest holder of the undeveloped core-area TMS which is only a small sub-set of the overall play.

Further, worsening geology ultimately overcomes technology. The average oil and gas production rate for new wells has begun to fall in all or parts of several major shale oil plays, even with better technology as new wells are moving into poorer quality geology.

Productivity in our largely undeveloped acreage has been proven over the past 9 years to be at least as good as the better oil shale plays at their peak.

The other key component of inventory evaluation is well spacing. Wells can only be drilled so close together. The density of wells is reaching saturation level in many of the core areas of established plays. Adding new wells will only cause interference and reduce per well production without increasing ultimate recoveries.

The latest generation of wells utilise fracture stimulation designs that are more effective and lead to a higher percentage recovery of the oil in place. This exacerbates the impact of well spacing and has forced operators to assume greater separation of wells and hence a reduction in available inventory.

The rate of technological improvement has been stellar in oil shale development since the mid 2000's but is slowing. Better technology cannot make up for deteriorating geology as new drilling moves outside of sweet spots. Gains in well productivity in recent years are often due to high-grading, the practice of exploiting the most productive areas of a reservoir first.

So, why highlight what may at first seem to be negative views regarding the maintenance of current shale production levels, overstating of the quality of inventories and slowing technological advances in drilling and completions?

The answer is because our strategy is and has been premised exactly on these expected industry developments, albeit frankly it has taken longer than we would have thought for eyes to turn towards a high-quality undeveloped oil resource right in front of their eyes.

Our Operational Review in the following pages goes into considerable detail regarding strategy, operations and financials and I will not repeat it here. The Remuneration Report is again very detailed.

We have continued to use our operational cashflow to maintain our significant largely undeveloped asset base and comfortably service debt obligations. The hedging required by our lenders offered significant security whilst oil prices were low but in transition to higher oil prices cost us money as those hedges matured. A stronger oil market has enabled us to put in place hedges that protect downside but offer greater participation in oil price upside.

I would like to acknowledge our staff in the US and Australia for their commitment and performance over the past year and their determination towards delivering shareholder value. Our unwavering objective has been and remains the creation and realisation of shareholder value.

Once again during the year under review all operations were executed with an excellent environmental, health and safety record.

Your Board has sought to apply prudent management of our capital position aimed at maximising ultimate value for shareholders. Our core acreage position in the TMS remains significant. This land position is our key asset, very difficult to replicate and our currency in seeking partners to fund additional drilling. We are active in this space and will report as soon as appropriate when discussions bear fruit.

Thank you again to our Board for their contribution of knowledge, experience and commitment in their roles and flexibility demonstrated towards helping the Company meet its objectives. Management and staff have continued to work very hard and I would like to acknowledge their contribution and sacrifices.

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

Yours sincerely,

Jon Stewart
Chairman

BUSINESS STRATEGY, TMS ASSET & 2022 OPERATIONS

BUSINESS STRATEGY

Australis has maintained a clear and consistent strategy from inception. To identify a quality unconventional oil play located onshore in the USA and secure a low-cost entry, then build a material position before finding a partner to help fund development activity and finally maximise shareholder value by developing the asset or seeking exit opportunities through sale to a larger operating entity.

After evaluating potential target assets for almost two years as a private company Australis listed in 2016 with an initial position in the Tuscaloosa Marine Shale ("**TMS**") and quickly built a material exposure to the opportunity. The execution of the final two steps in the business strategy have been heavily influenced by the prevailing industry conditions and broader market events. The key market parameters at the end of 2022 are summarised as follows:

- The US unconventional oil industry continues to rely heavily on three key plays with over 85% of the oil produced originating from the Permian, Eagle Ford and Bakken.
- The Eagle Ford and Bakken are increasingly mature with the majority of quality locations already drilled, these areas were already in decline prior to the oil price drop in 2020 and have seen only modest recoveries post COVID.
- Whilst the Permian still has a significant inventory of future wells, in Q3 2022, operators in that region reported the first indications of maturing stock and reduced average new well performance.
- Public US oil and gas companies have been under considerable shareholder pressure in recent years to change their business model from one focused on production growth to one that prioritises increased shareholder returns. They remained disciplined during 2022 despite the higher oil price environment and largely kept production levels flat with rig count increases being driven overwhelming by private company activity who adopted a more traditional approach to the higher oil prices. Overall this has dampened the typical cyclic oil price drivers and will help underwrite longer term high oil prices due to the lack of supply.
- Previously drilled but uncompleted wells (**DUC's**) were preferentially completed during 2021 to minimise the capital required to maintain production and allow for the increased shareholder distributions and debt repayment. This trend continued in 2022 reaching a new equilibrium by year end, forcing increased drilling activity this year just to maintain a similar new well completion rate. This has further accelerated the consumption rate of future drilling locations.
- Australis believes that in 2023 companies with limited Tier 1 drilling inventory will be forced to look outside these three well-established plays and, with unconventional exploration largely complete in North America, undeveloped but discovered and delineated plays such as the TMS will be highly sought after.

BACKGROUND - US UNCONVENTIONAL OIL AND GAS INDUSTRY

The US has always been a substantial contributor to global oil production and remains to this day the single largest consumer at about 20 MMbbls/d[1]. Figure 1 shows how US oil production and consumption has varied over the last 40 years. Between 1985 and 2008 US production steadily declined from approximately 9 to 5 million boe/d whilst at the same time consumption increased from 15.7 to over 20.8 million boe/d. By 2008 the US was only supplying one third of its oil requirements domestically, with the balance being imported, primarily from the Middle East. Between 2008 and 2019 US production grew dramatically by 145% to peak at 12.3 million barrels per day, sufficient to become the world's largest oil producing nation, which has significantly impacted global markets and politics.

In 2020 average daily production reduced in the US by nearly 1 million boe/d as a result of the oil price drop that occurred due to the compound effects of COVID 19 and the preceding efforts of OPEC+ to force prices down (see Figure 2). Average production was broadly flat in 2021 and estimates for 2022 indicate a modest increase but still below the 2019 levels and importantly consistently below forecast.

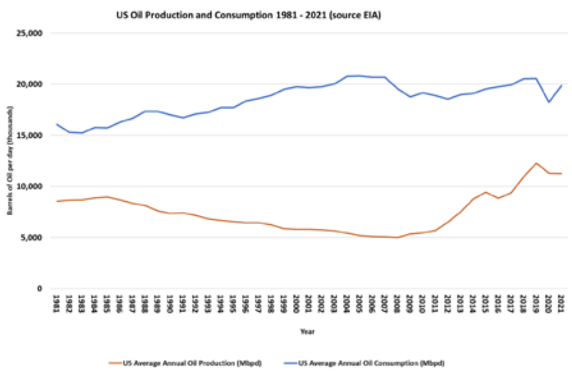


Figure 1: US Oil production and Consumption 1981 - 2021

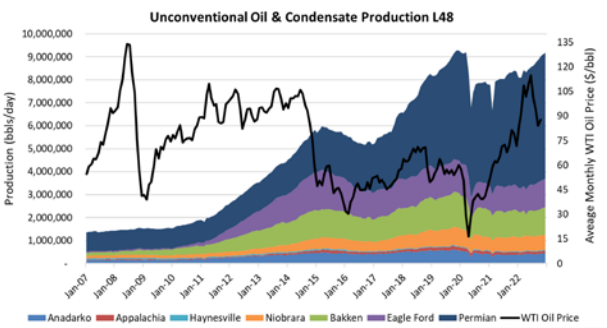


Figure 2: Unconventional US oil production 2007 - 2022 and WTI oil price (Source EIA)
[need to define L48]

Practically all of the growth that occurred between 2008 and 2019 and similarly in 2022 originated out of US unconventional oil development and Figure 2 shows this 7 million boe/d increase and which key plays or areas contributed to that growth. Whilst the total US production was flat in 2021 (Figure 1), there was modest recovery from the unconventional contribution (Figure 2) in 2022.

The majority of this growth occurred in two distinct phases linked to prevailing oil prices and originated from just three US plays: the Permian; the Eagle Ford and the Bakken. In total > 85% of the US unconventional crude originates from these three plays with over 85,000 wells now drilled between them. The Eagle Ford and Bakken being relatively mature with little production growth since 2016 and the larger Permian contributing the vast majority of the production growth since 2017 and again recently in 2022.

But as a whole the US onshore unconventional industry is becoming increasingly mature, there is limited remaining quality oil drilling inventory which is often held by a select few companies who had the balance sheets to consolidate during the 2020/2021 period. The graphs in Figure 3 were taken from data generated by Rystad Energy and published in a Financial Times article in January 2023. It shows the average well production and EUR in the Permian basin peaking in 2021.

It can be clearly seen that US shale has reached an inflection point, the combination of decreasing reservoir quality of recent wells and diminishing incremental improvements of the learning curve in these already mature basins. Even the Permian, the primary source of US growth in the last 5 years, has seen major operators report shortfalls in 2022 well performance and write downs on projections and reserves.

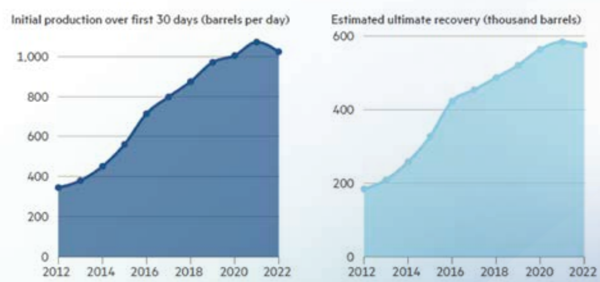


Figure 3: average well production and EUR in the Permian basin (Source: Rystad Energy)

[1] EIA estimate of 2021 average consumption

BUSINESS STRATEGY, TMS ASSET & 2022 OPERATIONS

TUSCALOOSA MARINE SHALE (TMS) ASSETS

TMS BRIEF HISTORY

The unconventional oil and gas industry is based upon the application of modern development technology such as horizontal drilling and fracture stimulation, to known hydrocarbon bearing rock. Therefore, the concept of 'exploration' for unconventional activities is a misnomer and more often than not it is simply a matter of the application of technology and assessment of results to evaluate the economic and technical potential of any particular area. The Tuscaloosa Marine Shale (**TMS**) has long been known as the source rock for conventional reservoirs in the area and following the early success of the nearby and similarly aged Eagle Ford Shale in 2009 – 2011 a number of companies took large positions in the TMS and drilled several appraisal wells in order to assess its technical and economic viability. The TMS is depositionally a large area and in order to focus their efforts, companies used the Eagle Ford Shale as an analogue and targeted the equivalent characteristics that had proved to be the most productive in that play. In the TMS, these target horizons were considerably deeper and hotter than in the Eagle Ford, which generally made the drilling more difficult and expensive. Furthermore, the production results of these early wells were variable and ultimately companies such as EOG and Devon elected to exit their position at that time (between 2012 and 2013) and pursue other delineated and lower cost options within their portfolios. As a result, the TMS began to develop a reputation as being a challenging play.

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

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

However, the wells that were drilled and completed in 2014, using a design that reflects the start of the optimisation process and benefiting from having targeted the TMS Core area generated extended production profiles. This long production history allowed high confidence and favourable comparisons to the more mature and evolved plays with thousands of wells drilled within them. The comparisons clearly showed quality rock productivity within that core area.

AUSTRALIS CORPORATE STRATEGY AND ENTRY INTO THE TMS

Australis was formed in 2014 and listed in July 2016. The Corporate strategy was to secure a low-cost entry into an oil weighted, high quality, unconventional play. Our preference was to hold a material position, to have control of that position and then to secure a partner to help fund development activities.

The Company reviewed multiple opportunities in the more established plays and several emerging areas during the 2014 – 2016 period. We were unable to identify an opportunity in these plays with the right balance between the above factors, typically finding transaction prices reflected the majority of upside other than a future increase in oil price. But participating in these processes allowed us to benchmark the TMS performance and identify it as a unique opportunity due to the key factors set out below.

- **Reservoir Quality** - Activities by previous participants in the play had a delineated core area of approximately 450,000 acres (<3% of total depositional area) where production data from approximately 85 wells clearly demonstrated a high quality reservoir with consistent results. This gave us a specific area to target.
- **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 (refineries, pipelines, water access and disposal etc) compared to other more mature and developed plays.
- **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. There was very little industry focus on the play in 2016 as a result; and
    - due to the low oil price between 2014 – 2016 the remaining incumbents in the play were not in a financial position to maintain acreage with further leasing or recommence drilling operations.

To demonstrate some of the production characteristics the chart in Figure 4 shows data taken from a recent Novilabs report published in October 2022 titled "The State of Shale Oil & Gas. The Permian, Eagle Ford and Williston Q3 2022". The chart in Figure 4 is taken straight from that report.

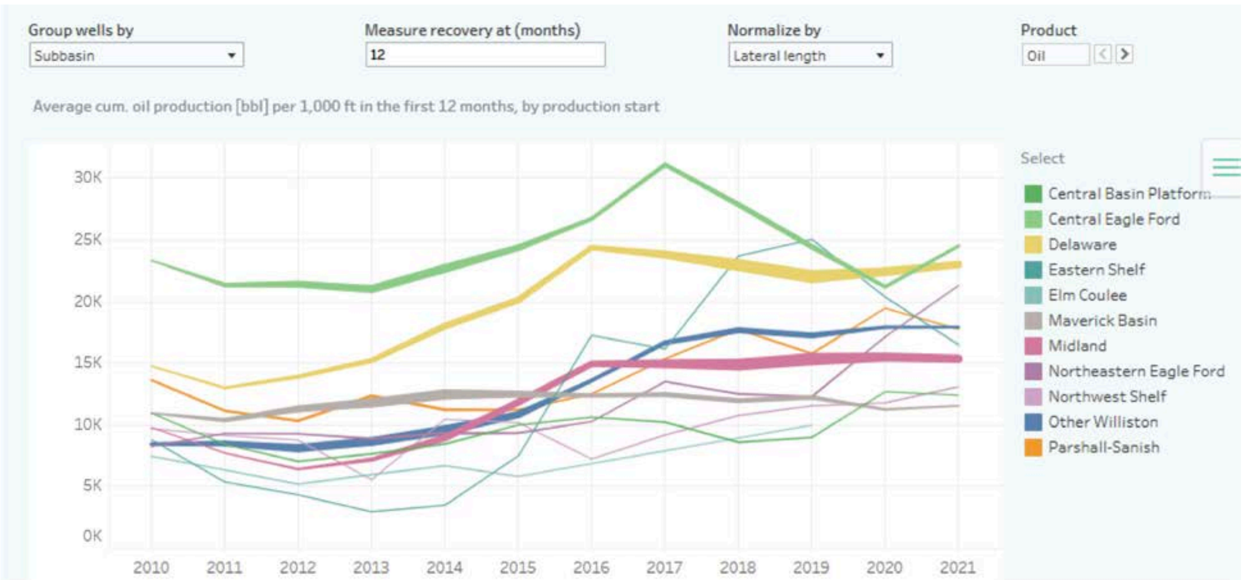


Figure 4: Recovered oil in 12 months from various areas within the three key oil plays, normalized for horizontal length. (Source: Novilabs)

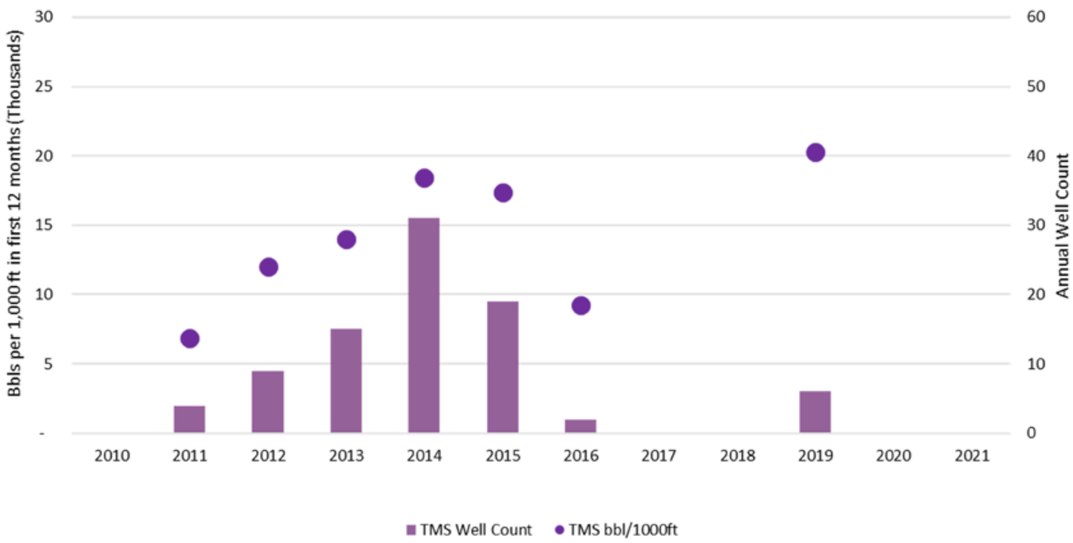


Figure 5: Productivity of all TMS wells drilled between 2010-2021

Figure 6: Combination of Figure 4 and Figure 5

The lines show well deliverability over the initial 12 months of production, per 1,000 ft, over time in various areas within the Permian, Eagle Ford and Bakken, the thickness of the line is an indication of the number of wells drilled in that area during the relevant year. The thickest three lines (Yellow – Delaware, Red – Midland and Dark blue – Other Williston) have all shown flat productivity or even a decrease over the last 4 years. The central Eagle Ford peaked in 2017 but has been on a downward trend since and then smaller discrete areas such as the Elm Coulee has had a peak in productivity before being drilled out and declining over the last three years. It is a slightly different format, but Figure 5 takes all 90 wells drilled in the TMS and displays the same average 12 month cumulative normalized for lateral length and grouped by year of production. When the two graphs are overlaid as shown in Figure 6, it can be seen to compare very favourably.

As previously outlined, the period of 2011 – 2013 was primarily delineating the TMS Core and steady improvements can be seen, the wells put on production in 2014 and 2015 were almost exclusively in TMS Core and were some of the best wells in the US at the time, noting that a number of the 2015 wells have since been found to have had poor stimulations applied. The two wells completed in 2016 were DUCs operated by Halcon, which was under Chapter 11 proceedings at the time and were small fracs. The Australis 2018 program is described in detail in the next section, but the average of all six wells drilled is shown and is very consistent with the 2014 results, using that older vintage of frac design.

It is clear reviewing the 2011 – 2015 data why Australis believes that the TMS Core is high quality unconventional reservoir rock and why it met our foundation asset criteria.

AUSTRALIS ACTIVITY 2016 – 2021

Australis built a position within the TMS through a series of transactions and an active leasing program, both of which targeted only the TMS Core as defined initially by well productivity and then refined through subsurface evaluation. Due to lack of competition and no other activity underway in the play, Australis was able to lease on a low-cost accretive basis and by 2019 had built a highly contiguous land position of over 100,000 net acres.

In 2018 and 2019, Australis drilled six TMS wells. Of the first four wells, three were drilled out as full-length laterals, although a stuck assembly caused one of these three to only be completed for half of that length. Drilling on the fourth well was suspended after only a short horizontal length had been drilled when anomalous subsurface characteristics indicated likely poor effectiveness of the fracture stimulation. Well performance from the three longer wells, when adjusted pro rata for completed length, has been consistent or exceeded expectations. The last two wells trialed a major design change to the drilling fluid used in the horizontal wellbore. The trial was successful in addressing the problem it was engineered for, but unfortunately introduced additional challenges which on balance has led to the decision not to pursue this design change for future drilling operations.

In early 2020 OPEC+ elected to significantly increase production in an effort to reduce the market share enjoyed by the US unconventional industry and this was immediately followed by the unforeseen outbreak of the global COVID 19 pandemic, the combination led to negative pricing for WTI oil in Q2 of that year. Australis as operator was able to carefully manage production, shutting in the entire field for nearly two months and reducing operating costs. Significant overhead reductions, including staff numbers, salaries and offices all reduced costs further whilst a robust hedge book continued to generate income which led to positive operating cash flow being maintained throughout the year.

During 2021, there was continued focus on operating costs whilst restarting efforts to source a potential partner for development activity in the field. In particular efforts to reduce workover frequency were successful and costs were driven down on all fronts. This period also saw third party activity commence in the play for the first time since 2015, with a new well drilled in the SW of the core TMS area.

OPERATIONS IN 2022

At the beginning of 2022 management set three objectives for the year

- Operate our production activities in a safe and low-cost manner
- Participate and learn from the third party activity taking place in the TMS core area
- Continue efforts in securing a partner to fund further development drilling in the TMS.

We will deal with each of these objectives in turn.

SAFETY AND ENVIRONMENTAL PERFORMANCE

There were no reportable safety incidents during 2022, bringing the elapsed time since the last OSHA reportable incident to 1,054 days, which is a testimony to the focus safety receives and the exemplary attitudes adopted by the operations team. There were 5 non-reportable spills and 2 reportable spills during the year. Of the two reportable spills, the first was 1 bbl of oil which was contained within secondary bunding that is installed around all of our crude storage facilities as protection and capture for any leaks such as this and the second of 2.5 bbls of oil finely sprayed from a pinhole leak landing within the well pad and therefore easily cleaned up. None of the minor (< 1 bbl) non-reportable spills led to releases to the environment, all were contained within secondary bunding or on each pad. More details are provided in the sustainability report within this document.

PRODUCTION OPERATIONS

There were no major production disruptions during 2022 other than the necessity to shut in three adjacent wells whilst the third party Reese 11H No1 well was fracced. This led to some production deferment in Q1 and in Q2 and there were a number of minor unscheduled power outages which led to wells being shut in and production deferred whilst they were restarted and stabilized. Sales volumes improved in Q3 but in Q4 were influenced by weather related downtime and several wells being produced at limited rates for operational reasons.

Overall sales volumes for the year were relatively flat and are summarised in the table below.

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total
Sales Volumes WI (bbls)	91,600	82,900	89,600	83,300	347,400

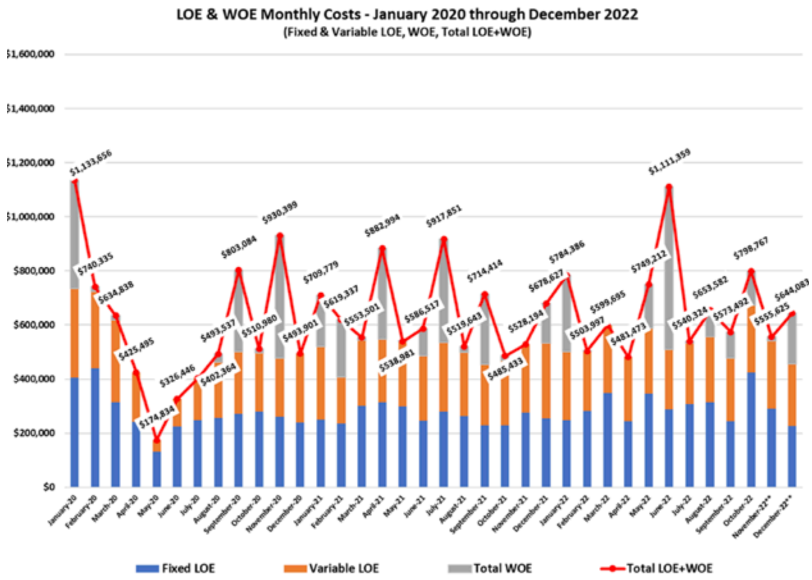


*Figure 7: LOE 2019 – 2022 (Gross or 8/8ths) – (** data are accruals)*

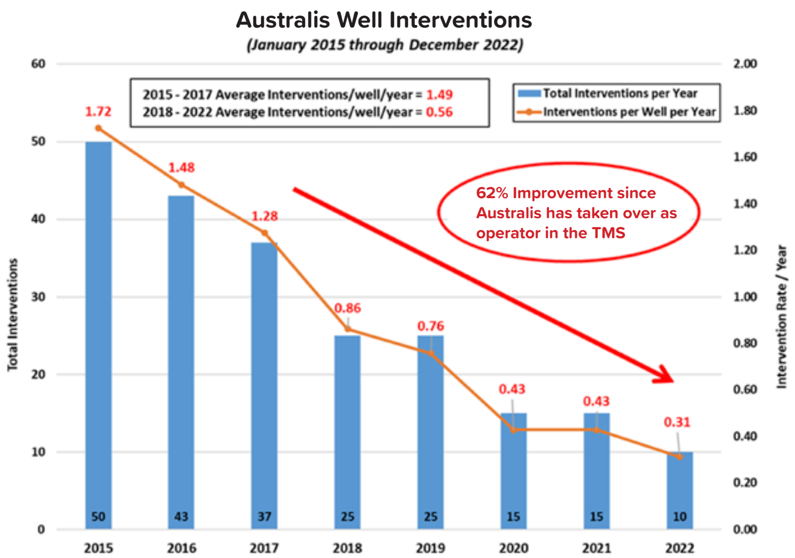


Figure 8: Operated well intervention (workovers) frequency 2015 – 2022 (Australis became operator in 2017)

LOE is comprised of three contributing elements, fixed, variable and workover expenses. Australis was able to make a step change to the fixed contribution (primarily labour costs) to the field LOE between 2019 and 2021 (shown in blue in Figure 7), which has been largely maintained during 2022.

The 2022 year has seen considerable pressure on supply chains, which has led to increased lead times and price escalation of equipment. During the year Australis conducted a critical review of spares and inventory and where appropriate procured key equipment proactively to minimise any potential downtime impact. The variable (primarily water disposal, chemicals and electricity) component of LOE has increased this year, despite best efforts although the impact has been minimised with careful management and planning by the production operations team.

Another key focus has continued to be well workover frequency reduction. The same market pressures have increased service and equipment costs, particularly steel prices affecting tubing costs, but a continued reduction in workover frequency has had a positive impact on operating costs. The reduced well failure rate is a product of four years of engineered improvements in completion design, production operational practices and workover execution (See Figure 8). This has led to a continued improvement in this key metric and only 10 workovers in 2022. This reduced frequency also has an impact on reserves as it pushes out any economic cut-off point for marginal wells.

TMS EMISSIONS

Australis monitors and reports CO_2e emissions annually to the regulatory authorities in the US. The Company has made reductions to these emissions each year as a result of improved measurements, field practices and targeted equipment changes. There are several initiatives underway to make further step reductions in these emissions and more details are provided in the Sustainability Report.

THIRD PARTY ACTIVITY IN THE PLAY

In late 2021 Juniper Capital ("**Juniper**") funded the drilling of their first well in the TMS through their local operating company State Line Exploration LLC ("**State Line**"). The Reese 11H No. 1 was drilled to a horizontal length of just over 6,000ft further than originally planned and without any major operational difficulties. Australis personnel provided considerable technical and operational background to the State Line team during the planning phase of this well. The well execution implemented the best drilling practices that had evolved from prior operations, including the Australis experience in 2018/19 and trialed new technology and techniques successfully. The well was designed with a larger diameter horizontal production casing, which facilitated the higher pumping rates needed for a modern slickwater frac for this well. This first slickwater frac was deployed by State Line on the Reese 11H No 1 during Q1 2022, the planned pumping program was successfully deployed and the initial well productivity was very encouraging with an IP24 (initial 24 hour max rate) of 1,800 bopd and perhaps more impressive still was the total fluid rate (oil + water) was over 4,000 barrels of fluid per day. State Line took an aggressive approach to reservoir pressure management and bled the well down very quickly and then installed a high volume Electrical Submersible Pump ("**ESP**") on the well, an artificial lift mechanism that is not currently used in the TMS. The ESP suffered multiple operational issues and several alternative artificial lift designs were trialed but State Line ultimately settled for a long stroke rod pump, similar to the Rotaflex system used on its wells by Australis and we look forward to seeing some longer term production data to evaluate the underlying productivity of this well.

In late 2021 an affiliate of Paloma Resources (**Paloma**), a portfolio company of EncCap Energy Capital, completed the acquisition of Goodrich Petroleum Corporation ("**Goodrich**"). Goodrich were an active participant in the play during the period 2010 – 2014 but underwent debt restructuring in 2015 due to the prevailing oil price and ceased activity in the TMS thereafter to focus on their Haynesville portfolio. They

BUSINESS STRATEGY, TMS ASSET & 2022 OPERATIONS

did however maintain a material 34,000 net acres of HBP acreage and 27 Operated wells in the TMS, although a number of these are outside the area Australis designates as TMS Core. It is worth noting that Paloma were the original partners of Australis when the Company first entered the TMS play in 2016.

Paloma embarked on a maintenance program of the existing portfolio of TMS production wells and also decided to fracture stimulate two DUCs that were owned by Goodrich. A DUC is a well that has been drilled and cased but has yet to be fracture stimulated and completed. In 2014 Goodrich drilled two wells in the far SE extent of the TMS core area but activities were suspended in the TMS by their creditors before they were fracced. The two DUC wells had relatively short 5,000 ft laterals and were completed with smaller diameter casing, standard at the time, than Australis used in its wells drilled in 2018 and 2019 and that State Line used on its Reese 11H No 1 well. Whilst some of these physical constraints made the two DUCs less than ideal candidates, Paloma elected to use a modified slickwater design on these wells. Australis agreed to participate as a minority 10% working interest partner in these two operations including the acreage within each unit in which the DUCs are located.

The first DUC, the Painter 5H well, was fracced in Q2 2022 and the second, the West Alford 10H, was fracced in Q3 2022 using the same stimulation design, with minor changes to the State Line design to allow for slower pumping speeds due to the pressure losses associated with the smaller production casing.

In a similar manner to the Reese 11H, both DUC wells produced at a higher water cut than the historical fracture stimulations carried out by Australis and other operators, but this was due to the increased recovery of the frac fluid rather than increased reservoir water. The early deliverability of the Painter 5H was strong and early results are encouraging, whereas the West Alford 10H has underperformed, but analysis of the frac and flow back data indicates this is a reservoir quality issue. The West Alford 10H is at the extreme south east edge of the previously defined TMS Core area (See Figure 9) and future interpretations may reduce the size of the high graded area as a result of this well.

These three wells represent the first attempts at trialing modern fracture stimulation designs in the TMS, similar refinement in more mature plays have yielded substantial improvements in productivity and economics, future development activity will continue this evolution to an optimised design.

SECURING A PARTNER FOR DEVELOPMENT ACTIVITY IN THE TMS

It was a stated aim for 2022 to secure development funding for additional drilling operations in the TMS by identifying a partner willing to deploy capital in the play. This has not been achieved by year end, although select entities have engaged and carried out diligence on the project and the broader industry receptiveness to an early stage play development is improving. Australis has had constructive dialogue with several counter parties on deal structures and valuations, all of which aim to achieve our objectives and remain confident that in due course will be able to bring one to fruition.

AUSTRALIS TMS LEASE POSITION

With ~80,000 net acres and just under 50% of its acreage position in the TMS Core held by production (HBP), Australis retains a material and controlling position within the delineated high quality core area.

During the course of 2022 approximately 23,800 net acres expired and Australis acquired, leased, renewed or extended 5,600 net acres giving a holding as at 31 December 2022 of 79,600 net acres.

Australis has carried a disciplined and targeted approach to leasing during 2022, whilst working with a modest budget the Company has sought to protect identified acreage to maintain the Company's strategic control and exposure to the key TMS Core area whilst allowing further non-core or non strategic term lease acreage to expire.

Australis also carried out a permitting program during the year with 10 units permitted for drilling in preparation for the restart of development operations.

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

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

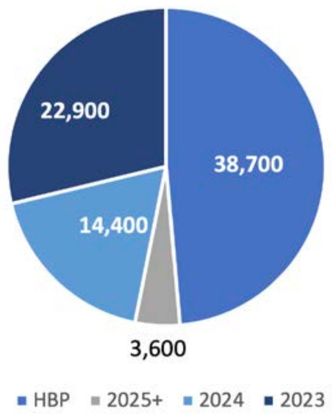


Figure 10: Australis TMS lease expiration year – TMS Core Net Acres as at 31 December 2022

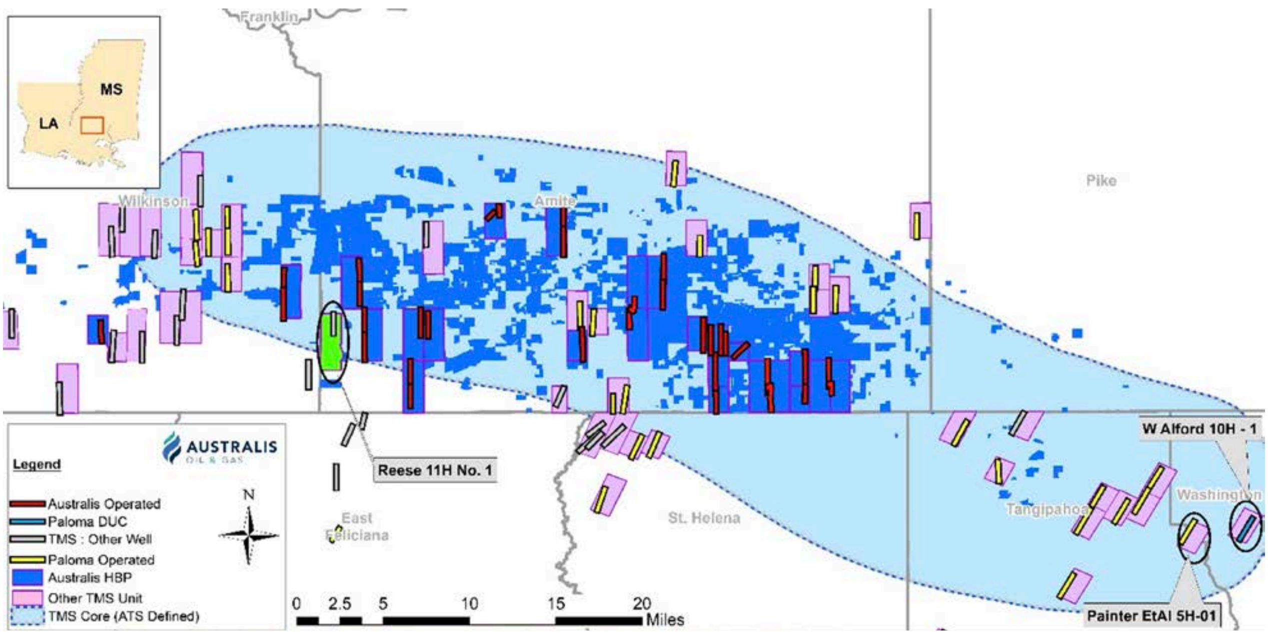


Figure 9: Australis acreage as at 31 December 2022, with well locations and the State Line Reese 11H and the Paloma DUC wells

RESERVES AND CONTINGENT RESOURCES

The year end 2022 reserve and resource estimate was independently prepared by Ryder Scott Company, L.P. in accordance with the Society of Petroleum Engineers – Petroleum Reporting Management System ("**PRMS**") as revised in June 2018. Consistent with our stated business strategy, the Board elected to adopt the position that any development plan is subject to securing a partner to participate in that development and hence requested that Ryder Scott evaluate producing reserves only for the year end 2022 report. The Board intends to commission an updated reserves report once a partner has been identified and a forward drilling program agreed, which can then be more accurately reflected in the reserve report. Therefore, all recoverable volumes not attributable to the existing developed wells but associated with the Company's large acreage position is deemed a contingent resource, subject only to a qualifying development plan. Using the acreage position at year end 2022 and the assumed well spacing, derived from over seven years of production history, Australis estimates that there are approximately 300 net future well locations associated with the 2C contingent resource estimates below.

	Net Oil (Mbbls)[1]	% change to YE22
Proved Developed	2,504	-16%
Proved + Probable Developed	3,135	-15%
Proved + Probable + Possible Developed	3,947	-13%
1C Contingent Resource	21,070	-10%
2C Contingent Resource	117,058	-21%
3C Contingent Resource	211,981	-21%

1. Contingent Resources and Reserves estimated with an effective date of 31 December 2022 are taken from the Independent Ryder Scott report dated 7 February 2023 and announced on 9 February 2023, titled "Reserve and Resource Update Year End 2022". The report was prepared in accordance with the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS) as revised in June 2018. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method.

GOVERNANCE AND ASSURANCE

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

The estimates provided in the above "Reserves and Contingent Resources" in this report pertains to the Tuscaloosa Marine Shale and is based on, and fairly represents, information and supporting documentation, prepared by, or under the supervision of, Raymond Yee, P.E., who is an employee of Ryder Scott Company, L.P. an independent professional petroleum engineering firm. Mr Yee is a Professional Engineer in the State of Texas (Registration No. 81182). The reserve and resource information pertaining to the Tuscaloosa Marine Shale in this report has been issued with the prior written consent of Mr Yee in the form and context in which it appears.

FINANCIAL & CORPORATE REVIEW

SUMMARY OF FINANCIAL RESULTS POSITION

OVERVIEW

The Company met its financial objectives in 2022 of continuing to safeguard the TMS asset through prudent operating and financial management which included reduction of debt and managing the undeveloped TMS leases through a strategic and targeted leasing program. Higher oil pricing through 2022 provided surplus free cash flow which was used to participate as a 10% WI owner in two non-operated units in Louisiana. These two units each held a drilled by uncompleted well (**DUC**) allowing Australis to participate in the completion of these wells and acquired further HBP acres in the TMS Core for low cost.

Australis reported an accounting net profit of US$2.0 million for the year ended 31 December 2022 (2021: loss US$2.4 million) together with EBITDA of US$6.1 million (2021: US$2.7 million). Operational cashflow of US$6.7 million was achieved despite losses incurred from oil price hedge settlements. The hedges were originally acquired during the low oil price period in 2020 and early 2021 pursuant to the terms of our credit facility.

Revenue of US$33.6 million from the TMS wells assisted in funding all hedge settlements (US$5.2 million), royalties and taxes (US$8.1 million) operating expenditure (US$8.3 million), corporate G&A and overhead (US$5.6 million), financing expenses (US$1.1 million) and the capital expenditure program (US$3.8 million). The surplus cashflow together with existing cash reserves repaid US$4 million of principle debt. The Company's net debt position reduced to US$4.2 million (2021: US$6.7 million) by year end.

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000	% Change Favourable/ (Unfavourable)
Sales volumes (working interest)* bbls	347,000	410,000	(15%)
Revenue before oil hedges	33,557	28,273	19%
Oil hedge (loss) / profit	(5,179)	(5,364)	3%
Field Netback	12,055	8,509	42%
Operating Cashflow	6,655	3,146	112%
EBITDA**	6,122	2,735	124%
Net profit / (loss) before taxation	1,967	(2,408)	182%
Net profit / (loss) after taxation	1,967	(2,408)	182%

* Volumes rounded to the nearest thousand barrels

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

FINANCIAL & CORPORATE REVIEW

SALES AND REVENUE

Revenue from oil sales (before hedges) for the year was US$33.6 million, which was 19% higher than 2021 despite lower sales volumes, due to a 41% increase in the average oil price achieved (before hedges) throughout 2022 compared to 2021. This benefit was partially offset by the impact of oil price hedges settled during 2022. These hedges were executed during the 2021 low oil price environment to meet Credit Facility covenants.

Sales volumes reduced by 15% primarily due to the natural decline of wells and the impact of weather related events that occurred during the year.

The Australis sales of oil production and average realised price per barrel of oil by quarter and for the full year in 2022 was as follows:

	2022 by Qtr	Q1	Q2	Q3	Q4	2022 Total	2021 Total
Oil Sales (WI)	bbls'000	91	83	90	83	347	410
						2022 average	**2021 average**
Realised oil price before hedges	US$/bbl	$96	$110	$95	$85	$97	$69
Realised oil price including hedges	US$/bbl	$80	$88	$82	$80	$82	$56

The Australis average realised oil price of US$82/bbl in 2022 (including hedge settlements) was 46% higher compared with US$56 / bbl in 2021. Australis continued to benefit from higher realised pricing than other plays in onshore USA due to the LLS premium above WTI received in the TMS. Australis' monthly achieved LLS premium over WTI averaged over US$4.15 per barrel in 2022 (2021: US$1.90 / bbl).

FIELD NETBACK, OPERATING CASHFLOW AND EBITDA

Field Netback, operating cashflow and EBITDA, all increased compared to 2021 due to an increase in achieved oil pricing.

Production costs (lease operating and workover expenses) of US$8.3 million (2021: US$7.9 million) were within the Company's internal budget, however, were higher than the prior year despite lower volumes sold due to rising costs, particularly later in the year and certain one off/non-recurring expenditures. The costs of consumables (chemicals and electricity) together with steel (tubing replacements for workovers) increased significantly during the year. Whilst the frequency of workovers reduced, the cost of workovers due to inflationary pressures for workover rigs and tubing meant higher costs per workover. On a per barrel basis production costs increased 25% to US$24/bbl from 2021 due to these cost increases and sales volumes being lower than 2021. Note many of the Company's fixed costs components do not vary with produced volumes, contributing to the higher per bbl cost.

Australis TMS field Operating costs (WI)

	2022		2021		% change (Favourable/ Unfavourable)	
	US$000	US$/bbl	US$000	US$/bbl	Change US$000	% change US$/bbl
Operating costs	$6,718	$19.34	$6,111	$14.90	($607)	(30%)
Well Workover costs	$1,627	$4.68	$1,762	$4.30	$135	9%

G&A expenditure of US$5.6 million was consistent with 2021 (US$5.4 million). Many of the Company's cost reduction measures were implemented in 2020 and 2021 and whilst several smaller cost reduction measures were undertaken in the year, the Company competes for labour in the US oil industry where wages and employee costs have risen.

NET PROFIT

The Company reported a profit of US$2.0 million for the 2022 year (2021: Loss US$2.4 million) reflecting the oil price increases partially offset by the increase in operating costs.

FUNDING & BALANCE SHEET

	As at		
Balance Sheet Summary	31 December 2022 US$'000	31 December 2021 US$'000	US$'000 Change Favourable/ (Unfavourable)
Current assets	12,025	13,074	(1,049)
Non-current assets	78,358	77,754	604
Current liabilities	(13,412)	(12,768)	(644)
Non-current liabilities	(10,932)	(16,223)	5,291
Equity	66,039	61,837	4,202

FINANCIAL & CORPORATE REVIEW

With the strength in the oil price continuing from late in the 2021 year and continuing throughout 2022, the decision was made to apply surplus cash flow to two strategic capital expenditure programs.

A limited leasing and unit permitting program targeting certain expiring TMS mineral rights was implemented with total expenditure of US$1.2 million for 2022. In addition, a further US$2.0 million was expended acquiring a 10% WI in two units and completing two non-operated Drilled but Uncompleted (**DUC**) wells. This capital expenditure program added net acres (including HBP acres) with incremental oil production and PDP value.

At year end, the Company had US$7.8 million (2021: US$9.3 million) in cash, total Credit Facility debt of US$12 million (2021: US$16 million) and working capital, excluding Credit Facility debt, of US$2.6 million (2021: US$4.3 million).

Credit Facility

The Company's secured debt is with Macquarie Bank Limited, and at year end the balance owing was US$12 million, down from US$16 million at the commencement of the year.

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

In the 4th quarter of 2022 the maturity date of the facility was extended by 18 months to May 2025. Included with this amendment was the re-introduction of an oil price hedging covenant and the change of the interest reference rate from LIBOR to SOFR.

The Company is now required to undertake a minimum hedging program during the remaining term of the Facility equivalent to 30% of the projected net (after royalty) production volumes. Upon the debt balance reducing to below US$10 million the covenant requirement reduces to 20% of the net projected volumes.

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

The Facility, now maturing in May 2025, continues to require minimum quarterly repayments of US$1 million and Australis retains the ability, without penalty, to refinance or repay the entire Facility at any earlier time.

Oil Price Hedging

A total of 174,000 bbls (2021: 288,000 bbls) of hedged oil settled for at a loss of $5.2 million, compared to the prior year loss of $5.4 million. The average protected floor price of the settled hedges for 2022 increased to $50/bbl (2021: $46/bbl) as a result of hedges executed in late 2021 and 2022 with the rising oil price futures environment. WTI swap contracts comprised 41% (2021: 83%) of the settled oil price hedges in 2022 with the balance being WTI zero cost collar (**ZCC**) contracts with a weighted average put (floor) price of US$49/bbl and importantly, an average call (ceiling) price of US$75/bbl. The Company benefited from the policy to re-weight its hedge profile to ZCC hedge contracts as the Company maintained the upside above the average floor price up to the call price (ceiling price) whilst being protected in the event the oil price fell below the ZCC floor price.

The majority of the hedge loss for 2022 resulted from hedge contracts taken out to meet the minimum hedging terms under the Macquarie Facility during the low oil futures pricing environment in 2020 and 2021.

During 2022, the Company executed additional oil price hedges (141,000 bbls for production to occur between January 2022 to December 2025) as follows

- 97,500 bbls WTI zero cost collars
- 43,500 bbls WTI swaps

Australis' current WTI oil price hedge position as at 1-Jan-23

Qtr/Year	WTI Swaps Volume 000bbls	WTI Swaps Protected Price US$/bbl	WTI Collars Volume 000bbls	WTI Collars Protected Price[A] US$/bbl	WTI Collars Ceiling Price[A] US$/bbl
Q1/2023	13	$61	26	$52	$80
Q2/2023	9	$65	23	$53	$78
Q3/2023	11	$66	20	$51	$73
Q4/2023	11	$65	11	$71	$86
Q1 - Q4/2024	24	$67	38	$57	$83
Q1 - Q4/2025	12	$65	17	$50	$80
	79		**134**		

[A] Based on weighted average monthly price

The "mark to market value" of the hedge position as at 31 December 2022 was US$(1.7) million (2021: US$(2.8) million) reflecting the lower WTI futures pricing at year-end for the period of the hedges. This value is recognised as a liability on the balance sheet.

It is anticipated that additional barrels will continue to be hedged throughout 2023 consistent with Australis' hedging strategy to manage commodity price risk and meet the requirements of a minimum hedge volume covenant pursuant to the amendments to the Facility made in 2022 when extending the Maturity Date.

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*.

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 sustained period of oil prices above the recent years low prices leading to renewed interest in undeveloped quality onshore oil plays. The Company owns high quality, oil-weighted developed and undeveloped assets that have been acquired to provide potential additional leveraged upside to a sustained modest recovery in the oil price.

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

B. Title risk – Mineral Interests

Australis has acquired and may continue to acquire leasehold and other interests in and to mineral rights from owners in Louisiana and Mississippi, USA. These interests form the basis of the Company's right to develop, produce and sell hydrocarbons from the TMS and are material to the current and potential value of the Company. Generally leasehold interests expire at the end of a primary term unless commercial production from a well on the lease is achieved and maintained or the lease is otherwise extended or renewed. Certain of our leasehold interests are, at Australis' election, capable of renewal or extension. There is no guarantee that existing leases will be renewed, extended, or reacquired prior to expiry or that leases on new areas will be acquired. The process of confirming defensible title on leases for oil and gas exploration and production has been performed by experts acting for Australis. If at any time title cannot be confirmed, it may have a financial impact on the value of that lease. In the event any of the Company's leasehold or other interests in TMS mineral rights are negatively impacted due to title issue and/or are not renewed, extended, or replaced with similar interests, the Company' right to exploit such mineral interest will terminate and size of the Company's undeveloped reserves and resources are likely to decrease.

C. Commodity price

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

The impact of such global events can affect global demand for oil and gas, and the market's expectations on future demand, for long periods of time even after the event has subsided. Although the oil price has returned from the lows experienced in the midst of the COVID-19 pandemic, there is no certainty as to whether or not another wave of COVID-19 or the global spread of a different virus would result in government-imposed restrictions on mobility and transportation or otherwise adversely impact market expectations for hydrocarbon demands. These factors could result in higher volatility in crude oil pricing that impact the Company's revenue and cashflows from production. We are unable to predict the extent or nature of the impacts of the emergence of new strains of COVID-19 or another global pandemic caused by a new virus.

Australis has adopted a hedging policy to assist in the mitigation of its downside commodity price risk although this in turn can limit exposure to benefit of upside commodity risk. Details of the current hedges in place are detailed in this Financial & Corporate Review.

Management will continue to mitigate potential further crude oil volatility in 2023 and beyond by executing hedges in accordance with the Australis hedging policy.

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 counterparty 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 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 mineral rights, land ownership and regulatory rules, may impact the Company's decisions with respect to well locations. Further, no known technologies provide conclusive evidence prior to drilling a well that oil or natural gas is present or may be produced economically. New wells drilled may not be productive or may not recover all or any portion of the Company's investment in such wells. The cost of drilling, completing, equipping, and operating wells is typically uncertain before drilling commences. 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.

Global pandemics such as the COVID-19 pandemic pose a significant risk to our operations. These events could result in significant employee absences due to illness or quarantine requirements and significantly impede the ability of our operational and management teams to travel in support of our operations. In addition, global supply chain shortages that result from such events can result in an ability to source important equipment, material and services leading to a material adverse impact on our ability to conduct operations and/ or materially increase our costs to acquire same. In 2022, the Company did not experience significant issues relating to employee absences or travel restrictions and will continue its regular review and update on health and safety policies and protocols, However, supply chain issues did being to impact availability and pricing of goods and services necessary for our operations in 2022 and it is expected that the impact of these supply chain issues will continue in 2023 for certain items. To assist in mitigating this risk, Australis, where practicable, pre orders various materials into inventory in advance of requirements. The emergence of new strains of COVID-19 or a new virus globally could materially increase the negative impact of supply chain issues on our operations.

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 need to raise additional capital, including from one or more of: the issue of equity securities; the incurrence of further debt finance; or the contribution of capital from one or more operational or financial partners in exchange for a portion of Australis' interests in its assets, if and as appropriate. There is no assurance that the Company will be able to access and secure additional funding on reasonable terms or at all.

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. Regulatory and political

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

Whilst the USA is considered by Australis to be politically stable, changes in federal, state, or local government regulations and policies (whether through change in governments or change in policy from an existing government) may adversely affect the financial performance or the current and proposed operations generally of the Company (see "Hydraulic Fracturing" below for example). The ability to develop and produce oil and gas, as well as industry profitability generally, can be affected by such changes, which are beyond the control of the Company and the Company's operations, financial performance and future prospects may thereby be materially adversely affected

J. Hydraulic fracturing

Australis engages in the practice of hydraulic fracturing to stimulate production of hydrocarbons from tight geological formations in the USA. Public debate exists regarding the potential surface and sub-surface impact of hydraulic fracturing, including concern about the impacts of hydraulic fracturing on drinking water and seismic activity tied to re-injection of associated liquids. Additionally, hydraulic fracturing requires large volumes of water (the availability and regulation of which may change over time) and there are costs associated with water disposal that may 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 or even prohibitions on hydraulic fracturing in certain regions or on certain lands. Any modification to the current regulatory regime may materially adversely impact the value of the Company's assets and future financial performance.

K. Reserves and resource estimation

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

L. **Debt facility and interest rate**

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

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

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

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

M. **Access to services, equipment, and infrastructure**

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

N. Environmental

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

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

O. Competition

The Company competes with numerous other organisations in the search for, and the acquisition of, oil and gas assets. The Company's competitors include oil and gas companies that have substantially greater financial resources, staff, and facilities than those of the Company. The Company's ability to maintain or increase its reserves in the future will depend not only on its ability to develop its leasehold and other mineral interests, but also on its ability to select and acquire or renew its leasehold interests associated with suitable producing properties or prospects for drilling.

P. Climate Change

Australis recognises that climate change is an important global challenge and poses certain physical risks to its operations. Physical risks from climate change include 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 facilities may be substantially damaged, and oil and gas production may be reduced or interrupted entirely. Australis continues to be proactive to reduce its impact on the environment including adopting several measures to reduce its CO_2 emissions. Please refer the Company's Sustainability Report for more detail.

Q. Cybersecurity

Our operations are and will continue to be reliant on various computer systems, software, databases and interfaces with external networks and other systems. Failures or breaches of these systems (including by way of virus and hacking attacks) have the potential to materially and negatively impact our operations. The Company, in consultation with third party experts has put in place a cybersecurity strategy that will be subject to periodic external review and, in the event of an incident, the Company would be supported by an external incident response and forensics firm. Employees are required to undertake cyber awareness training, including how to identify phishing emails and keep data safe. Notwithstanding the protections and risk management systems the Company has or will put in place, there are inherent limits to the effectiveness of such plans and systems in protecting against sophisticated cyber-attacks. Further, the Company has no control over the cyber security plans and systems of third parties which may interface with our operations, or upon whose services our operations are reliant.

CAUTIONARY AND FORWARD-LOOKING STATEMENTS

This Report contains forward looking statements, including as to Australis' strategy, oil and gas exploration and drilling activities, and related funding, which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Annual Report, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions, and other important factors, many of which are beyond the control of the Company, the Directors, and the Management.

The Company cannot and does not give any assurance that the results, performance, or achievements expressed or implied by the forward-looking statements contained in this Annual Report will occur and investors are cautioned not to place undue reliance on these forward-looking statements.

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

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out above. Past performance should not be relied upon as being indicative of future performance.

MATERIAL PREJUDICE

As permitted by sections 299(3) and 299A(3) of the *Corporations Act 2001*, Australis has omitted certain information from the Operating and Financial Review in relation to its business strategy, future prospects and likely developments in its operations and the expected results of those operations in future years. Such information including but not restricted to internal budgets, and forecasts and estimates, has been omitted on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice for example because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage.

GLOSSARY

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

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

Abbreviation / Term	Description
Ryder Scott	Ryder Scott Company LP
SOFR	Secured Overnight Financing Rate
Field Netback	Oil and gas sales net of royalties, production and state taxes, inventory movements, hedging gains or losses, field based production expenses but excludes depletion and depreciation
EBIT	Net income or (loss) for the year before income tax expense and finance costs
EBITDA	EBIT before depreciation depletion, amortisation and impairment provision
EBITDAX	EBITDA before exploration costs
ESG	Environmental, Social and Governance
Net Sales	Oil & gas sales net of royalties
Royalty Interests or Royalty	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
Net Acres	Land the Company has leased and currently holds the mineral rights
Type Curve	The estimated ultimate recovery (EUR) and associated production profile for a future development well location
TMS Type Curve	The history matched production performance of 15 wells drilled in the TMS in 2014 and corresponds to an average treated horizontal length of 7,200ft
G&A	General & Administrative Expenditure
IRR	Internal Rate of Return
DUC	Drilled uncompleted well
LOE	Lease operating expenditure comprising fixed and variable costs
OD	Outer Diameter of a tubular
WO or WOE	Expense for “working over” (repairing) an existing well.
CO_2	Carbon dioxide
CH_4	Methane
N_2O	Nitrous oxide
CO_2e	Carbon dioxide equivalent
EHS	Environmental, Health and Safety
OPEC +	Organisation of the Petroleum Exporting Countries in alliance with other oil exporting nations which are not part of OPEC

GLOSSARY

NON-IFRS FINANCIAL MEASURES

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

EBIT, EBITDA & EBITDAX

EBIT represents net (loss) / income for the year before income tax expense or benefit and finance costs. EBITDA represents EBIT before depletion, depreciation, amortisation and impairment provision. EBITDAX represents EBITDA but also excluding exploration costs.

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

	31 December 2022 US$'000	31 December 2021 US$'000
Net profit / (loss) after tax	1,967	(2,408)
Adjustments:		
Net finance expenses	1,113	1,906
EBIT	**3,080**	**(502)**
Depletion and Depreciation	3,042	3,237
EBITDA	**6,122**	**2,735**
Exploration expenditure	77	15
EBITDAX	6,199	2,750

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 2022 US$'000	31 December 2021 US$'000
Net profit / (loss) after tax	1,967	(2,408)
Adjustments:		
Depletion	1,621	1,641
Depreciation – production equipment	1,153	1,300
Depreciation	268	296
Finance expenses amortisation	-	753
Value Adjustment (Portugal land)	-	(118)
Share based payments	892	887
Unrealised foreign exchange (gain) / loss	206	346
Disposal or write off of assets	91	70
Inventory adjustment	(20)	(58)
Earnings excluding non-cash items	**6,178**	**2,709**

SUSTAINABILITY

At Australis, our corporate vision is to generate shareholder value in a sustainable and responsible manner, whilst meeting expectations of all stakeholders in our business. As an active participant in the upstream oil and gas industry, we recognise our responsibility to present data relating to our activities in a transparent and concise manner, to set targets that ensure our performance is measured against industry or regulatory standards and to demonstrate commitment to 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 business decisions and processes.

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

At Australis we view sustainability as integral to all facets of our business, including:

1. our business strategy and corporate culture;
2. the health and safety of those working for us and those affected by our operations;
3. the environmental impact we have on the areas within which we operate; and
4. the social and economic impact of our operations on stakeholders in the local community and beyond.

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

PURPOSE AND VALUES

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

The Company's Purpose is "to identify and secure entry into undervalued upstream oil opportunities and is to realise material value on behalf of shareholders through the disciplined use of capital whilst protecting the safety of those who work for us and the environment in which we operate".

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

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

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

ENVIRONMENTAL, HEALTH AND SAFETY

To ensure the continual improvement in the sustainability of our operations, Australis adopts specific and measurable initiatives to embed a cultural commitment Company-wide and continuously seeks ways to improve all facets of our operations with respect to EHS performance. A key initiative that Australis has adopted since 2018 has been establishing the Company's EHS performance as the overarching financial multiplier within the Company's annual Short-Term Incentive Plan ("**STI Plan**"), scaling the achieved bonus amounts up or down based on EHS performance. Under the STI Plan, the EHS multiplier, which ranges from 30% (poor performance) to 140% (excellent performance), is applied to all key performance indicators relating to all aspects of the Company's business, including corporate goals and targets linked to Company strategy as well as individual generic and specific targets. This helps ensure that EHS is incorporated into every facet of our business by staff, as opposed to being a stand-alone component of any bonus structure, by providing a direct correlation between environmental and safety performance and remuneration. The Company believes this structure contributed to the excellent EHS performance achieved in 2022 and preceding years. Australis adopted a new CO_2e Emissions target as part of the EHS multiplier assessment for the STI Plan in 2022 aimed at achieving reductions in our emissions compared to prior periods.

ENVIRONMENT

CLIMATE CHANGE

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

However, the consumption of oil and gas is an important part of daily life all over the world, whether it be used for transportation and power generation or as part of the manufacture of industrial and everyday products such as electronics, textiles, medical supplies and household products. This has been highlighted by the turmoil in international energy markets associated with the transition to renewable energy sources together with geopolitical issues throughout 2022. The Board believes that oil and gas will continue to be an essential source of energy and feedstock for global development and will play an important role in the transition to a lower carbon future over the coming decades.

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

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

	Physical Risks	Possible Impact	Time Frame
Operational	Increased frequency and severity of extreme weather events resulting in potential increase in equipment damage, interruptions to operations or HSE incidents	Increased downtime in operations resulting in additional cost and delay to production Additional capital expenditure may be required to refurbish or augment onshore facilities and infrastructure to minimise potential damage and downtime	Short to long term

	Transitional Risks	Possible Impact	Time Frame
Market	Changing ESG strategies of equity investors and debt providers	Additional ESG requirements on investors and debt providers potentially reduces the Company's ability to access capital for future project development leading to increased financing cost.	Short to long term
Market	Accelerated transition away from the use of fossil fuels	Leading to reduced global demand for oil and gas potentially leading to lower oil prices and Company future revenue	Long term
Technology	Improvements in technology leading to accelerated transition to lower carbon alternative energy and feedstock sources.	Leading to reduced global demand for oil and gas potentially leading to lower oil prices and Company future revenue	Long term
Regulatory	Changing ESG Regulatory and Legislative framework around climate change in the jurisdiction Australis operates.	Delay in timing and increased cost of development or prohibit future development of unconventional resources	Medium to long term

	Physical Opportunities	Possible Impact	Time Frame
Operational	Opportunities to further reduce emissions through operating efficiencies and field development	Potential to access additional revenue streams to offset some development costs	Short to medium term
	Transitional Opportunities	**Possible Impact**	**Time Frame**
Market & technology	Continue to examine opportunities to reduce or offset emissions that are complimentary to existing operations	Reduce costs to offset emissions or generate revenue from un-utilised resource	Medium Term

Australis has included Scope 1 and 2 emissions as an STI Plan target in 2023 and will consider other suitable targets to manage climate related risks in the future whilst continuing to evaluate opportunities to reduce and offset emissions.

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

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

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

In 2021, Australis participated in the US Federal Environmental Protection Agency's (**EPA**) Greenhouse Gas (**GHG**) Reporting Program by submitting data on operations. Australis has prepared and included its estimated 2022 data in this report, although final data, subject to independent review, is not submitted until the end of March 2023.

Australis produced the following gross volumes during 2021 and 2022 (note these are production volumes and not sales volumes) from our operated assets in Mississippi.

Australis generated the following Scope 1 greenhouse gas emission volumes from our operations in 2021 and 2022.

Scope 1 Emissions	2021*	2022
mt CO_2e	31,000	26,000
Scope 1 Intensity		
mt CO_2e /bbl of oil equivalent	0.07	0.07

*Note that estimated greenhouse gas emissions reported in the 2021 Sustainability Report were prepared prior to the finalisation process and submission to the EPA as described above. The final verified numbers submitted shown above are slightly higher (~5%) than reported in the 2021 Sustainability report.

	Oil Production (bbls)	Gas Production (MMscf)	Total Production (boe)	Water Production (bbls)
2021	416,000	300	467,000	559,000
2022	336,000	300	384,000	488,000

SUSTAINABILITY

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

During the year, Australis continued to actively evaluate alternatives for reducing greenhouse gas emissions generated from operations. An example of this was the successful implementation of a program to replace and upgrade equipment across a number of the operated locations that more efficiently disposes of waste methane and reduce greenhouse gas emissions. The production team also upgraded and improved the measurement and monitoring of flared gas volumes on the majority of our wells.

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

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

		2021	2022
Scope 1 Emissions	mt CO_2e	31,000	26,000
Scope 2 Emissions	mt CO_2e	87	86
Scope 1 & 2 Emissions	mt CO_2e	31,087	26,086
Production	bbl of oil equivalent	467,000	384,000
Scope 1 & 2 intensity	mt CO_2e /bbl of oil equivalent	0.066	0.067

WATER MANAGEMENT: RESPONSIBLY SOURCING AND MANAGING THE WATER WE UTILISE

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

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

Australis produces a little over 1 bbl of saline water for each bbl of oil that is produced. The volumes for 2021 and 2022 are shown in the tables on the previous page. Australis only utilises the services of permitted third-party disposal contractors to manage all of our solid wastes including water. Australis ensures all water produced through our operations is managed responsibly whilst adhering to legal requirements. At present, we use a licensed water disposal contractor, who injects the produced water into deep saline aquifers to minimise its impact on the surrounding environment. Whilst produced water volumes are relatively modest, field development plans contemplate recycling water for fracture operations and technical work to evaluate this option has taken place.

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

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

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

The following table provides a summary of the spill performance of Australis operations in 2021 and 2022.

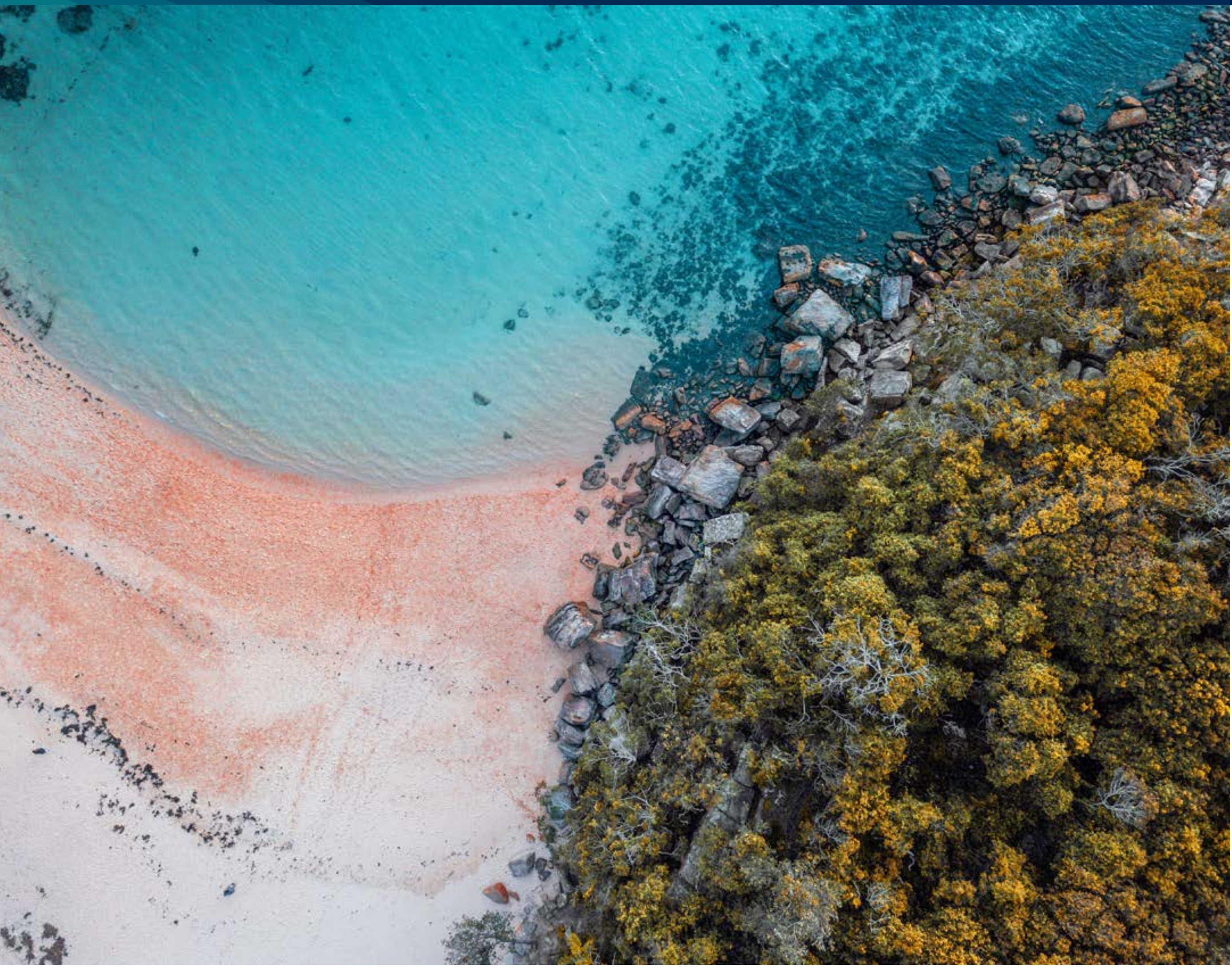
	2021	2022
Non-reportable spills[1]	1	4
Reportable spills[2]	1	2
Oil volume spilled inside containment (bbls)	135	1.6
Oil volume spilled outside containment (bbls)	0.4	3.7
Produced water spill volume (bbls)	0	0

[1] Non-Reportable Spill: < 1 bbl

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

2022 EHS PERFORMANCE

In 2022, Australis met or exceeded all EHS related targets under the STI Plan. Throughout the year there were no reportable safety incidents, four non-reportable spills and two reportable spills. One of the reportable spills, (1 bbl oil) was caused by a pinhole leak in a storage tank. This spill, together with one other non-reportable spill (totalling 0.6 bbl) was entirely contained within the collection system which surrounds the Company's oil storage tanks, as described above, and was immediately addressed through existing containment and remediation procedures adopted by the Company that meet or exceeded industry standards. One minor reportable spill (of 2.5 bbl) and three non-reportable spills (totalling ~1.2 bbl) occurred outside of containment, but did not enter the environment, and immediate remediation was implemented. There were no incidents reported in the other categories of motor incidents or OSHA reportable safety incidents.



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 Statement. Working safely is a condition of employment and our employment contracts and the Company EHS Policy requires that EHS-related considerations are prevalent in all business decisions and processes. Company leadership strives to foster a culture of responsibility and EHS excellence.

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

In 2022 the Australis team logged a total of 515 SOS forms compared to 642 in 2021. Typically, corrective action is taken at the time of the safety observation, but if trends are identified, this leads 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 2021 and 2022.

	Incident Type	2021	2022
Employees	Near Miss	0	0
	First Aid	0	1
	OSHA Recordable[1]	0	0
	Lost Time	0	0
	Lost Time Days	0	0
	TRIR[2]	0.00	0.00
	Hours Worked	40,501	38,657
Contractors[3]	Near Miss	1	0
	First Aid	0	0
	OSHA Recordable1	0	0
	Lost Time	0	0
	Lost Time Days	0	0

[1] OSHA: Occupational Safety and Health Administration (USA government agency)

[2] TRIR: Total Recordable Incident Rate = Total number of OSHA Recordable Incidents * 200,000 / Total hours worked

[3] Australis does not report contractor hours.

The first aid incident was a minor office-based accident requiring non-prescription pain relief medication. 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 organization;
- use of a third-party verification service, to screen and assess contractors' safety policies, EHS performance and risk management measures as an integral and mandated part of the procurement process;
- Stop Work Authority as a core safety function for all employees and contractors, which authorises any employee or contractor to stop work and correct an unsafe condition without fear of retribution.
- advanced driver safety training for employees that operate any Company vehicles;
- a Company-wide Emergency Response Plan for operations in the USA, as well as a field operations-specific Well Control Emergency Response Plan. The former was initiated in 2017, and the latter in 2018, during active drilling operations. All plans were rolled out with ongoing 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 183,178 miles in 2022 (192,821 miles in 2021) without any incidents, and compiled an average score (measuring the above mentioned driving behaviours) from the third-party monitoring system of 96.1% (95.8% in 2021), which corresponds to a low risk assessment performance

Whilst many of the challenges associated with COVID 19 diminished in 2022, Australis continued to implement workplace processes enabling a safe working environment which allowed operations to continue throughout the year.

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

The Company's Code of Conduct outlines the principles and standards of behavior expected of its directors, employees and contractors when working with each other and when interacting with shareholders, other stakeholders and the broader community. The Code of Conduct requires employees and contractors to act with honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which Australis operates. Any breaches of the Code of Conduct may be brought to the attention of management in accordance with the Whistleblower Policy, without fear of recrimination or reprisal.

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

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

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.

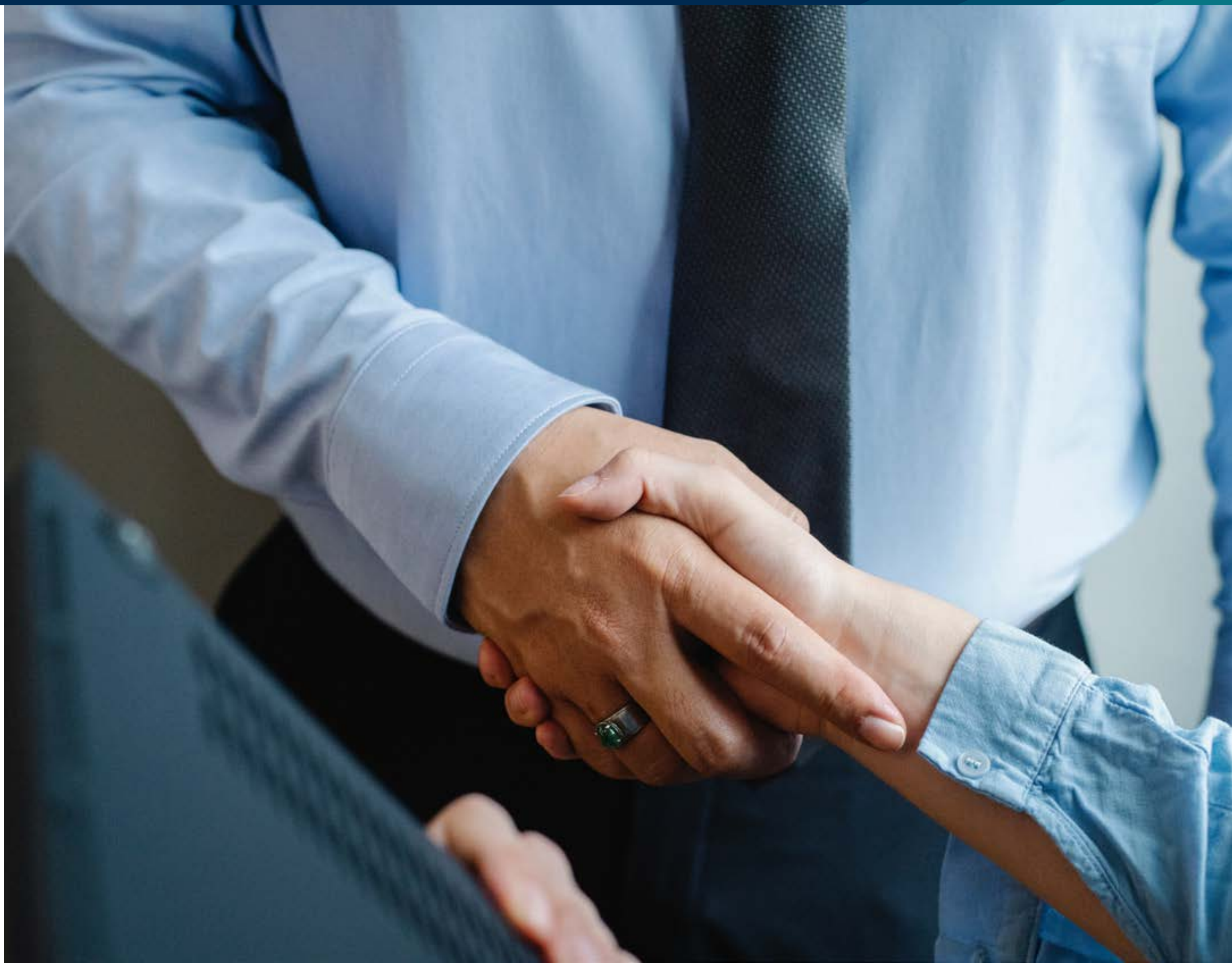
Each year, the Australis leadership team in conjunction with the Board set the general Company goals. These goals are then cascaded down through the organisation so that departmental and personal goals are set for each employee, ensuring that all targets are aligned with Australis' strategy. Employees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

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

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

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

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



STAKEHOLDER RELATIONS

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

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

Mississippi

- Australis' management team proactively meets with government regulators and legislative representatives in Mississippi to update them on the Company's progress and obtain information on specific regulatory programs pertinent to our operations.
- We maintain a 24-hour emergency hotline with posted signage for the public and landowners at all of our operated locations.
- We frequently collaborate with local governments to address public road maintenance issues at or around our field locations.
- During the year, Australis carried out Emergency Response drills in collaboration with local authorities and when required, actively supports local emergency response efforts in the community.
- Australis maintains an owner relations webpage that allows royalty and mineral owners to communicate with Australis via the portal, email or an owner relations hotline regarding their ownership interests or their account information.

OIL HAULAGE AND ROAD USE

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 also track load counts so that we can monitor usage and look to minimise costs. Each truck can hold approximately 180-190 bbls of oil, but a number of our lower producing wells often do not have these sorts of volumes available for a single load. As a result, partial truck loads could be scheduled, but in an effort to reduce both costs and road usage, Australis and our offtaker work closely to identify 'split loads', where a full truck can be achieved by offtaking from multiple sites. Due to challenges in accessing trucking that continued to be experienced across many industries, it was difficult and expensive to manage split loads during the year. The field team were able to manage oil inventories utilising on site storage before loads were picked up and trucked during the year. The table below provides a breakdown of the total oil hauled during 2022 and 2021 showing the individual pickups from well locations ('**load tickets**') and the average oil volume per load ticket.

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

Year	Total Oil Gross Hauled (bbl)	Number of load tickets	Average bbl oil per ticket
2021	414,000	2,295	180
2022	336,000	1,860	180

FISCAL IMPACT ON THE LOCAL COMMUNITY

Australis trucked 336,000 bbl of oil (gross) during 2022, from the operated production it managed from 31 wells across 19 sites. This level of activity generated some significant fiscal benefits to the local community, which included:

- $3.64 million paid in royalties to local mineral rights owners
- $5.44 million spent with local Mississippi vendors and contractors
- $2.43 million spent with local Louisiana vendors and contractors
- $1.97 million paid in production taxes to local Mississippi authorities.

These are significant sums and total in excess of $13.4 million contributed to the local communities during a period of uncertainty and difficult market conditions. These figures do not include the salaries and benefits paid directly to 8 full time field staff members who live locally to the operations.

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

RISK MANAGEMENT

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 Operation Risks, including Climate related risks, are regularly reviewed by Company staff, when identified each is allocated a severity rating which dictates the frequency with which it is reviewed.

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

Financial Risk Management

The Board has delegated responsibility for financial risk management to the Audit and Risk Management Committee (**ARMC**). The ARMC reports to the Board on at least an annual basis as to the effectiveness of the financial risk management and internal control systems.

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

Operational Risk Management

Australis' risk management initiatives extend beyond our employees, to include our contractors. An example of this is Australis' use of a third-party registration and monitoring system, to 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 the third party's scoring system to be considered by Australis during the procurement process. Australis retains the right to audit vendors as part of our risk management framework.

Compliance

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

DIRECTORS' REPORT

The Directors of Australis Oil & Gas Limited present their report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 31 December 2022.

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 2022 are:

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

Each director held their office from 1 January 2022 until the date of this report.

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

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

	Shares	Performance Rights	Fee Rights
J Stewart	84,262,460	-	3,727,165
I Lusted	29,491,840	10,650,739	-
G Dowland	26,527,651	7,902,308	-
A Watson	6,698,298	-	1,490,865
S Scudamore	2,398,585	-	1,490,865

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

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

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

Mr Jonathan Stewart – Chairman

Qualifications - B.Com

Mr Stewart was appointed as the Non-Executive Chair of Australis on 12 November 2015. Mr Stewart was a founder of Aurora and was a director of Aurora from 22 February 2005 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd on 11 June 2014. He was Executive Chairman and CEO of Aurora until separating those roles in 2012. An experienced oil & gas executive, Mr Stewart has held a number of executive management positions in listed and unlisted companies in Australia, the United States, Canada, the United Kingdom and the former Soviet Union. He has considerable experience in the management of oil and gas exploration and production companies, structuring and financing of transactions and the broader strategic development of companies. He has also been involved helping list a number of companies in Australia, the United Kingdom and Canada. Based in Europe during the 1990s, Mr Stewart has been involved in raising significant capital from international equity markets to enable the successful development of numerous projects.

Other current directorships of Australian listed public entities

None

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

None

Special responsibilities

Chairman of the Board

Member of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Committee

Mr Ian Lusted – Managing Director and Chief Executive Officer

Qualifications – B. Science, MBA

Mr Lusted was appointed Managing Director and CEO of Australis on 12 November 2015. Previously Mr Lusted was Technical Director of Aurora from 14 April 2008 until August 2013. As well as being responsible for all technical activities carried out by Aurora, Mr Lusted played an active role in investor and stakeholder relations. He has extensive international oil & gas experience, having begun his career in the industry in 1991 with Shell International after serving for several years as an officer in the Royal Navy. At Shell, Mr Lusted gained upstream operations experience in a variety of locations including the North Sea, SE Asia and onshore Europe. He was responsible for field operations including drilling and well operations on semi-submersibles, platform, jack-up and land facilities. In 1998 Mr Lusted established Leading Edge Advantage ("LEA"), an advanced drilling project management consultancy based in Aberdeen and subsequently in Perth, Australia. Mr Lusted led a number of multi-discipline project teams that implemented world first technology applications often in complex jurisdictions. Mr Lusted then spent 3 years as Technical Director for Cape Energy, a private oil and gas company with development assets in the Philippines and Australia, before joining Aurora and in 2008 was appointed Technical Director. Mr Lusted was responsible for all technical matters at Aurora and took on additional management roles including investor relations.

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

Other current directorships of Australian listed public entities

None

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

None

Special responsibilities

None

Mr Graham Dowland - Finance Director and Chief Financial Officer

Qualifications - B.Com,

Mr Dowland was appointed Director and CFO of Australis on 12 November 2015. Prior to this appointment Mr Dowland was a founding director of Aurora Oil & Gas Limited (Aurora) appointed in February 2005. Mr Dowland held the position of Finance Director of Aurora from 10 November 2010 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd in June 2014. He has over 30 years corporate finance and management experience in the oil and gas industry having previously held director or senior management or advisory positions in Australian, Canadian and UK-listed companies with operations in the UK, Russia, Azerbaijan, Indonesia, Australia and New Zealand.

Other current directorships of Australian listed public entities

None

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

None

Special responsibilities

None

Mr Alan Watson – Non-Executive Director

Qualifications – B.Sc (Hons.)

Mr Watson was appointed as an independent Non-Executive Director of Australis on 24 May 2016 and was formerly an independent, non-executive director of Aurora from 17 November 2010 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd on 11 June 2014. Sydney-based Mr Watson is a former investment banker with 35 years of experience within various global equity markets. Over this period he established, directed and was responsible for the conduct of securities businesses both in Europe and Asia advising many companies on capital structuring, initial public offerings, takeovers and mergers and investment relations strategies. Mr Watson held positions at Barclays de Zoete Wedd Limited, Donaldson, Lufkin & Jenrette Securities Corporation, Lehman Brothers Holdings Inc and as Head of Securities Europe for Macquarie Capital (Europe) Ltd. Currently

Mr Watson is independent Chairman of ASX listed funds management company Pinnacle Investment Management Group Limited.

Other current directorships of Australian listed public entities

Pinnacle Investment Management Group Limited

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

None

Special responsibilities

Chairman of the Remuneration and Nomination Committee

Member of the Audit and Risk Management Committee

Mr Stephen Scudamore AM – Non-Executive Director

Qualifications – BA (Hons) MA (OXON), FCA

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

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

He is currently a non-executive Director of Pilbara Minerals Limited and Regis Resources Limited and was previously Non-Executive Director of Aquila Resources and Altona Mining Limited. 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 Bachelor and Master of Arts from Oxford University, a Fellow of the Institute of Chartered Accountants, England, Wales and Australia (FCA), a Fellow of the Institute of Company Directors (FAICD) and a Senior Fellow of the Financial Services Institute of Australia (SF Fin) and Honorary Doctor of Curtin University (Hon D Univ)

Other current directorships of Australian listed public entities

Pilbara Minerals Limited

Regis Resources Limited

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

None

Special responsibilities

Chairman of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Committee

Ms Julie Foster – Vice President - Finance and Company Secretary

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

Ms Foster was appointed Vice President-Finance and Joint Company secretary of Australis on 12 November 2015. Previously Ms Foster was Group Controller and Company Secretary of Aurora from 2008 until its acquisition by Baytex Energy Australia Pty Ltd in June 2014.

Ms Foster holds a degree in Accounting and Finance (BA Hons) and is a member of the Institute of Chartered Accountants in England and Wales (ACA) and a member of the Governance Institute Australia (AGIA).

INDEMNITY OF DIRECTORS AND OFFICERS

The Company has paid a premium in respect of a contract insuring the directors and officers of the Company and Group against liabilities incurred as such a director, secretary or officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

MEETINGS OF DIRECTORS

The following table sets out the scheduled number of meetings of the Company's directors held during the year and the number of meetings attended by each director.

			Meetings of committees			
	Meetings of directors		Audit		Remuneration	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Jonathan Stewart	7	7	5	5	5	5
Ian Lusted	7	7	-	-	-	-
Graham Dowland	7	7	-	-	-	-
Alan Watson	7	7	5	5	5	5
Steve Scudamore	7	7	5	5	5	5

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 8 Board resolutions, 4 Audit Committee resolutions and 1 Remuneration Committee resolution were resolved by circulatory resolution during 2022.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No fully paid ordinary shares were issued as a result of exercise of options during the year ended 31 December 2022 (2021: Nil).

EXPIRY OF UNEXERCISED OPTIONS

At 31 December 2022 the following unexercised options expired

- 31,200,000 unlisted options exercisable at A$0.35,
- 500,000 unlisted options exercisable at A$0.285,
- 500,000 unlisted options exercisable at A$0.345, and
- 500,000 unlisted options exercisable at A$0.40

SHARES ISSUED ON THE EXERCISE OF FEE RIGHTS AND PERFORMANCE RIGHTS

During the year ended 31 December 2022 11,732,624 (2021: Nil) fully paid ordinary shares were issued as a result of exercise of fee rights issued to the non executive directors in 2020 in lieu of non executive director cash fees.

The following vested performance rights were exercised and settled during the year ended 31 December 2022 through the Australis Oil & Gas Employee Share Trust (Trust) with treasury shares previously acquired on market or via a subscription for new shares. No amounts are unpaid on these shares.

	Year Ended 31 December 2022		Year Ended 31 December 2021	
Grant Date	Number exercised	Exercise Price	Number exercised	Exercise Price
Performance Rights – 2017 LTI Award	-	-	157,948	-
Performance Rights – 2018 LTI Award	686,048	-	1,338,757	-
Performance Rights – 2019 LTI Award	907,157	-	594,730	-
Performance Rights – 2020 LTI Award	2,416,409	-	1,877,223	-
Fee Rights B (in lieu of 2020 cash remuneration)	22,956,173	-	19,921,259	-
Performance Rights – 2021 LTI Award	1,654,859	-	-	-
Total Shares	**28,620,646**		**23,889,917**	

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

Performance Rights – expired, exercised for tax or forfeited	Year Ended 31 December 2022	Year Ended 31 December 2021
Expired	-	-
Exercised to meet Employee tax obligations	1,665,955	7,997,341
Forfeited (failed to meet Performance conditions)	3,264,101	2,724,629
Forfeited (failed to meet Continued employment)	3,841,660	82,669
Total	**8,771,716**	**10,804,639**

Details of all options, performance rights and fee rights on issue and their terms and conditions as at 31 December 2022 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.

SHARES ISSUED ON SATISFACTION OF SHORT TERM INCENTIVES

During the year in order to conserve cash, payment of the achieved 2021 STI was part settled in ordinary shares, including Executive Directors, in lieu of cash. 5,221,540 (2020 : 4,218,068) ordinary shares were issued under the Australis Oil & Gas Equity Incentive Plan based on the Company's volume weighted average shares price for the five trading prior to settlement being A$0.0774 per share.

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 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 2022, no dividends have been paid or declared and the directors do not recommend the payment of a dividend in respect of the financial period (2021: Nil).

EVENTS AFTER THE REPORTING DATE

Other than disclosed, no event has occurred since 31 December 2022 that would materially affect the operations of the Group, the results of the Group or the state of the affairs of the Group not otherwise disclosed in the Group's financial statements.

LIKELY DEVELOPMENTS

Refer to the Securing a Partner for Development Activity in the TMS section on page 14 of the Business Strategy, TMS Asset and 2022 Operations.

ENVIRONMENTAL DEVELOPMENTS

The Group is subject to environmental regulations under State and Federal laws in the jurisdictions where it holds mineral rights within the United States and has processes in place to ensure compliance with these regulations. Environmental performance is reported to the Board on a monthly basis. For further detail on the Group's environmental performance, refer to Environment section on page 34 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.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is included on page 137.

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
24 February 2023

REMUNERATION REPORT

The Directors of Australis Oil & Gas Limited present their Remuneration Report on the consolidated entity consisting of Australis Oil & Gas Limited ("Company" or "Australis") and the entities it controlled ("Consolidated Entity" or "Group") for the year ended 31 December 2022.

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

CONTENTS OF THE REMUNERATION REPORT:

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

Dear Fellow Shareholders

The US oil and gas industry had another volatile year. Whilst the impact of the COVID-19 global pandemic reduced, the war in the Ukraine and inflationary pressure in most developed countries impacted oil supply and demand, supply chains and operating costs. Against that backdrop WTI oil prices continued to increase, with WTI exceeding US$110/bbl by mid year. Throughout 2022 Australis applied price hedging to 50% of its production (WI), and after that, the average realised price for Australis was 40% up from 2021 at US$97/bbl. Most importantly, the group's historic outstanding record in safety and environment continued to be maintained, whilst also introducing an additional environmental goal relating to reductions in group wide emissions.

This high oil price environment delivered substantial profit and cashflow growth to the US oil industry despite the inflationary pressures on operating and capital costs. Unlike previous periods of high oil prices, this surplus cashflow was not directed to increasing production. Instead, efficiency, debt reduction, and return to shareholders continued to be the objectives of most US oil companies.

In this environment, much good work has been undertaken with the objective of attracting capital and partners to develop and unlock the TMS asset value, and this remains a key objective in 2023. The Company continued its financial discipline including its remuneration structure in 2022. However, with the increased oil price delivering surplus cashflow, a modest capex program was implemented. In addition, with significant inflation occurring in the US and Australia, together with shortages in the US of qualified and experienced oil personnel, small increases were considered appropriate to fixed remuneration for Australis staff, excluding Executive Directors. For Executive KMP, excluding Executive Directors, the mid-year cost of living adjustment to base remuneration was equivalent to 2.5%pa. For non KMP this adjustment ranged between 4%-5% pa.

There was no increase to Executive Directors remuneration for 2022. The CFO voluntarily reduced his base salary by 50% from May 2022 until a partnering transaction has been achieved.

The Australis executive, management and personnel are a valuable asset for the Company particularly with the proposed next phase of development activities. Accordingly, retention components for the key personnel in addition to the existing remuneration structure of fixed and short term incentives continue to be awarded to all staff. These structures are detailed within this report.

Your Non-Executive Directors continued in 2022 to receive their fees in an equal split of cash and equity as part of cash conservation efforts, and have elected to continue this in 2023. Total fees were unchanged over the previous year, and are not proposed to be increased in 2023.

Short Term Incentive Remuneration (STI)

The targets and goals established for 2022 were, as in previous years, subjected to a scaling factor based on achieving the higher priority of safety and environment goals, and as mentioned in the opening paragraph, it is pleasing that the groups outstanding record in safety and environment continues to be achieved.

Objectives for 2022 focused heavily on partnering and financing for TMS development activity and the various elements associated with operational cashflow. The weighting of these incentives varied between management and staff, with Executive KMP weighted significantly towards the partnering goal. Whilst many of the operational cashflow targets were achieved, the partnering objective was not met, resulting in Executive KMP achieving between 20% and 29% of their available incentives. The partnering objective remains a key objective for 2023.

Long Term Incentive Plan (LTI)

The 2022 LTI plan was consistent with previous years. This component of 'at – risk' remuneration seeks to align the interests of Executive KMP and staff with shareholders. Performance Rights have been awarded based on the 2022 commencing base salary for all employees and will vest each year for the next three years, with over 50% vesting in the 3rd year. Vesting hurdles require continued employment, and for senior staff, Management and Executive KMP, increased share price performance measured from the commencement of the year, including both a component for absolute performance and a relative performance compared to a group of ASX listed peers share price performance over the same period. For Executive Directors a total of 11.2m Performance Rights were granted in the 2022 LTI Award, of which 25% are subject to retention only, 18.75% subject to retention and relative share price performance, and 56.25% subject to retention and absolute share price performance with thresholds for partial vesting commencing at 5.8c per share and maximum vesting occurring at 9.7c per share over the three year period.

Due to the prevailing share price at year end, none of the Executive KMP's 10.2 million Performance Rights subject to share price testing from the 2020, 2021 and 2022 LTI Awards vested following the close of the 2022 year. Accordingly, 3.6 million Performance Rights vested for the 2022 year to Executive KMP related to their satisfying the condition of continued employment.

For 2023 the Australis remuneration structure remains similar in characteristics to 2022 with safety and environment prioritised, followed by achievement of the corporate and operational goals. Adopting appropriate changes to remuneration as necessary to retain and incentivise the management team and staff will continue.

We are fortunate to have such talented people working in Australis, and on behalf of all shareholders, the Board wishes to thank and acknowledge all Australis personnel for their continued application and diligence towards the goal of realising value from our TMS assets.

Alan Watson
Chairman, Remuneration and Nomination Committee

Perth, Western Australia
24 February 2023

2. KEY MANAGEMENT PERSONNEL

The KMP disclosed in this report are as follows:

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

3. REMUNERATION OVERVIEW

3.1 PHILOSOPHY

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

3.2 OBJECTIVES

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

- a total remuneration package that is fair and provides incentive for superior performance;
- fixed remuneration that aligns an individual's role and responsibility, their level of knowledge, skills and experience with market practice, both industry and country based, and 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 all 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.

3.3 REMUNERATION AND NOMINATION COMMITTEE

The Board has previously 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 2022 the RNC was unchanged from previous years and 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 45 – 47.

The RNC makes recommendations to the Board on:

- remuneration strategies and policies;
- CEO and Executive Director remuneration, performance and achievement of Key Performance Indicators (KPIs)

and considers matters related to:

- KMP remuneration;
- Diversity;
- Claw Back Policy

The Board retains overall responsibility for the matters listed above within the Australis Group.

3.4 EXTERNAL REMUNERATION ADVISORS

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

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

3.5 2022 OVERVIEW

During 2022 in order to reduce the cash burden on the Company, the Non-Executive Directors once again elected to receive a portion (50%) of their annual fees in equity rather than cash (Fee Rights A). The Fee Rights A were approved by Shareholders at the May 2022 Annual General Meeting.

To further reduce costs during the year Mr Dowland reduced his salary by 50% from 1 May 2022 and continues until a partnering transaction has been achieved.

The 2022 ‘at risk’ remuneration targets aligned with the Company strategy of protecting and increasing the value of the Company’s assets. The goals included a focus on business development strategy, financial performance and meeting productivity and operating cost targets whilst maintaining the Company culture and commitment to achieving high rates of safety measured with reference to injury time, safety and environmental emissions standards customary for onshore oil & gas operations.

Operational safety and environmental standards continued to be maintained at high levels and further progress with the Company’s strategy was made, with ongoing productivity and positive operational cash flow demonstrating the value of the Company’s TMS asset.

At the Company’s last general meeting held on 25 May 2022, the remuneration report for the financial year ended 31 December 2021 was carried by a majority vote of more than 75%.

4. REMUNERATION STRUCTURE - EXECUTIVE KMP

4.1 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 as set out below (prior to the effect of the Environmental, Health and Safety ("EHS") Targets on STI achievement):

Executive Directors	• 100% of available STI is linked to measurable corporate targets and goals.
Other KMP	• 90% of available STI is linked to measurable corporate targets and goals. • 10% of available STI is linked to individual performance which contains subjective measures with all determined and approved by the RNC.

  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 and non-reportable spills and for 2022 the EHS STI target incorporates an emissions component. The overall result of the EHS assessment generates a multiple with a maximum of an increase of up to 40% of achieved STI for achieving all EHS targets or reduction of up to 70% (previously 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. Long term incentives were granted to Executive KMP under LTI Plans from 2017 as set out herein (Executive Directors did not receive a grant for 2017). For 2022 the long term incentives between 50% and 75% of the grant offered to Executive KMP were subject to continued employment and performance hurdles that include minimum absolute shareholder return ("TSR") and hurdles benchmarked to a peer group that could be considered as an alternative investment to Australis on the ASX and the remainder were subject to continued employment only.

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 25 May 2022 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.

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 for STI's or becomes aware of an event that has occurred, including but not limited to fraud or dishonesty, which would deem that some or all of the performance based remuneration should not have been paid to Executive KMP and other senior executives.

4.2 REMUNERATION COMPONENTS

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

Table 1: Executive KMP remuneration components

4.2.1 Fixed remuneration

Base Remuneration

- Base remuneration for Executive KMP is reviewed at least annually by the RNC as part of the Company's annual performance review processes. Consideration is given to comparable roles in organisations of a similar size, industry and complexity in the county in which the executive operates. Where relevant, remuneration information derived from relevant remuneration surveys conducted by independent third parties are used to supplement this data.
- *Executive Directors* – No change in base salary during the reporting period. As determined during 2021, 46% and 27% of the base salary for the CEO and CFO respectively was conditional and not payable and subject to achievement of certain Company goals during 2022. The goals were not achieved and therefore the conditional base salary was not paid. During 2022 to reduce costs Mr Dowland voluntarily reduced his salary by 50% from 1 May 2022 whilst maintaining his CFO and Finance Director responsibilities.
- *CCO* – Base salary increased by 2.5% on 1 July 2022 to offset cost of living increases. 23% of base salary was conditional and not payable and subject to achievement of certain Company Goals during 2022. The goals were not achieved and therefore the conditional base salary was not paid.
- *VP Operations* – Base salary increased by 2.5% on 1 July 2022 to offset cost of living increases.
- Base remuneration is set out below.

	Base Salary			
Executive KMP	Unconditional	Conditional[1]	Total	Paid[2][3]
CEO	A$314,000	A$111,000	A$425,000	A$317,900
CFO	A$296,660	A$53,340	A$350,000	A$197,467
CCO	C$329,062	C$56,006	C$389,131	C$329,062
VP Operations	US$303,750	US$0	US$307,500	US$303,750

1. The component of base salary that is conditional on achieving the Goal of securing a development partner or financing development activity is subject to various dilution and valuation criteria. Payment of the conditional base salary was deferred subject to achievement of the above goals during 2022. As these were not achieved, the conditional component of each Executive KMP's base salary was forfeited and the base salary remained at the unconditional component.
2. Superannuation Guarantee contributions in excess of the maximum cap were paid to Mr Lusted as base salary.
3. Mr Dowland reduced his base salary by 50% from 1 May 2022 and continues until a partnering transaction is achieved.

4.2.1 Fixed remuneration (continued)

Post-employment benefits	• Superannuation Guarantee contributions are made for Australian - based Executive KMP at an average of 10.25% of the base salary for the year. • USA based Executive KMP receive a contribution towards “401k” retirement plans which matches their own contributions to such plans. In 2022, contributions were matched for USA Executive KMP up to a maximum of 4% of base salary. • Canadian based Executive KMP receive a contribution towards a Registered Retirement Savings Plan (‘RRSP’) as part of an annual medical/post retirement benefit allowance. The maximum allowance is C$15,000 and the allocation of the funds to medical insurance and RRSP is at the discretion of the CCO. In 2022 the contribution to RRSP was C$6,768 (2021: C$8,000). • Termination benefits are payable to Executive KMP as part of their contractual agreements as set out in section 12. These termination benefits were approved by shareholders on 27 June 2016 for Executive KMP other than the VP Operations.
Other benefits	• For the year ended 31 December 2022, the following benefits or allowances (including fringe benefits tax where applicable) were made available to Executive KMP: • Car parking – CEO, CFO and VP Operations. • Health, dental and life insurance benefits – CCO and VP Operations (a standard benefit for North American based employees).

4.2.2 Short term incentives

What is a short term incentive (STI)	• 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, and for Other KMP only, of individual performance for 2022. • The maximum amount of STI awarded to Executive KMP is expressed as a percentage of their 2022 earned base remuneration and is based on employment level and may be settled in cash and / or equity. • The STI percentage for individual Executive KMP is pre-approved by the Board or RNC. • The Board retains the right to grant STI’s in recognition of, however is not restricted to, additional workload and ad hoc assignments.
Objectives	• To provide reward for each Executive KMP’s performance in achieving pre-agreed individual and/or corporate objectives which have been determined to be priorities for the relevant period.

4.2.2 Short term incentives (continued)

Performance conditions

- The level of STI achieved is determined by reference to Company performance and for Other KMP, individual performance. For Executive Directors up to 100% of their available STI is linked to corporate performance. For Other KMP 90% of their available STI is linked to corporate performance. In addition, for Executive KMP, excluding Executive Directors, 10% 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 performance maximum availability is prior to EHS target multiplier (see below).
- For 2022 Company performance was assessed based on weighted components that included:

Corporate KPI's		As a % of target STI	Range (subject to minimum threshold achievement)		EHS Multiplier(1)
		Target(2)	Base(2)	Stretch(2)	
1. Goals aligned to TMS partnering, financing and development activities	Executive Directors	70%	n/a	70%	
	Other KMP	60%	n/a	60%	
2. Adjusted EBITDA(3)	Executive Directors	30%	9%	30%	
	Other KMP	30%	9%	30%	
Total not greater than	**Executive Directors**	**100%**	**79%**	**100%**	**0.3 to 1.4 x**
	Other KMP	**90%**	**69%**	**90%**	**0.3 to 1.4 x**

(1) The Board and management of Australis are committed to supporting a culture of prioritising safety. The EHS KPI relates to specific statistical targets for reportable incidents. These targets are monitored on a regular basis. Due to the importance attributed to the safety culture the EHS KPI overlies the existing corporate and individual KPI's. A multiplier of between 0.3 to 1.4 times, dependent on the level of achievement of EHS targets, will be applied to the achieved STI %.

(2) 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 2022 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.

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

- 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 2022 Annual Financial Statements.

4.2.2 Short term incentives (continued)

2022 Achievement	• The corporate goals for 2022 continued to be impacted by macro economic uncertainty, and accordingly the primary goal of achieving financing/partnering for development activities, whilst progressed, was not finalised by the end of 2022. The Company was able to achieve many of the goals and targets including the continued prioritisation of a safety culture whilst maintaining cash balances through effective cost control and achievement of budgeted income streams. • The RNC recognise the continued effort and achievement of its employees in 2022 and have determined that the achieved STI will be settled in full after the release of the 2022 Annual Financial Statements. • Corporate Goals – The Goals for 2022 included partnering/financing for TMS activity and general operational readiness for development. Whilst the management team have continued to develop a number of partnering and financing potential interests for the TMS development during 2022 this goal was not achieved by year end. • Corporate Targets – 1. Corporate targets for 2022 excluding Executive KMP included the following: i) Oil productivity – Production from all wells met the minimum performance requirement based on the independent production estimate at the commencement of the year. ii) Production expenses – met the base performance requirement. The operations team continue to maintain efficiencies within the field however despite the adverse weather impacts throughout the year production expenses were lower than budget and consistent with the previous year. 2. For Executive KMP the corporate target was based on Adjusted EBITDA as defined on page 29 which met the base performance requirement.

4.2.2 Short term incentives (continued)

- The STI Targets and achieved awards for the year ended 31 December 2022 were as follows:

Executive KMP	Maximum Available STI*		STI not Achieved and Forfeited		STI Achieved and payable	
Directors	US$(1)	% of Base Salary	US$(2)	% of Maximum Available STI	US$(2)	% of Maximum Available STI
I Lusted	223,372	105%	178,498	80%	44,874	20%
G Dowland	121,932	91%	97,437	80%	24,495	20%
Other						
D Wasylucha	77,925	63%	56,008	72%	21,916	28%
D Greene	170,100	56%	121,500	71%	48,600	29%

*Includes stretch targets and maximum EHS multiplier.

(1) Maximum Available STI calculated on average base salary paid for 2022 by Australis (after reimbursement where applicable).

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

(3) The STI achieved includes an EHS multiplier. 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 and non-reportable spills. For 2022 an emissions target and goals was also added to the EHS STI target, 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 70% of achieved STI depending on the extent and number of EHS targets missed. For 2022 an EHS multiplier stretch target of 125% was achieved.

- The STI achieved will be settled in cash in 2023.

Other

During the reporting period Mr Wasylucha was seconded to a third party to provide corporate services for 50% of his time. Accordingly, the STI component achieved for Australis STI purposes, is based on 50% of Mr Wasylucha's full time equivalent base salary. In addition, Australis was paid an additional incentive of A$26,000 from the third party consulting services contract which was passed on to Mr Wasylucha.

4.2.3 Long term incentives

What is a long term incentive (LTI)

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 25 May 2022. LTI awards under the EI Plan can include options, performance rights and shares.

Objectives

- To reward, retain and motivate eligible employees.
- To assist in the engagement of high calibre employees.
- To link the reward of eligible employees to performance and creation of shareholder value.
- To align the interests of eligible employees with those of shareholders.
- To provide eligible employees with the opportunity to share in any future growth in value of the Company.
- To provide greater incentive for eligible employees to focus on the Company's longer term goals.

Performance Conditions

For the 2022 LTI award (and 2021 LTI Award) under the EI Plan the proportion of the award subject to continued employment or performance targets is set out below:

Executive KMP	Award as % of Base Remuneration	Service Condition Only(1)	Absolute TSR Performance and Service Condition(1)(2)	Relative TSR Performance and Service Condition(1)(3)
CEO	70%	25%	56.25%	18.75%
CFO	70%	25%	56.25%	18.75%
COO	45%	40%	45%	15%
VP Operations	40%	50%	37.5%	12.5%

(1) Vest in three annual tranches on a 1/7, 2/7 and 4/7 basis over a three-year period (31 January 2023, 2024 and 2025).
(2) Specific details regarding the Absolute TSR Performance Targets are set out in section 6.2
(3) Relative TSR performance is compared to peer group as set out in Section 9.2.
(4) For the 2022 LTI award and all previous awards, 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.
(5) 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.
(6) The RNC provides a recommendation to the Board, for their approval, for the awards to be vested for the CEO and CFO.

4.2.3 Long term incentives (continued)

Awards

- The following performance rights were granted pursuant to the annual LTI awards to Executive KMP in 2022 (and 2021):

Executive KMP	2022 Performance Rights Grant	2021 Performance Rights Grant
Ian Lusted(1)(2)	6,134,021	3,536,070
Graham Dowland(1)(2)	5,051,546	2,958,864
Darren Wasylucha(1)	3,544,247	1,842,371
David Greene	3,408,969	1,786,816

(1) The 2022 Performance Rights grant for Messrs Lusted, Dowland and Wasylucha was based on their base salary including conditional component as at 1 January 2022.
(2) The 2021 Performance Rights granted to Messrs Lusted and Dowland include 750,000 and 665,000 discretionary performance rights respectively. The discretionary performance rights were subject to service conditions only and vested on 31 January 2022.

- The terms and conditions of the 2022 LTI Awards are set out in Section 6 of this Report.
- The fair value of the 2022 LTI Awards were calculated by RSM Australia Pty Ltd and will be expensed over the vesting periods commencing in the 2022 reporting period.

5. REMUNERATION STRUCTURE - NON-EXECUTIVE DIRECTORS

5.1 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 2022 and 2021, 50% of the NEDs base and additional fees were settled by way of the issue of Fee Rights in Australis (Fee Rights A) as approved by shareholders at the annual general meeting in May 2022. The remaining base fees for the NEDs was paid in cash. NED shareholdings are detailed in section 11.

No other options or performance rights were granted to NEDs during 2022 (2021: Nil).

5.2 REMUNERATION COMPONENTS

Table 2: Non-Executive Directors' remuneration components

Base remuneration	• Base fee – Chair of the Board of A$228,310 exclusive of superannuation (A$114,155 settled in equity awards and A$114,155 in cash). • Base fee of A$77,624 exclusive of superannuation for other NED's (A$38,812 settled in equity awards and A$38,812 in cash). • 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) 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). • Maximum aggregate fees payable to non-Executive Directors as approved by shareholders on 27 June 2016 are set at A$600,000.
Post-employment benefits	• Superannuation contributions which comply with the superannuation guarantee legislation were made in relation to the fees settled in cash as set out above.
Other benefits	• No other benefits were paid to NED's

6. TERMS AND CONDITIONS OF SHARE-BASED COMPENSATION

6.1 OPTIONS

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

The following options lapsed unexercised during 2022:

Table 3: Lapse of unexercised options in 2022

Director/KMP	Number	Date Granted	Date Vested	Expiry Date	Exercise Price
Jon Stewart	15,000,000	13 Nov 2015	13 Nov 2017	31 Dec 2022	A$0.35
Ian Lusted	6,000,000	13 Nov 2015	13 Nov 2017	31 Dec 2022	A$0.35
Graham Dowland	5,000,000	13 Nov 2015	13 Nov 2017	31 Dec 2022	A$0.35
Darren Wasylucha	500,000	18 Dec 2017	18 Dec 2017	31 Dec 2022	A$0.285
Darren Wasylucha	500,000	18 Dec 2017	18 Dec 2018	31 Dec 2022	A$0.345
Darren Wasylucha	500,000	18 Dec 2017	18 Dec 2019	31 Dec 2022	A$0.40

6.2 PERFORMANCE & FEE RIGHTS

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

Table 4: Terms and conditions of performance and fee rights granted to KMP

Type of grant	Grant date	Tranche	Vesting Date	Expiry date	Exercise Price	Value per right at grant date(1)	Vesting condition	Vested
Performance Rights 2022 LTI Award	25 May 2022	1(2)	31 Jan 2023	31 Jan 2025	Nil	A$0.0580	Service condition(3)	N/A
						A$0.0453	Performance hurdle 1(4)(8)	
						A$0.0464	Performance hurdle 2(7)(8)	
		2(2)	31 Jan 2024	31 Jan 2026	Nil	A$0.0580	Service condition(3)	N/A
						A$0.0436	Performance hurdle 1(4)(8)	
						A$0.0439	Performance hurdle 2(7)(8)	
		3(2)	31 Jan 2025	31 Jan 2027	Nil	A$0.0580	Service condition(3)	N/A
						A$0.0399	Performance hurdle 1(4)(8)	
						A$0.0328	Performance hurdle 2(7)(8)	
Fee Rights A	25 May 2022	1	31 Jan 2023	31 Jan 2025	Nil	A$0.0580	Service condition(3)	N/A

(1) The value at grant date of performance rights granted are calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.3 of the Financial Report for details of the assumptions used in calculating the value of each performance right as at their effective grant date.
For Executive KMP a percentage (see note 4 below) of each tranche of Performance Rights granted under the 2022 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 4.2.3 of this Report for details.

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

(3) The following vesting conditions will be assessed for the KMP on the Vesting Date:
- Service based vesting condition: subject to the participant being employed by the Company throughout the relevant test period being the period from the grant date up to and including the Vesting Date for each tranche of an LTI Award or a Fee Right Award.

(4) The following vesting conditions will be assessed for the Executive KMP on the Vesting Dates for the 2022 LTI Awards:
- Performance hurdle 1: up to 56.25% for Executive Directors and 45% for CCO and 37.5% for VP Operations of the relevant tranche of award that may vest on a particular Vesting Date will vest in accordance with the 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 2021 to the VWAP of the Company for the month of December prior to the particular Vesting Date.

Vesting Schedule – Absolute TSR – 2022 Grant

ATS TSR increase compared to December 2021 VWAP of A$0.0485	120% to < 135%	135% to < 150%	150% to < 165%	165% to < 180%	165% to < 180%	180% to < 200%	200%+
Vesting date for:	% of Absolute TSR tested tranche that vests						
Tranche 1*	40%	60%	80%	100%	100%	100%	100%
Tranche 2**	20%	40%	60%	80%	80%	100%	100%
Tranche 3***	10%	20%	40%	60%	60%	80%	100%

* being 31 Jan 2023 (December 2022 VWAP)
** being 31 Jan 2024 (December 2023 VWAP)
*** being 31 Jan 2025 (December 2024 VWAP)

(5) The following vesting condition will be assessed on the Vesting Date for Executive KMP for the 2022 LTI Awards:
- Performance hurdle 2
  - up to 18.75% for Executive Directors, 15% for the CCO and 12.5% for the VP Operations of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the 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 2021 VWAP respectively) with the TSR performance of a selected peer group of ASX listed companies, as set out in Section 9.2, for the same period. Each peer company's TSR is calculated by comparing its VWAP for the month of December prior to the current Vesting Date with its December 2021 VWAP respectively. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.

ATS Ranking within Peer Group	LTI Vesting for the Relative TSR portion of the 2022 LTI
1st	100.0%
2nd	83.0%
3rd	67.0%
4th	50.0%
5th	33.0%
6th	17.0%
7th-12th	0.0%

(6) If either of the relevant TSR performance hurdles for Tranche 1 or Tranche 2 of an award are not satisfied on the relevant Vesting Date for either of the tranches, the portion of awards eligible to vest but which do not vest on the relevant Vesting Date will be re-tested on the Tranche 3 Vesting Date in relation to the Tranche 3 Performance Targets subject to continued employment at the Tranche 3 Vesting Date.

7. SHARE-BASED AWARDS GRANTED AND/OR VESTED OR FORFEITED DURING THE YEAR

The following options and performance rights were granted and / or vested or forfeited to KMP during 2022:

Table 5: KMP share-based awards granted, vested or forfeited during 2022

	Award	Grant date	Grant value[1] (A$)	Number granted	Number vested during year	Number forfeited during year
Non-Executive Directors						
Jonathan Stewart	$0.35 Options (Series A)	13 November 2015	-	-	-	15,000,000
	Fee Rights A – 2022[3]	25 May 2022	97,944	1,688,683	-	-
Alan Watson	Fee Rights A – 2022[4]	25 May 2022	39,177	675,473	-	-
Steve Scudamore	Fee Rights A – 2022[5]	25 May 2022	39,177	675,473	-	-
Executive Directors						
Ian Lusted	$0.35 Options (Series A)	13 November 2015	-	-	-	6,000,000
	2019 LTI Award	1 May 2019	-	-	158,730	833,334
	2020 LTI Award	25 June 2020	-	-	273,973	-
	2021 LTI Award	21 May 2021	-	-	849,503	-
	2022 LTI Award[2]	25 May 2022	267,755	6,134,021	-	-
	2021 STI Shares[7]	14 Mar 2022	68,059	879,315	879,315	
Graham Dowland	$0.35 Options (Series A)	13 November 2015	-	-	-	5,000,000
	2019 LTI Award	1 May 2019	-	-	103,402	542,858
	2020 LTI Award	25 June 2020	-	-	178,474	-
	2021 LTI Award	21 May 2021	-	-	746,924	-
	2022 LTI Award[2]	25 May 2022	220,504	5,051,546	-	-
	2021 STI Shares[7]	14 Mar 2022	52,624	679,897	679,897	-
Other KMP						
Darren Wasylucha	$0.285 Options (Series A)	18 December 2017	-	-	-	500,000
	$0.345 Options (Series A)	18 December 2017	-	-	-	500,000
	$0.40 Options (Series A)	18 December 2017	-	-	-	500,000
	2019 LTI Award	1 May 2019	-	-	109,648	287,827
	2020 LTI Award	25 June 2020	-	-	223,774	-
	2021 LTI Award	21 May 2021			105,278	-
	2022 LTI Award[2]	25 May 2022	164,881	3,544,247	-	-
	2021 STI Shares[7]	14 Mar 2022	46,710	603,494	603,494	-

	Award	Grant date	Grant value(1) (A$)	Number granted	Number vested during year	Number forfeited during year
David Greene	2019 LTI Award	1 May 2019	-	-	115,466	50,516
	2020 LTI Award	25 June 2020	-	-	262,675	-
	2021 LTI Award	21 May 2021	-	-	127,630	-
	2022 LTI Award(2)	25 May 2022	165,110	3,408,969	-	-
	2021 STI Shares(7)	14 Mar 2022	52,360	676,488	676,488	

(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 2022 LTI Award was calculated by dividing an amount equal to a percentage of base salary as at 1 January 2022 by the Australis VWAP for the month of December 2021. 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$114,155 by the volume weighted average price for the period 1 January to 31 March 2022, being A$0.0676.

(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 2022, being A$0.0676.

(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 2022, being A$0.0676.

(6) 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.

(7) Shares were issued to Messrs Lusted, Dowland, Wasylucha and Green in part satisfaction of their achieved 2021 STI based on the five day volume weighted average price at the date of grant of A$0.0774.

8. 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
Jonathan Stewart	7,927,458	372,591	2020 - Fee Rights A
Alan Watson	1,902,583	89,421	2020 - Fee Rights A
Steve Scudamore	1,902,583	89,421	2020 - Fee Rights A
Ian Lusted	9,861,125	473,334	Fee Rights B
	197,675	9,488	2018 LTI Tranche 3
	79,365	3,840	2019 LTI Tranche 2
	171,199	8,218	2020 LTI Tranche 1
Graham Dowland	7,019,458	343,953	Fee Rights B
	139,535	6,558	2018 LTI Tranche 3
	51,701	2,430	2019 LTI Tranche 2
	111,524	5,242	2020 LTI Tranche 1
	746,924	35,105	2021 LTI Tranche 1
Darren Wasylucha	50,953	2,548	2019 LTI Tranche 3
	103,988	5,199	2020 LTI Tranche 2
	48,923	2,446	2021 LTI Tranche 1
David Greene	81,230	4,062	2019 LTI Tranche 3
	184,792	9,240	2020 LTI Tranche2
	89,787	4,489	2021 LTI 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. Performance Rights were exercised by KMP at varying dates in 2022.

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

9. CONSOLIDATED ENTITY PERFORMANCE

9.1 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:

Table 6: Company Performance

	Year Ended				
	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Revenue from oil sales (US$'000)	28,378	22,909	26,148	52,570	33,704
EBITDA (US$'000)	6,122	2,735	7,027	13,772	2,272
Profit / (Loss) after impairment and taxation (US$'000)	1,967	(2,408)	(125,208)	7,009	85
Profit / (Loss) per share					
- Basic (US cents)	0.16	(0.21)	(0.12)	0.72	0.01
- Diluted (US cents)	0.14	(0.21)	(0.12)	0.63	0.01
Share price at end of year/period	A$0.036	A$0.048	A$0.06	A$0.08	A$0.28

(1) Please refer to the reserves section on page 16 for a summary of the reserves evaluation for the year ended 31 December 2022.

9.2 LTI AWARD PEER GROUP

The peer group for the LTI awards Relative TSR Performance is set out below. Refer to Section 6.2 for details of the peer group's criteria for selection.

Table 7: 2022 LTI award Peer Group

Peer Group Company
Buru Energy Limited
Calima Energy Limited
Cooper Energy Limited
Central Petroleum Limited
Carnarvon Petroleum Limited
Horizon Oil Limited
Brookside Energy Limited
88 Energy Limited
Comet Ridge Limited
Far Limited
Karoon Gas Australia Limited
Otto Energy

10. TOTAL REMUNERATION SUMMARY

10.1 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 8: KMP total remuneration per Corporations Act (all US$)

	Short term benefits			Post-employment benefit	Total Cash	Annual/ Long Service	Share-based			Total	
Name	Cash salary & fees	STI Cash[1][2]	Other benefits[3]	Super-annuation	Remuner-ation	leave provi-sion	Equity settled fees[4][6]	STI Shares[1][2]	Options/ Rights[5]	Remuner-ation	Perfor-mance related
Non-Executive Directors											
Jonathan Stewart											
31 Dec 2022	67,956	-	-	19,547	87,504	n/a	66,614	-	-	154,118	n/a
31 Dec 2021	78,608	-	-	15,754	94,362	n/a	87,465	n/a	n/a	181,827	n/a
Alan Watson											
31 Dec 2022	31.750	-	-	3,252	35,001	n/a	26,646	-	-	61,647	n/a
31 Dec 2021	34,394	-	-	3,351	37,745	n/a	31,531	n/a	n/a	69,275	n/a
Steve Scudamore											
31 Dec 2022	31,750	-	-	3,252	35,001	n/a	26,646	-	-	61,647	n/a
31 Dec 2021	34,394	-	-	3,351	37,745	n/a	31,531	n/a	n/a	69,275	n/a
Executive Directors											
Ian Lusted											
31 Dec 2022	221,035	44,874	1,669	19,656	287,234	(5,022)	-	531	107,317	390,060	30%
31 Dec 2021	206,167	-	902	22,029	229,097	49,856	-	49,397	128,347	456,697	22%
Graham Dowland											
31 Dec 2022	139,012	24,495	1,669	14,385	179,561	15,946	-	411	86,373	282,292	29%
31 Dec 2021	180,289	-	902	22,953	204,144	34,157	-	38,194	94,194	370,689	20%
Other KMP											
Darren Wasylucha											
31 Dec 2022	253,870	38,405	6,495	5,323	304,093	3,458	-	-	65,463	373,014	17%
31 Dec 2021	217,223	1,946	5,399	5,731	203,937	3,038	n/a	25,790	136,366	369,131	18%
David Greene[5]											
31 Dec 2022	303,750	48,600	18,099	12,150	382,600	(11,340)	-	-	65,463	436,723	17%
31 Dec 2021	253,125	16,287	15,820	9,422	294,654	15,169	n/a	38,003	49,411	397,237	17%
Total 2022	**1,049,123**	**156,374**	**27,932**	**77,565**	**1,310,994**	**3,043**	**119,905**	**942**	**324,612**	**1,759,496**	
Total 2021	1,004,200	30,817	23,187	83,185	1,141,391	102,939	150,526	159,496	328,067	1,882,418	

(1) STI represents the amount earned in relation to 2022 which will be settled in 2023 after release of the 2022 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2022. 2021 STI represents the amount earned in relation to 2021 which were paid in 2022 after release of the 2021 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2021.

(2) Achieved STI for 2022 will be settled in cash after the release of the 2022 Annual Financial Statements. Achieved STI for 2021 was settled in cash and / or ordinary shares during 2022. Messrs Lusted and Dowland received 100% of their achieved STI in shares and Other KMP received 70% of their achieved STI in shares.

(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 2022 and 2021 were settled in performance rights (Fee Rights A) – Mr Stewart A$114,155 each year, Mr Watson A$45,662 each year and Mr Scudamore A$45,662 each year. AASB 2 requires the equity instruments to be valued in accordance with footnote (6) below at the date of grant. The Fee Rights A vested on 31 January 2023 and 2022 respectively and the fair value at grant is expensed over the period of vesting.
The Fee Rights B were subject to continuous employment requirements and vested on 31 January 2021.

(5) 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 2022 other than as set out in Section 7.

10.2 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.

Table 9: Summary of options, performance rights and fee rights (as at 31 December 2022)

Name	Type of grant	Year granted	Vested %	Retest[1][2] %	Forfeited %	Maximum total valuation of grant yet to vest[4] A$
Non-Executive Directors						
Jonathan Stewart	Fee Rights A	2021	100%	-	-	-
	Fee Rights A	2022	-	-	-	97,944
Alan Watson	Fee Rights A	2021	100%	-	-	-
	Fee Rights A	2022	-	-	-	39,177
Steve Scudamore	Fee Rights A	2021	100%	-	-	-
	Fee Rights A	2022	-	-	-	39,177
Executive Directors						
Ian Lusted	A$0.35 (Series A) Options	2015	100%	-	100%	-
	2020 LTI Award Tranche 1	2020	31%	69%	-	7,384
	2020 LTI Award Tranche 2		25%	75%	-	16,664
	2020 LTI Award Tranche 3		-	-	-	46,589
	2021 LTI Award Tranche 1	2021	74%	26%	-	7,560
	2021 LTI Award Tranche 2		-	-	-	23,662
	2021 LTI Award Tranche 3		-	-	-	43,801
	2022 LTI Award Tranche 1	2022	-	-	-	43,020
	2022 LTI Award Tranche 2		-	-	-	83,017
	2022 LTI Award Tranche 3		-	-	-	141,718

Name	Type of grant	Year granted	Vested %	Retest[1][2] %	Forfeited %	Maximum total valuation of grant yet to vest[4] A$
Graham Dowland	A$0.35 (Series A) Options	2015	100%	-	100%	-
	2020 LTI Award Tranche 1	2020	31%	69%	-	4,810
	2020 LTI Award Tranche 2		25%	75%	-	10,856
	2020 LTI Award Tranche 3		-	-	-	30,349
	2021 LTI Award Tranche 1	2021	75%	25%	-	6,224
	2021 LTI Award Tranche 2		-	-	-	19,481
	2021 LTI Award Tranche 3		-	-	-	36,063
	2022 LTI Award Tranche 1	2022	-	-	-	35,428
	2022 LTI Award Tranche 2		-	-	-	68,367
	2022 LTI Award Tranche 3		-	-	-	116,709
Other KMP						
Darren Wasylucha	2020 LTI Award Tranche 1	2020	45%	55%	-	3,016
	2020 LTI Award Tranche 2		40%	60%	-	6,806
	2020 LTI Award Tranche 3		-	-	-	25,516
	2021 LTI Award Tranche 1	2021	40%	60%	-	3,999
	2021 LTI Award Tranche 2		-	-	-	17,045
	2021 LTI Award Tranche 3		-	-	-	32,226
	2022 LTI Award Tranche 1	2022	-	-	-	25,759
	2022 LTI Award Tranche 2		-	-	-	50,121
	2022 LTI Award Tranche 3		-	-	-	89,001

Name	Type of grant	Year granted	Vested %	Retest[1][2] %	Forfeited %	Maximum total valuation of grant yet to vest[4] A$
David Greene	2020 LTI Award Tranche 1	2020	54%	46%	-	2,360
	2020 LTI Award Tranche 2		50%	50%	-	5,326
	2020 LTI Award Tranche 3		-	-	-	25,046
	2021 LTI Award Tranche 1	2021	50%	50%	-	3,232
	2021 LTI Award Tranche 2		-	-	-	17,434
	2021 LTI Award Tranche 3		-	-	-	33,362
	2022 LTI Award Tranche 1	2022	-	-	-	25,354
	2022 LTI Award Tranche 2		-	-	-	49,588
	2022 LTI Award Tranche 3		-	-	-	90,167

(1) The performance rights that did not vest for Tranche 1 and Tranche 2 of the 2020 LTI award will be retested along with Tranche 3 of the 2020 LTI Award.
(2) The performance rights that did not vest during the year for Tranche 1 of the 2021 LTI award will be retested along with Tranche 3 of the 2021 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 by independent valuer, RSM Australia Pty Ltd as the fair value at grant date of the rights that are yet to be exercised.

11. KMP INTERESTS IN SHARES, PERFORMANCE RIGHTS AND OPTIONS

11.1 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.

Table 10: 2022 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
Non-Executive Directors								
Jonathan Stewart	Shares	76,335,002	-	-	7,927,458	84,262,460	n/a	n/a
	Options	15,000,000	-	-	(15,000,000)	-	-	-
	Fee Rights A	9,965,940	1,688,683	(7,927,458)	-	3,727,165	2,038,482	1,688,683
Alan Watson	Shares	4,795,715	-	-	1,902,583	6,698,298	n/a	n/a
	Fee Rights A	2,717,975	675,473	(1,902,583)	-	1,490,865	815,392	675,473
Steve Scudamore	Shares	496,002	-	-	1,902,583	2,398,585	n/a	n/a
	Fee Rights A	2,717,975	675,473	(1,902,583)	-	1,490,865	815,392	675,473
Executive Directors								
Graham Dowland	Shares	17,778,612	679,897	-	8,069,142	26,527,651	n/a	n/a
	Options	5,000,000	-	-	(5,000,000)	-	-	-
	Performance Rights	6,294,989	5,051,546	(1,049,684)	(542,857)	9,753,994	281,876	9,472,118
	Fee Rights B	7,019,458	-	(7,019,458)	-	-	-	-
Ian Lusted	Shares	18,303,161	879,315	-	10,309,364	29,491,840	n/a	n/a
	Options	6,000,000	-	-	(6,000,000)	-	-	-
	Performance Rights	8,640,790	6,134,021	(448,239)	(833,334)	13,493,238	1,282,205	12,211,033
	Fee Rights B	9,861,125	-	(9,861,125)	-	-	-	-
Other KMP								
Darren Wasylucha	Shares	2,254,084	280,446	-	203,864	2,738,394	n/a	n/a
	Options	1,500,000	-	-	(1,500,000)	-	-	-
	Performance Rights	4,322,014	3,544,247	(203,864)	(772,664)	6,889,733	-	6,889,733
David Greene	Shares	3,108,475	475,909	-	355,809	3,940,193	n/a	n/a
	Performance Rights	3,649,253	3,408,969	(335,809)	(200,477)	6,501,936	-	6,501,936

12. 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:

Table 11: Executive KMP Employment Contract Summary

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

LOANS TO KMP

No loans were made to KMP during 2022.

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.

13. 2023 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 2023 will provide for a blend of fixed and variable pay and short and long term incentives. The remuneration strategy for 2023 is based on retention of key personnel with the use of specific targets that align with corporate objectives whilst maintaining fiscal discipline and continuing to align with shareholders' interests.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Operating revenue	2.1	**28,378**	22,909
Cost of sales	2.2	**(19,097)**	(17,341)
Gross profit		**9,281**	5,568
Other income	2.1	**841**	769
Other expenses	2.2	**(7,042)**	(6,839)
Profit / (loss) from operating activities		**3,080**	(502)
Net finance (expenses)	2.7	**(1,113)**	(1,906)
Profit / (Loss) from continuing operations before income tax expense		**1,967**	(2,408)
Income tax expense	2.8	**-**	-
Net profit / (loss) attributable to owners of the Company		**1,967**	(2,408)
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss;			
Change in fair value of cash flow hedges	4.3	**1,104**	(2,483)
Other comprehensive income / (loss) for the year net of tax		**1,104**	(2,483)
Total comprehensive profit / (loss) income for the year attributable to the owners of the Company		**3,071**	(4,891)
Profit / (loss) per share attributable to owners of the Company			
Basic profit / (loss) per share (cents per share)	2.9	**0.16**	(0.21)
Diluted profit / (loss) per share (cents per share)	2.9	**0.14**	(0.21)

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 2022

	Notes	31 December 2022 US$'000	31 December 2021 US$'000
Current assets			
Cash and cash equivalents	4.1	**7,848**	9,253
Trade and other receivables	5.1	**3,138**	3,009
Inventories	5.2	**1,039**	812
Total current assets		**12,025**	13,074
Non-current assets			
Oil and gas properties	3.1	**57,016**	55,522
Exploration and evaluation	3.2	**13,238**	13,379
Plant and equipment	3.3	**7,730**	8,479
Other receivables	5.1	**374**	374
Total non-current assets		**78,358**	77,754
Total assets		**90,383**	90,828
Current liabilities			
Trade and other payables	5.3	**(7,637)**	(6,094)
Provisions	5.5	**(344)**	(474)
Derivative financial instruments hedge	5.4	**(1,273)**	(2,032)
Borrowings	5.7	**(4,000)**	(4,000)
Lease liability		**(158)**	(168)
Total current liabilities		**(13,412)**	(12,768)
Non-current liabilities			
Provisions	5.5	**(2,442)**	(2,403)
Borrowings	5.7	**(7,870)**	(12,697)
Derivative financial instruments hedge	5.4	**(409)**	(754)
Lease liability		**(211)**	(369)
Total non-current liabilities		**(10,932)**	(16,223)
Total liabilities		**(24,344)**	(28,991)
Net assets		**66,039**	61,837
Equity			
Contributed equity	4.2	**183,779**	184,672
Treasury shares	4.2	**(325)**	(1,215)
Share based payment reserve	4.3	**13,107**	11,973
Foreign exchange reserve	4.3	**(467)**	(467)
Cash flow hedge reserve	4.3	**(1,682)**	(2,786)
Accumulated losses	4.3	**(128,373)**	(130,340)
Total equity		**66,039**	61,837

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 2022

	Contributed Equity US$'000	Treasury Shares US$'000	Other Reserves US$'000	Accumulated Losses US$'000	Total US$'000
Balance as at 1 January 2021	**176,109**	**(137)**	**10,656**	**(127,932)**	**58,696**
(Loss) for the year	-	-	-	(2,408)	(2,408)
Other comprehensive income / (loss)					
Change in fair value of cash flow hedges	-	-	(2,483)	-	(2,483)
Total comprehensive Income / (loss)	-	-	(2,483)	(2,408)	(4,891)
Transactions with owners, in their capacity as owners					
Contributed equity net of transaction costs	9,834	-	-	-	9,834
Purchase of treasury shares	-	(1,936)	-	-	(1,936)
Release of treasury shares	(858)	858	-	-	-
Share-based payments	-	-	547	-	547
Transaction Costs	(413)	-	-	-	(413)
Balance as at 31 December 2021	**184,672**	**(1,215)**	**8,720**	**(130,340)**	**61,837**
Balance as at 1 January 2022	**184,672**	**(1,215)**	**8,720**	**(130,340)**	**61,837**
Profit for the year	-	-	-	1,967	1,967
Other comprehensive income / (loss)					
Change in fair value of cash flow hedges	-	-	1,104	-	1,104
Total comprehensive income / (loss)	-	-	1,104	1,967	3,071
Transactions with owners, in their capacity as owners					
Contributed equity net of transaction costs	339	-	-	-	339
Purchase of treasury shares	-	(339)	-	-	(339)
Release of treasury shares	(1,229)	1,229	-	-	-
Share-based payments	-	-	1,134	-	1,134
Transaction Costs	(3)	-	-	-	(3)
Balance as at 31 December 2022	**183,779**	**(325)**	**10,958**	**(128,373)**	**66,039**

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 2022

	Notes	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Cash flows from operating activities			
Receipts from customers		**28,059**	22,950
Payments to suppliers and employees		**(21,548)**	(19,847)
Other revenue		**144**	43
Net cash inflow from operating activities	2.11	**6,655**	3,146
Cash flows from investing activities			
Payments for acquisition of exploration interests		**-**	(571)
Payment for property, plant and equipment		**(374)**	(80)
Payment for capitalised oil and gas assets		**(2,264)**	(1,066)
Refund of security deposits and bonds		**-**	505
Interest Received		**22**	2
Net cash (outflow) from investing activities		**(2,616)**	(1,210)
Cash flows from financing activities			
Proceeds from shares and other equity securities		**-**	7,898
Share issue costs		**(4)**	(413)
Proceeds from borrowings		**-**	696
Repayment of borrowings		**(4,000)**	(4,000)
Debt facility costs		**(1,239)**	(1,201)
Net cash (outflow) / inflow from financing activities		**(5,243)**	2,980
Net (decrease) / increase in cash and cash equivalents		**(1,204)**	4,916
Cash and cash equivalents at the beginning of the year		**9,253**	4,687
Effect of exchange rates on cash holdings in foreign currencies		**(201)**	(350)
Cash and cash equivalents at the end of the financial year	4.1	**7,848**	9,253

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

CORPORATE INFORMATION

The consolidated financial report for the year ended 31 December 2022 comprises the financial statements of Australis Oil & Gas Limited, the parent entity and its controlled entities ("Group" or "Consolidated Entity"). Australis Oil & Gas Limited ("Company" or "Australis") was incorporated in Australia as a private company on the 12 November 2015 as Australis Oil & Gas Holdings Pty Limited. On 10 June 2016 the Company converted to a public company and changed its name to Australis Oil & Gas Limited.

In July 2016, the Company successfully completed an initial public offering and was admitted to the Official List of the Australian Securities Exchange (Ticker code: ATS). The Company's shares commenced trading on the ASX 25 July 2016.

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

1.1 FINANCIAL REPORT

The notes to the consolidated financial statements are set out in the following sections:

1. **Basis of Reporting** – summarises the basis of preparation of the financial statements.
2. **Results for the Year** – sets out the performance of the Group and highlights the significant accounting policies impacting on the results for the year.
3. **Invested Capital** – sets out expenditure during the year on oil & gas properties, exploration and evaluation, property, plant and equipment and the commitments of the Group.
4. **Capital and Debt Structure** – provides information about the Group financing structure.
5. **Other Assets & Liabilities** – sets out the working capital balances of the Group.
6. **Group Structure** – sets out the ownership and intra-group transactions with subsidiaries.
7. **Other Notes**

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 2022.

Title	Amendment	Impact
AASB 101 Presentation of Financial Statements – classification amendments	1. The requirement for an 'unconditional' right has been deleted from paragraph 69(d) because covenants in banking agreements would rarely result in unconditional rights. 2. The right to defer settlement must exist at the end of the reporting Year. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants), the right to defer only exists at reporting date if the entity complies with those conditions at reporting date. 3. Classification is based on the right to defer settlement, and not intention (paragraph 73), and 4. If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under IAS 32.	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.

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 2022 the Consolidated Entity recorded a profit of US$2.0 million (2021: Loss US$2.4 million). A net cash inflow from operating activities of US$6.7 million (2021: US$3.1 million). Balance date cash reserves are US$7.8 million (2021:US$9.3 million) (excluding bank balances held as guarantees of US$374k see Section 7.2.4).

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 and finance expenses were US$6.2 million;
- Net hedge book position at 31 December 2022 protecting a sales price of >US$58/bbl for approximately 50% of the Groups forecast 2023 net sales of oil;
- Extension of the Maturity Date for the debt facility from November 2023 to May 2025; and
- The indicative operating budget for 2023 using the forward strip provides cashflow to assist with the repayment of the $4 million expected amortisation payments in 2023. Along with providing sufficient positive operating cashflows for working capital.

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 2022 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.

1.4 FOREIGN CURRENCY

(i) Functional and presentational currency

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

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

(ii) Translation and balances

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

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

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

1.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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.

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

1. Simulate the share price of the Company, and the companies in the peer group, as at a performance test date. The share prices are simulated such that they are consistent with the assumed distribution of, and correlation between, share price outcomes.
2. Determine whether any awards vest at the current test date, based on the simulated share price.
3. For any vesting awards calculate the value using the simulated share price. This valuation uses either an analytic or binomial tree methodology.
4. Factors in a re-test facility whereby any Rights that do not vest on the Tranche 1and/or Tranche 2 vesting date pursuant to the RTSR performance targets, will be re-tested at the Tranche 3 vesting date.
5. Calculate the present value of the award as at the valuation date.

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.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities when recognised.

1.7 FAIR VALUE MEASUREMENT

The Group measures financial and non-financial assets at fair value at reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1.8 FINANCIAL AND CAPITAL RISK MANAGEMENT

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

The financial risks that arise during the normal course of Australis' operations comprise market risk, foreign currency risk, credit risk and liquidity risk (see Notes 4.1, 5.1, 5.3, 5.4) The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Australis is responsible for approving Australis' policies on risk oversight and management and ensuring management has developed and implemented an effective risk management and internal control system. Whilst maintaining ultimate responsibility for financial risk management, the Board has delegated responsibility for effective implementation of the Risk Management Policy and objectives to the Audit and Risk Management Committee.

Australis' Audit and Risk Management Committee oversees compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Australis. The CEO, with the assistance of senior executives as required, has responsibility for identifying, assessing, treating and monitoring risks on a day to day basis and reporting to the Audit and Risk Management Committee and the Board on risk management on a regular basis.

1.9 RECENTLY ISSUED STANDARDS NOT IN EFFECT

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods.

2.1 REVENUE AND OTHER INCOME

RECOGNITION AND MEASUREMENT

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Revenue from continuing operations		
Sales revenue		
Oil sales	**33,557**	28,273
Realised (loss) on forward commodity price contracts	**(5,179)**	(5,364)
Total revenue from continuing operations	**28,378**	22,909

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Other income		
Government subsidies	**-**	43
Gain on surrender of lease	**-**	30
Loan forgiveness*	**696**	696
Consulting fees	**145**	-
Total other income	**841**	769

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

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 2022 US$'000	Year ended 31 December 2021 US$'000
Cost of sales			
Production costs		**(8,345)**	(7,873)
Royalties		**(6,462)**	(5,395)
Production taxes		**(1,600)**	(1,223)
Depletion	3.1	**(1,621)**	(1,641)
Depreciation – production equipment	3.3	**(1,153)**	(1,300)
Gain / (Loss) on sale of equipment/inventory		**64**	33
Other – inventory movements		**20**	58
Total cost of sales		**(19,097)**	(17,341)

	Notes	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Other expenses			
Administrative expenses	2.3	**(5,602)**	(5,380)
Exploration costs expensed	2.5	**(78)**	(15)
Depreciation	3.3	**(269)**	(296)
Unrealised foreign exchange loss		**(201)**	(379)
Share based payments	7.3	**(892)**	(887)
Value adjustment (Portugal land)	3.2	**-**	118
Total other expenses		**(7,042)**	(6,839)

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

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 2022 US$'000	Year ended 31 December 2021 US$'000
Administrative expenses			
Personnel expenses	2.4	**(4,867)**	(4,463)
Consulting and professional expenses		**(438)**	(526)
Other general and administrative expenses		**(297)**	(391)
	2.2	**(5,602)**	(5,380)

2.4 EMPLOYEE BENEFITS EXPENSED

RECOGNITION AND MEASUREMENT

The Group's accounting policy for employee benefits other than post-retirement benefits is set out in Note 5.5. The policy for share based payments is set out in Note 7.3. For Australian based employees the Group makes superannuation contributions in accordance with the Superannuation Guarantee (Administration) Act 1992 to plans nominated by employees. US-based employees receive a contribution towards retirement plans (401k) which matches their own contribution to such plans. For 2021 and 2022 contributions for US based employees were matched up to a maximum of 4% of base salary for each employee.

Expensed employee benefits of the Group are as follows:

	Notes	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Employee benefits			
Salaries and fees		**(3,215)**	(3,037)
Short term incentives		**(873)**	(360)
Superannuation and 401k		**(198)**	(208)
Other payroll expenses[1]		**(581)**	(858)
	2.3	**(4,867)**	(4,463)
Share based payments	7.3	**(892)**	(887)
		(5,759)	(5,350)

(1) Includes medical benefits and employer on costs in the USA and the movement in annual leave provision for the year of (US$130,000) (2021: US$117,000) and long service leave provision of US$39,000 (2021: US$93,000).

2.5 EXPLORATION EXPENDITURE

RECOGNITION AND MEASUREMENT

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

Exploration expenditure of the Group includes the following:

	Notes	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Exploration expenditure			
Portuguese costs		**(63)**	-
TMS exploration expenditure		**(15)**	(15)
	2.2	**(78)**	(15)

2.6 SEGMENT REPORTING

RECOGNITION AND MEASUREMENT

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

Oil & Gas Production

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

Exploration

Oil and gas exploration and evaluation in the United States.

Other

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

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

	Oil & Gas Production		Exploration		Other		Total	
US$000	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
External revenues	**28,378**	22,909	**-**	-	**-**	-	**28,378**	22,909
Other income	**-**	-	**-**	-	**841**	769	**841**	769
Direct operating costs	**(16,323)**	(14,400)	**-**	-	**-**	-	**(16,323)**	(14,400)
Corporate	**-**	-	**-**	-	**(5,602)**	(5,380)	**(5,602)**	(5,380)
Unrealised foreign currency gains / (losses)	**-**	-	**-**	-	**(201)**	(379)	**(201)**	(379)
Share based payments	**-**	-	**-**	-	**(892)**	(887)	**(892)**	(887)
Value adjustment (Portugal land)	**-**	-	**-**	118	**-**	-	**-**	118
EBITDAX[(1)]	**12,055**	8,509	**-**	118	**(5,854)**	(5,877)	**6,201**	2,750
Depletion	**(1,621)**	(1,641)	**-**	-	**-**	-	**(1,621)**	(1,641)
Depreciation	**(1,153)**	(1,300)	**-**	-	**(269)**	(296)	**(1,422)**	(1,596)
Impairment	**-**	-	**-**	-	**-**	-	**-**	-
Exploration costs expensed	**(15)**	-	**(63)**	(15)	**-**	-	**(78)**	(15)
EBIT[(2)]	**9,268**	(5,568)	**(63)**	103	**(6,123)**	(6,173)	**3,080**	(502)
Net finance (costs) / income	**(1,135)**	(1,908)	**-**	-	**22**	2	**(1,113)**	(1,906)
Segment (loss) / profit	**8,131**	3,660	**(63)**	103	**(6,101)**	(6,171)	**1,967**	(2,408)

(1) EBITDAX represents net income or (loss) for the year before income tax expense or benefit, finance costs, depreciation depletion, amortisation, impairment provision and exploration costs.
(2) EBIT represents net income or (loss) for the year before income tax expense or benefit and finance costs.

US$000	Oil & Gas Production 31 Dec 2022	Oil & Gas Production 31 Dec 2021	Exploration 31 Dec 2022	Exploration 31 Dec 2021	Other 31 Dec 2022	Other 31 Dec 2021	Total 31 Dec 2022	Total 31 Dec 2021
Capital expenditure								
Exploration and evaluation assets	**-**	-	**-**	571	**-**	-	**-**	571
Oil and gas assets:								
production and development								
- production	**3,092**	1,067	**-**	-	**-**	-	**3,092**	1,067
- rehabilitation provision	**-**	-	**-**	-		-	**-**	-
Other plant and equipment	**669**	377	**-**	-	**26**	98	**695**	475
	3,761	946	**-**	689	**26**	(371)	**3,787**	2,113

US$000	Oil & Gas Production 31 Dec 2022	Oil & Gas Production 31 Dec 2021	Exploration 31 Dec 2022	Exploration 31 Dec 2021	Other 31 Dec 2022	Other 31 Dec 2021	Total 31 Dec 2022	Total 31 Dec 2021
Segment assets	**67,754**	66,695	**13,238**	13,379	**9,391**	10,754	**90,383**	90,828
Segment liabilities	**(22,203)**	(26,838)	**-**	-	**(2,141)**	(2,153)	**(24,344)**	(28,991)

GEOGRAPHICAL SEGMENTS

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

Production from the designated segments is sold on commodity markets.

US$'000	Revenue Year ended 31 Dec 2022	Revenue Year ended 31 Dec 2021	Non-current assets Year ended 31 Dec 2022	Non-current assets Year ended 31 Dec 2021
United States of America	**28,378**	22,909	**77,794**	77,165
Portugal	**-**	-	**-**	118
Australia	**-**	-	**564**	471
	28,378	22,909	**78,358**	77,754

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 2022 US$000	Year ended 31 December 2021 US$000
Interest income	**22**	2
Amortised debt finance transaction costs	**(16)**	(753)
Interest expense on debt finance	**(1,119)**	(1,155)
	(1,113)	(1,906)

2.8 INCOME TAX EXPENSE

RECOGNITION AND MEASUREMENT

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

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

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

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 2022 US$000	Year ended 31 December 2021 US$000
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
Income tax expense	**-**	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit / (Loss) from continuing operations before income tax expense	**1,967**	(2,408)
Prima facie tax expense at the Australian statutory tax rate of 30% (31 December 2021: 30%)	**590**	(723)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Share-based payment expense	**136**	266
Other non-allowable deductions	**279**	447
Income tax rate difference	**275**	10
	1,280	-
Movements in unrecognised temporary differences	**(1,067)**	(1,070)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**(213)**	1,070
Income tax expense / (benefit)	**-**	-
(c) Tax affect relating to each component of other comprehensive income		
Cash flow hedges	**-**	-
	-	-

	Year ended 31 December 2022 US$000	Year ended 31 December 2021 US$000
(d) Deferred tax asset		
Arising from temporary differences attributable to		
Other provisions and accruals	**782**	730
Tax losses in Australia	**2,305**	2,482
Tax losses in USA	**24,059**	23,809
Tax losses in Portugal	**-**	1,093
Tax losses in United Kingdom	**-**	54
Total deferred tax assets	**27,146**	28,168
(e) Deferred tax liability		
Oil and gas properties	**22,423**	22,323
Other accruals	**-**	-
Unrealised foreign exchange gain	**56**	110
Total deferred tax liabilities	**22,479**	22,433

Potential deferred tax assets have not been brought into account at 31 December 2022 (31 December 2021: Nil) as the directors do not believe that realisation of the deferred tax assets is probable at this point in time.

These benefits will only be obtained if:

i. The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

ii. The Company continues to comply with conditions for deductibility imposed by law; and

iii. No changes in tax legislation adversely affect the Company in realising the benefit.

TAX CONSOLIDATION

As of 1 January 2018, Australis and its 100% owned Australian resident subsidiaries are part of a tax consolidated group. As a result, from this date all members of the tax consolidated group will be taxed as a single entity. Australis is the head entity of the tax consolidated group.

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

2.9 EARNINGS PER SHARE

RECOGNITION AND MEASUREMENT

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	Year ended 31 December 2022 US cents	Year ended 31 December 2021 US cents
Profit / (loss) per share attributable to members of the Company		
Basic profit / (loss) per share	**0.16**	(0.21)
Diluted profit / (loss) per share	**0.14**	(0.21)
Profit / (loss) used in calculation of basic diluted profit / (loss) per share	US$'000	US$'000
Net profit / (loss) after tax	**1,967**	(2,408)
Weighted average number of ordinary shares used as the denominator in calculating:	Shares	Shares
Basic profit / (loss) per share(1)	**1,246,724,584**	1,168,577,354
Diluted profit / (loss) per share(2)	**1,370,309,849**	1,168,577,354

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

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

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

2.10 DIVIDENDS

No dividend has been paid or is proposed in respect of the year ended 31 December 2022 (2021: Nil).

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Net profit / (loss) for the year	**1,967**	(2,408)
(i) Add / (less) non-cash items		
Value adjustment (Portugal land)	-	(118)
Depreciation, depletion and amortisation	**3,050**	3,990
Share based payment expense	**892**	887
Net unrealised foreign exchange loss / (profit)	**201**	347
(ii) Add / (less) items classified as investment / financing activities:		
Net interest received	**(22)**	(2)
(iii) Change in assets and liabilities during the financial year		
(Increase) in receivables	**(129)**	(48)
(Increase) in inventories	**(720)**	(181)
Increase in payables	**1,507**	469
(Decrease) / Increase in employee provisions	**(91)**	210
Net inflow from operating activities	**6,655**	3,146

2.12 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

			Non-cash Movements	
	31 December 2021 US$'000	Cash Flows US$'000	Fair Value Changes US$'000	31 December 2022 US$'000
Long term borrowings	16,697	(4,697)	130	11,870
Total liabilities from financing activities	**16,697**	**(4,697)**	**130**	**11,870**

3.1 OIL AND GAS PROPERTIES

RECOGNITION AND MEASUREMENT

Assets in development

Upon the discovery of extractable hydrocarbons, the oil and gas assets enter the development phase. The costs of oil and gas assets in development are separately accounted for and include the transfer of past exploration and evaluation costs, development drilling and other subsurface expenditure. When the committed development expenditure programs are completed and production commences, these costs are transferred to producing assets and become subject to amortisation.

Producing assets

Producing projects are stated at cost less accumulated depletion and impairment charges. Producing projects include construction, installation or completion of production and infrastructure facilities such as pipeline, the transfer of past exploration and evaluation costs and past development costs, the ongoing costs of continuing to develop reserves for production and the provision for restoration.

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

Depletion and depreciation of producing projects

Australis uses the "units of production" ("UOP") approach when depleting and depreciating field-specific assets. Using this method of depleting 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/depleted 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.

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 2022 rehabilitation obligations have a carrying value of US$2,310,000 (31 December 2021: US$2,310,000).

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 depletion of producing assets.

Depletion and depreciation

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

Impairment

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
At cost	**152,926**	149,811
Accumulated depletion and impairment[1]	**(95,910)**	(94,289)
	57,016	55,522

(1) See Note 3.4 Impairment

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

	Producing Projects US$'000	Development Projects US$'000	Total US$'000
2021			
Balance at 1 January 2021	41,305	15,166	56,471
Additions	1,047	20	1,067
Disposals	(332)	(43)	(375)
Depletion / Depreciation charge	(1,641)	-	(1,641)
Balance at 31 December 2021	40,379	15,143	55,522

3.2 EXPLORATION AND EVALUATION ASSETS

RECOGNITION AND MEASUREMENT

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

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

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

Costs

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

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

If extractable hydrocarbons are discovered the exploration and evaluation costs are transferred to Oil and Gas Properties – Development Projects whilst further appraisal activity is undertaken to assess the commercial potential of a reservoir following the initial discovery of hydrocarbons. Costs associated with the drilling of development wells are also capitalised and depletion commences.

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities and the cash flows associated with exploration expenditure including geological and geophysical and dry hole costs are included in cash flows from operating activities.

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

Impairment

All exploration and evaluation costs that meet the requirements of *AASB 6 – Exploration and Evaluation of Mineral Resources* are capitalised and carried at cost unless the Company becomes aware of an indicator of impairment. Impairment is assessed in accordance with AASB 136.

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Opening balance	**13,379**	12,690
Capitalised expenditure(1)	**-**	571
Value adjustment (Portugal land)(2)	**(118)**	118
Transfer to oil & gas properties	**(23)**	-
Closing balance	**13,238**	13,379

(1) Capitalised expenditure represents the costs associated with permitting and the renewal and extension of existing leases in the TMS during the year.
(2) Represented the anticipated value of the land held in Portugal to be achieved upon the sale that had previously been written off. This was reversed in the reporting year following the sale of the land.

Exploration commitments

As at 31 December 2022 there were no exploration commitments (2021: nil).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Area of Interest

An area of interest (AOI) is defined by the Group as an individual geographical area whereby the presence of hydrocarbons is considered favourable or proved to exist. The Group has established criteria to recognise and maintain an AOI.

Impairment of exploration and evaluation assets

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective AOI. Each potential or recognised AOI is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of the capitalised costs. Where a potential impairment is indicated, assessment is performed using a fair value less cost to dispose method, to determine the recoverable amount for each AOI to which the exploration and evaluation expenditure is attributed.

This assessment requires management to make certain estimates and apply judgement in determining assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

3.3 PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

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

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

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

The estimated useful lives of fixtures and fittings used in the calculation of depreciation is 2 to 10 years.

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

	Office Equipment US$'000	Production Equipment US$'000	Motor Vehicles US$'000	Right of Use Asset US$'000	Total US$'000
2021					
Opening net book amount	210	8,706	100	778	9,794
Addition	-	180	197	98	475
Disposals	-	-	(51)	(143)	(194)
Depreciation charge	(42)	(1,300)	(29)	(225)	(1,596)
Closing net book amount	168	7,586	217	508	8,479
2021					
At cost	553	13,525	291	957	15,326
Accumulated depreciation	(385)	(5,939)	(74)	(449)	(6,847)
Closing net book amount	168	7,586	217	508	8,479

3.4 IMPAIRMENT

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

At 31 December 2022 there was no indication of impairment (2021: nil) and therefore the Group was not required to assess the recoverable amount of the above noted CGU and its associated assets.

4.1 CASH AND CASH EQUIVALENTS

RECOGNITION AND MEASUREMENT

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

CASH AND CASH EQUIVALENTS

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Held with Australian banks and financial institutions		
Cash at bank and in hand	**6,640**	6,307
Held with Portuguese banks and financial institutions		
Cash at bank and in hand	**-**	19
Held with US banks and financial institutions		
Cash at bank and in hand	**1,208**	2,927
	7,848	9,253
Cash and cash equivalents in the Cash Flow Statement comprises the following Statement of Financial Position amounts:		
Cash on hand and balances at bank	**7,848**	9,253
Cash and cash equivalents	**7,848**	9,253

CASH & CASH EQUIVALENTS HELD IN FOREIGN CURRENCY

	31 December 2022 Amount in Currency $'000	31 December 2022 Amount in USD US $'000	31 December 2021 Amount in Currency $'000	31 December 2021 Amount in USD US $'000
Cash & cash equivalents				
AUD Dollars	**2,016**	**1,366**	4,588	3,330
Euro	**4**	**5**	117	132
UK Pounds	**-**	**-**	1	1
		1,371		3,463

Foreign exchange risk

The Group held US$1.4 million of cash and cash equivalents at 31 December 2022 (31 December 2021: US$3.5 million) in currencies other than US dollars (predominantly AUD dollars).

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

Credit risk

The maximum exposure to credit risk with respect to cash and cash equivalents and the bank guarantee at the end of the reporting year is the carrying amount of each class of cash and cash equivalents set out above. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

Interest rate risk

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at and during the year ended 31 December 2022, the Group's interest-bearing assets consisted of cash and cash equivalents which earned interest at 1.67% floating rate (31 December 2021: 0.04%). As such the impact on the Group's income and operating cash flows from movements in market interest rates is not considered material.

Liquidity risk

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

Capital risk management

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

On the 4th June 2018 Australis entered into a credit agreement with Macquarie Bank Limited. The key terms of the Facility can be found in Note 5.7. Under the Facility, the Group is required to maintain a minimum cash requirement of US$1 million at all times and US$2 million at each month end in its approved controlled Group bank accounts. As at 31 December 2022, $12 million (31 December 2021 $16 million) was the balance of funds drawn from the facility, refer to Note 5.7 for further information.

4.2 CONTRIBUTED EQUITY

RECOGNITION AND MEASUREMENT

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

	31 December 2022 Securities	31 December 2021 Securities	31 December 2022 US$'000	31 December 2021 US$'000
Share capital				
Ordinary shares	**1,261,196,273**	1,238,463,649	**183,779**	184,672
Treasury shares	**(7,049,102)**	(29,891,288)	**(325)**	(1,215)
Total contributed equity	**1,254,147,171**	1,208,572,361	**183,454**	183,457

(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.

B) MOVEMENTS IN CONTRIBUTED EQUITY

	Date	Number of Securities	Issue Price A$	US$'000
Balance at 1 January 2021		985,963,678		176,109
Issue to Employee Share Trust	17-Feb-21	22,000,000	0.057	978
Placement Tranche 1	8-Mar-21	150,000,000	0.05	5,845
Placement Tranche 2	21-Mar-21	13,500,000	0.05	523
Share Purchase Plan	26-Mar-21	39,999,971	0.05	1,530
Issue to Employee Share Trust	3-Dec-21	27,000,000	0.05	958
Share Issue Costs		-		(413)
Treasury share release(1)		-	Various	(858)
Balance at 31 December 2021		**1,238,463,649**		**184,672**
Issue to Employee Share Trust	25-May-22	5,000,000	0.057	202
Issue to Non-Executive Directors (exercise of Fee Rights)	23-Aug-22	11,732,624	-	-
Issue to Employee Share Trust	27-Oct-22	6,000,000	0.036	137
Share Issue Costs		-		(3)
Treasury share release(1)		-	Various	(1,229)
Balance at 31 December 2022		**1,261,196,273**		**183,779**

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

(C) TREASURY SHARES

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

	Date	Number of securities	Purchase price per share A$	US$'000
Balance at 1 January 2021		**1,001,932**		**137**
Australis Oil & Gas Employee Share Trust subscription	17-Feb-21	22,000,000	0.057	978
Settlement of 2020 Short term incentive (in lieu of cash)	15-Mar-21	(4,218,068)	0.0495	(163)
Performance rights exercised	Various	(15,892,576)	Various	(695)
Australis Oil & Gas Employee Share Trust subscription	3-Dec-21	27,000,000	0.05	958
Balance at 31 December 2021		**29,891,288**		**1,215**
Settlement of 2021 Short term incentive (in lieu of cash[1])	14-Mar-22	(5,221,540)	0.0774	(294)
Performance rights exercised	Various	(28,620,646)	Various	(935)
Australis Oil & Gas Employee Share Trust subscription	25-May-22	5,000,000	0.057	202
Australis Oil & Gas Employee Share Trust subscription	27-Oct-22	6,000,000	0.036	137
Balance at 31 December 2022		**7,049,102**		**325**

(1) Payment of the achieved 2021 STI for all employees was part settled in ordinary shares in lieu of cash. 5,221,540 ordinary shares were issued based on the Company's volume weighted average shares price for the five trading prior to settlement being A$0.774 per share.

4.3 RESERVES AND ACCUMULATED LOSSES

	Year ended 31 December 2022 US $'000	Year ended 31 December 2021 US $'000
(a) Share-based payment reserve		
Balance at the beginning of the financial year	**11,973**	11,426
Share-based payment expense arising during the year	**1,134**	547
Balance at end of the year	**13,107**	11,973
(b) Foreign exchange reserve		
Balance at the beginning of the financial year	**(467)**	(467)
Currency translations differences arising during the year	**-**	-
Balance at end of the year	**(467)**	(467)
(c) Cash flow hedge reserve		
Balance at the beginning of the financial year	**(2,786)**	(303)
Change in derivatives financial instruments at fair value through comprehensive income	**1,104**	(2,483)
Balance at end of the year	**(1,682)**	(2,786)
(d) Accumulated losses		
Balance at the beginning of the financial year	**(130,340)**	(127,932)
Net profit / (loss) for the year	**1,967**	(2,408)
Balance at end of the year	**(128,373)**	(130,340)

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 2022 US$'000	Year ended 31 December 2021 US$'000
Current assets		
Trade receivables	**2,571**	2,506
Other receivables	**567**	503
	3,138	3,009
Non-current assets		
Other receivables	**374**	374
	374	374

TRADE AND OTHER RECEIVABLES HELD IN FOREIGN CURRENCY

	31 December 2022 Currency Amount in $'000	31 December 2022 Amount in USD US$'000	31 December 2021 Amount in Currency $'000	31 December 2021 Amount in USD US$'000
Trade and other receivables				
AUD Dollars	**335**	**225**	333	242
Euro	-	-	5	6
		225		248

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 2022 (2021: 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 2022, 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 2022 is considered immaterial.

Foreign exchange risk

The Group held other receivables in Australian dollars of US$225,000 at 31 December 2022 (31 December 2021: US$242,000). A reasonable possible change in the exchange rate of the US dollar to the Australian dollar (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current year.

5.2 INVENTORIES

RECOGNITION AND MEASUREMENT

Inventories include hydrocarbon stocks, consumable supplies and maintenance spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs.

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Oil inventory	**124**	105
Warehouse stores and inventory	**915**	707
	1,039	812

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 2022 US$'000	Year ended 31 December 2021 US$'000
Trade payables	**6,845**	5,425
Other payables	**792**	669
	7,637	6,094

	31 December 2022 Amount in Currency $'000	31 December 2022 Amount in USD US$'000	31 December 2021 Amount in Currency $'000	31 December 2021 Amount in USD US$'000
Trade and other payables				
Australian Dollars	**116**	**79**	134	97
Euro	-	-	4	5
UK Pounds	-	-	1	1
		79		103

FAIR VALUE

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

RISKS

Liquidity risk

Trade and other payables are non-interest bearing and normally settled within 30 to 60 day terms except US$3,315,000 (2021: US$2,866,000) held by the Group on behalf of royalty owners. This relates to royalty payments due to owners that is held by the Group as operator until certain requirements for release of funds to the owner(s) are met. Once satisfied the payment is immediately due. All amounts recognised as trade and other payables are non-interest bearing and are expected to be settled within the next 12 months.

Foreign exchange risk

The Group held US$79,000 of trade and other payables at 31 December 2022 (31 December 2021: $103,000) in currencies other than US dollars (being Australian dollars). A reasonable possible change in the exchange rate of the US dollar to the Australian dollar (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

5.4 DERIVATIVE FINANCIAL INSTRUMENTS

RECOGNITION AND MEASUREMENT

Derivatives are initially recognised at their fair value when the Group becomes a party to the contract. Oil price commodity contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve while any ineffective portion is recognised immediately in the statement of profit or loss. The Group uses oil price commodity contracts as hedges of its exposure to commodity price risk in forecast transactions. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss usually when the hedge instrument is settled. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the transaction settlement.

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

The outstanding oil price hedge contracts held by the Group at 31 December 2022 are as follows:

Period of Deliver	Subject of Contract	Reference	Option Traded	Barrels	Range Put Price $US/bbl	Range Call Price $US/bbl	Fair Value US$'000
Jan 2023 – Dec 2024	Oil	Nymex WTI	Collar	134,000	40.00 - 80.00	64.85 – 120.75	(823)
Jan 2023 – Dec 2025	Oil	Nymex WTI	Swap	79,000	50.40 - 85.74	n/a	(859)
Total				**213,000**			**(1,682)**

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 2022 US$'000	Year ended 31 December 2021 US$'000
Forward commodity contracts – cash flow hedges:		
Current[1]	**(1,273)**	(2,032)
Non-Current[2]	**(409)**	(754)
	(1,682)	(2,786)

(1) To be settled in 2023
(2) To be settled in 2024 and 2025

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 2022 is $33,557,000 (2021: $28,273,000). Impact on profit after tax based on a +/- 10% change in average oil price based on the oil volumes translated would be as follows;

Impact on profit after tax	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
If the WTI + LLS average differential price was 10% (2021: 5%) higher[1]	**3,356**	1,414
If the WTI + LLS average differential price was 10% (2021: 5%) lower[1]	**(3,356)**	(1,414)

(1) WTI is defined as West Texas Intermediate and LLS is defined as Louisiana Light Sweet.

5.5 PROVISIONS

	Notes	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Current			
Employee benefit provision	**5.5(a)**	**344**	474
		344	474
Non-current			
Employee benefit provision	**5.5(a)**	**132**	93
Rehabilitation provision	**5.6**	**2,310**	2,310
		2,442	2,403

5.5 (a) PROVISIONS FOR EMPLOYEE BENEFITS

RECOGNITION AND MEASUREMENT

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

(i) Short-term employee benefits

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

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

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

(ii) Other long-term employee benefits

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Employee benefit provision	**476**	567
Reconciliation of movement in employee benefit provision		
Balance at beginning of year	**567**	357
Annual leave provision arising during the year	**356**	473
Long service leave arising during the year	**39**	93
Utilisation	**(486)**	(356)
Balance at end of year	**476**	567
Comprising		
Current	**344**	474
Non-current	**132**	93
	476	567

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

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

5.6 PROVISIONS – REHABILITATION NON-CURRENT

RECOGNITION AND MEASUREMENT

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

	Notes	31 December 2022 US$'000	31 December 2021 US$'000
Restoration provision	5.5	**2,310**	2,310
		2,310	2,310
Reconciliation of movement in restoration provision			
Balance at beginning of year		**2,310**	2,660
Divesture of producing wells		-	(350)
Balance at end of year		**2,310**	2,310

5.7 BORROWINGS

RECOGNITION AND MEASUREMENT

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

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

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Interest bearing loans and borrowings		
Borrowings Current(1)	**4,000**	4,000
Borrowings Non Current(2)	**7,870**	12,697
Total interest bearing loans and borrowings	**11,870**	16,697

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

(2) Non current borrowings consist of $7.9 million relating to the Macquarie Facility. The Macquarie non-current borrowings are net of capitalised transaction costs.

MACQUARIE FACILITY

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

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

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 2022 the following remained pledged as security:

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

The security package includes mortgages on leases held by Australis TMS Inc. within existing PDP units and lease within units of the initial development plan locations.

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

PAYCHECK PROTECTION PROGRAM LOAN

In 2021 Australis TMS Inc, a wholly owned subsidiary, received a second loan from the Paycheck Protection Program (PPP) established by the US Federal government as part of their COVID-19 initiatives in the amount of US$696,000 (Tranche 2). The initial loan of US$696,000 (Tranche 1) had been received in 2020.

The Tranche 1 loan was forgiven in July 2021. Tranche 2 of the loan was forgiven on 18 February 2022. Both loans were forgiven in accordance with the original terms of the PPP.

	2022		2021	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Borrowings	**11,870**	**12,000**	16,697	16,697
	11,870	**12,000**	16,697	16,697

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

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 2022	% Equity interest 31 December 2021
Australis Europe Pty Limited	Oil & gas exploration	Australia	100%	100%
Australis USA 1 Pty Limited	Oil & gas exploration	Australia	100%	100%
Australis Oil & Gas UK Ltd(1)	Oil & gas exploration	United Kingdom	100%	100%
Australis Oil & Gas Portugal Sociedade Unipessoal Lda(1)	Oil & gas exploration	Portugal	-	100%
Australis TMS Inc	Oil & gas exploration	United States	100%	100%
Australis Services Inc	Oil & gas exploration	United States	100%	100%

(1) During the reporting period as a result of the relinquishment of the oil and gas concessions in Portugal in 2020, Australis Oil & Gas Portugal Socieadade Unipessoal Lda (Australis Portugal) and Australis Oil & Gas UK Ltd (Australis UK) were deregistered as companies in Portugal and the UK respectively. Australis Portugal was dissolved on 7th October 2022 and Australis UK was dissolved on 17 January 2023.

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Sales of goods and services		
Management fees and expense recharges to subsidiaries	**1,374**	1,293
Repaid in year	**(1,000)**	-
	374	1,293
Advances to subsidiaries		
Balance at beginning of financial year	**2,588**	3,271
Repaid by the subsidiary	**(21)**	(995)
Advanced during year	**3,137**	312
Converted to equity	**(5,373)**	-
Debt forgiveness	**(185)**	-
Balance at end of year	**146**	2,588

At 31 December 2022 Australis Oil & Gas Limited was owed US$0.1 million by its subsidiaries (2021: US$3.9 million). The amounts outstanding are repayable on normal credit terms.

The balance of debt owed to Australis Oil & Gas Limited by Australis Oil & Gas Portugal Sociedade Unipessoal Lda of US$185,000 was forgiven prior to the dissolution of Australis Portugal during the year.

6.2 PARENT ENTITY INFORMATION

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Summary financial information		
Current assets	**5,419**	11,625
Non-current assets	**59,760**	54,450
Total assets	**65,179**	66,075
Current liabilities	**(487)**	(445)
Non-current liabilities	**(133)**	(120)
Total liabilities	**(620)**	(565)
Net assets	**64,559**	65,510
Contributed equity	**183,779**	184,672
Treasury shares	**(325)**	(1,215)
Share-based payment reserve	**13,107**	11,973
Foreign currency translation reserve	**10**	10
Accumulated losses	**(132,012)**	(129,930)
Total equity	**64,559**	65,510
(Loss) for the year	**(2,082)**	(2,518)
Total comprehensive (loss) for the year	**(2,082)**	(2,518)

Australis Oil & Gas Limited had no contingent liabilities or contractual obligations as at 31 December 2022 (31 December 2021: Nil).

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

7.1 JOINT ARRANGEMENTS

Australis holds through an indirect wholly owned subsidiary approximately 96% working interest in 33 operated wells and an average 10% working interest in 21 non-operated wells held in the TMS, onshore USA.

7.2 OIL AND GAS LEASES AND CONCESSIONS

At 31 December 2022 Australis holds approximately 79,600 net acres in the TMS core (31 December 2021: 98,000 net acres).

7.3 SHARE BASED PAYMENTS

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

i) OPTIONS

The movement in the year is set out below:

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Balance at beginning of year	**32,700,000**	63,540,000
- Expired[1]	**(32,700,000)**	(30,840,000)
- Exercised	**-**	-
Balance at end of year	**-**	32,700,000

(1) On 31 December 2022, the following unlisted vested options expired unexercised:

- 31,200,000 unlisted options exercisable at A$0.35.
- 1,500,000 unlisted options exercisable at A$0.285-A$0.40.

RECOGNITION AND MEASUREMENT

The fair value of options granted 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 2022 (31 December 2021: 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 either be exercised, within two years (for Australian residents) or is automatically exercised (for North American residents), for no additional cost into an ordinary share in the parent entity.

Testing of the Performance Rights will occur at the conclusion of each annual performance period and any Performance Rights remaining unvested (i.e. not meeting a performance hurdle) from either the first or second annual performance period may be retested at and in accordance with the performance requirements of the third performance period.

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

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

b. 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 9.2) 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.

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

For 2022 and 2021 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 2023 (2021: 31 January 2022) 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 6.76 cents (2021: 5.6 cents) which was based on the Company's volume weighted average price for the period 1 January to 31 March 2022. The fair value of services received in return for the performance rights granted are measured by reference to the fair value of performance rights granted. The estimate of the fair value of the services received is measured through the use of a Monte-Carlo simulation model which determines the probability of the market conditions being fulfilled at the vesting dates and, as such, whether rights will vest.

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Balance at beginning of year	**90,596,045**	89,341,447
- Granted[1]	**42,647,711**	27,951,813
- Exercised[2]	**(42,019,225)**	(23,889,917)
- Forfeited[3]	**(3,264,101)**	(2,724,629)
- Lapsed[3]	**(3,841,660)**	(82,669)
Balance at end of year	**84,118,770**	90,596,045
Vested at end of the year	**6,590,023**	36,240,580

(1) During the year ended 31 December 2022 Australis issued 39,608,082 performance rights (2021: 24,282,547) to certain employees and executive directors under the EI plan. In addition, 3,039,629 fee rights A (2021: 3,669,266) were issued to non-executive directors in lieu of forgoing cash fees.

(2) During the year ended 31 December 2022 42,019,225 (2021: 23,889,917) vested performance rights were exercised by employees.

(3) During the year ended 31 December 2022 3,264,101 (2021: 2,724,629) unvested performance rights were forfeited and 3,841,660 (2021: 82,669) unvested performance rights lapsed due to non-achievement of vesting conditions.

RECOGNITION AND MEASUREMENT

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

PERFORMANCE RIGHTS FAIR VALUE ASSUMPTIONS

Grant Dates	21 May 2021	26 May 2022
- Share price	A$0.043	A$0.058
- Expected volatility(2)	75%	80%
- Risk free rate(3)	0.08%	2.43%
- Dividend yield	0%	0%

(1) Share price represents the share price at close of trade prior to the date of grant.
(2) Expected price volatility is based on the historical volatility from the first date of trading to the valuation date and adjusted for any future impacts on volatility.
(3) Risk free rate of securities with comparable terms to maturity.

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 2022 US$'000	Year ended 31 December 2021 US$'000
Options expense	**-**	-
Performance rights expense	**892**	887
	892	887

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes Option Pricing Model.

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

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

7.4 RELATED PARTY DISCLOSURES

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

There were no transactions with related parties during the year (2021: Nil).

KEY MANAGEMENT PERSONNEL

Further detailed disclosures relating to the seven key management personnel (2021: seven) are set out in the Remuneration Report section.

	Year ended 31 December 2022 US$	Year ended 31 December 2021 US$
Base renumeration, short-term incentives and benefits (including annual leave provision)	**1,356,378**	1,311,670
Post-employment benefits	**77,565**	83,185
Share-based payments	**325,554**	487,563
	1,759,497	1,882,418

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 2022 (2021: Nil).

7.5 CONTINGENCIES

The company had no contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

7.6 AUDITOR'S REMUNERATION

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

	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Auditors of the Group – BDO and related network firms		
BDO Audit (WA) Pty Ltd for		
Audit and assurance services:		
Audit and review of financial statements	**85**	85
Total remuneration of BDO Audit (WA) Pty Ltd	**85**	85
BDO LLP (UK) for		
Audit and assurance services:		
Audit and review of financial statements	**1**	1
Total remuneration of BDO LLP (UK)	**1**	1
Total auditor's remuneration	**86**	86

7.7 EVENTS AFTER REPORTING DATE

No events have occurred since 31 December 2022 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 82 to 135 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 2022 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 2022.

For and on behalf of the Board

Jonathan Stewart
Chairman

Perth, Western Australia
24 February 2023

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

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Australis Oil & Gas Limited for the year ended 31 December 2022, 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 and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth

24 February 2023

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

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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 2022, 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 2022 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

Carrying value of the Tuscaloosa Marine Shale Cash Generating Unit

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

The Group's carrying value of its Tuscaloosa Marine Shale ("TMS") Cash Generating Unit ("CGU"), including Oil and Gas Properties, Production Equipment and Exploration and Evaluation assets as disclosed in notes 3.1, 3.2, 3.3 and 3.4 respectively, represent a significant asset to the Group. The Australian Accounting Standards require the Group to assess whether there are any indicators that the TMS CGU may be impaired.
 	
The assessment of impairment triggers includes judgement in assessing a range of external and internal factors to determine whether the assets held within the CGU require impairment testing to be undertaken in accordance with Australian Accounting Standard AASB 136 *Impairment of Assets*. Accordingly, this matter was considered to be a key audit matter.
	Our work included but was not limited to the following procedures:
	
	• Assessing the appropriateness of the Group's 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;
	
	• Considering the Groups rights and interest to acreage to which capitalised expenditure is recognised assessing whether they remained current at balance date;
	
	• Evaluating and challenging management's assessment of indicators of impairment under the Australian Accounting Standards for the CGU's assets by:
	
	    • Comparing commodity price assumptions at 31 December 2022 to independent consensus forecast and historic oil and gas pricing;
	
	    • Obtaining and reviewing latest available reserve information from management's external expert for changes in reserve estimates and recoverable values;
	
	    • Assessing the qualifications, competence and objectivity of the Group's internal and external experts;
	
	    • Assessing economic indicators for potential impacts on appropriate discount rates;
	
	    • For development assets, assessing whether a significant decline in the economically recoverable reserves existed; and
	
	• For exploration and evaluation assets, assessing whether any impairments indicators, as set out in AASB 6: Exploration for and Evaluation of Mineral Resources, were present;
	
	• Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value; and
	
	• Assessing the adequacy of the related disclosures in note 3.1, 3.2, 3.3, and 3.4 to the financial report.

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 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 52 to 81 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Australis Oil & Gas Limited, for the year ended 31 December 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth

24 February 2023

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 1st February 2023.

1. TWENTY LARGEST SHAREHOLDERS

Ordinary shares	Number	Percentage
Citicorp Nominees Pty Limited	174,403,880	13.83%
UBS Nominees Pty Ltd	65,761,467	5.21%
BNP Paribas Nominees Pty Ltd <Agency Lending Drop A/C>	57,476,681	4.56%
JK Stewart Investments Pty Ltd <The Stewart Investment A/C>	33,392,858	2.65%
Epicure Superannuation Pty Ltd <Epicure Superannuation A/C>	26,150,001	2.07%
Mr Andrew McKenzie & Mrs Catherine McKenzie <A W McKenzie Super Fund A/C>	24,900,000	1.97%
Barrell Energy Inc	23,100,849	1.83%
Pasagean Pty Limited	20,000,000	1.59%
JK Stewart Investments Pty Ltd <The Leake Street Investment Trust>	15,927,458	1.26%
HSBC Custody Nominees (Australia) Limited	15,467,071	1.23%
J P Morgan Nominees Australia Pty Limited	15,053,736	1.19%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	14,916,219	1.18%
Everzen Holdings Pty Ltd <Lusted Family A/C>	12,281,814	0.97%
Mr Charles Robert Dirck Wittenoom	10,709,339	0.85%
Chester Nominees WA Pty Ltd <M W Wilson Super Fund A/C>	10,000,000	0.79%
Avalon Valley Pty Ltd <The GR & TJ Dowland S/F A/C>	9,700,000	0.77%
Ice Cold Investments Pty Ltd <G & J Brown Super Fund A/C>	9,500,000	0.75%
Sugarloaf Ventures Pty Ltd <SKI Capital A/C>	9,384,246	0.74%
Mr Kane Christopher Weiner	9,045,116	0.72%
Zero Nominees Pty Ltd <5063463 A/C>	8,754,080	0.69%
Total top 20	**565,924,815**	**44.87%**
Other	695,271,458	55.13%
Total ordinary shares on issue as at 1st February 2023	**1,261,196,273**	**100.00%**

2. SUBSTANTIAL SHAREHOLDERS

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

		As at date of lodgment	
Shareholder	Date lodged	Number of shares	Percentage
TIGA Trading Pty Ltd	31 March 2020	63,275,397	6.42%
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%
Challenger Limited	10 August 2019	75,999,517	7.71%
Greencape Capital Pty Ltd	8 February 2019	62,112,386	6.93%
Carol Australia Holdings Pty Ltd	2 August 2019	71,118,612	7.21%

3. DISTRIBUTION OF EQUITY SECURITIES

	Ordinary shares	Shares %	Ordinary Shares No of Holders	Performance Rights	Fee Rights	Unlisted securities %	Unlisted securities No of Holders
1 - 1,000	10,577	0.00%	73			0.00%	-
1001 - 5000	401,891	0.03%	141			0.00%	-
5,001 – 10,000	2,462,990	0.20%	286			0.00%	-
10,001 - 100,000	51,523,489	4.09%	1,279			0.00%	-
100,001 and Over	1,206,797,326	95.69%	846	58,076,833	6,708,895	100%	24
	1,261,196,273	**100.00%**	**2,625**	**58,076,833**	**6,708,895**	**100.00%**	**24**
Unmarketable parcels	13,889		624			-	-

4. VOTING RIGHTS

See section 4.2 and 7.3.

5. ON-MARKET BUY BACK

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

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

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

7. LIST OF INTERESTS IN MINING TENEMENTS AND PETROLEUM LEASES

Location	Tenement	Net Acres
Mississippi	Tuscaloosa Marine Shale	79,600
US TOTAL		**79,600**

CORPORATE DIRECTORY

DIRECTORS

Mr Jonathan Stewart
Non-executive Chairman

Mr Alan Watson
Independent non-executive Director

Mr Steve Scudamore
Independent non-executive Director

Mr Ian Lusted
Chief Executive Officer and Managing Director

Mr Graham Dowland
Chief Financial Officer and Finance Director

COMPANY SECRETARY

Ms Julie Foster

REGISTERED AND PRINCIPAL OFFICE

Ground Floor, 215 Hay Street
Subiaco, Western Australia 6008
Telephone: +61 8 9220 8700
Facsimilie: +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

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
Level 9 Mia Yellagonga Tower 2
5 Spring Street
Perth, Western Australia 6000

WEBSITE AND EMAIL

www.australisoil.com
contact@australisoil.com

AUSTRALIS
OIL & GAS

Australis Oil & Gas Limited
ABN 34 609 262 937