For Immediate Release
ASX Announcement

24 February 2022

2021 Annual Report and Audited Financial Statements

Australis Oil & Gas ("Australis" or "Company") is pleased to provide its 2021 Annual Report including the audited consolidated financial statements for the year ended 31 December 2021.

Throughout 2021 Australis focused on managing its existing TMS production in a safe manner to maximise productivity and minimise costs, whilst maintaining the valuable undeveloped asset position in the play. The Company achieved many of the financial goals established at the end of 2020 as it emerged from the volatile and unprecedented first year of the global pandemic. Australis continued to safeguard its TMS asset through targeted leasing and by strengthening its balance sheet and increasing liquidity via an equity raising and continued cash generation from operations, whilst maintaining reductions in field-based operating costs and G&A. As in 2020, Australis achieved positive EBITDA for each quarter during 2021 despite the settlement of oil price hedges in 2021 losing US$5.4 million offsetting the prior year's profit from hedges of US$4.7 million.

These results, together with improving US oil and gas industry sentiment, sustained higher oil prices and increasing third party activity in the TMS core area all contribute to improved confidence and broaden the appeal of the Company's TMS asset for partnering opportunities. The Company remains patient but confident in sourcing the appropriate partner or partners for further field development.

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

Financial Results 2021 - (US$)	
Gross revenue from oil sales (before royalties& hedges)	$28.3 million
Loss from hedging	$(5.4) million
Average realised sales price (including hedges)	$56/bbl
Field Netback* (US$)	$8.5 million
Field Netback (Working Interest)* (bbl)	$20.75/bbl
EBITDA*	$2.7 million
Net (loss) after taxation	$(2.4) million
Year end cash position	$9.3 million
Total Facility borrowings	$16 million
Working capital (excluding Macquarie debt repayments)	$4.3 million

Operating Results 2021	
Oil sales (Working Interest)	410,000 bbls
Net oil sales (after royalties)	332,000 bbls
TMS year end independent PDP reserves (Net)[1]	3.0 MMbls
Year end independent mid case(2C) contingent resources[1]	149.0 MMbbls
Acreage leased within the TMS Core	~98,000 net acres
Acreage leased and HBP within the TMS Core	38,100 net acres

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

The 2021 Annual Report and Appendix 4E is attached.

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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 2022 Annual General Meeting (AGM) will be held at 11.00 am (WST) on Wednesday 25 May 2022, and
b) the closing date for the receipt of nominations from persons wishing to be considered for election as a director is 30 March 2022. Any nominations must be received in writing no later than 5.00 pm (WST) on 30 March 2022 at the Company's registered office.

Shareholders of the Company (Shareholders) will be advised of further details regarding the AGM in a separate Notice of Meeting, which will be provided to Shareholders in April 2022. The Notice of Meeting will also be available on the ASX Company Announcements Platform and on the Company's website at www.australisoil.com.

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

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About Australis
Australis (ASX: ATS) is an ASX listed upstream oil and gas company seeking to provide shareholders value and growth through the strategic development of its quality onshore oil and gas assets in the United States of America.
The Company's acreage within the core of the oil producing TMS contains 3.0 million bbls of producing reserves providing free cash flow and approximately 150 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 2021 and generated for the Australis concessions to SPE standards. See ASX announcement released on 7 February 2022 titled "Reserves and Resources Update Year End 2021". The analysis was based on a land holding of 98,000 net acres. Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all the material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method which is based on a qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk based) approach estimate the quantities at each level of uncertainty discretely and separately.

Non-IFRS Financial Measures

References are made within this report to certain financial measures that do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS). Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non–IFRS financial measures. Field Netback and EBITDA are Non-IFRS financial measures commonly used in the oil and gas industry. Non-IFRS financial measures used by the Company, including Field Netback and EBITDA, may not be comparable with the calculation of similar measures by other companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

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

The following table reconciles net loss after tax to EBITDA:

	31 December 2021
	US$'000
Net (loss) after tax	**(2,408)**
Adjustments:	
Depletion	1,641
Depreciation – production equipment	1,300
Depreciation	296
Net finance expenses	1,906
EBITDA	**2,735**

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 2022

APPENDIX 4E
FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 2021 Annual Report (which contains the 2021 audited Financial Report and other information required for Appendix 4E)

Results for Announcement to the Market

Revenue from ordinary activities	Decreased by 12%(1) from US$26.1 million in 2020 to US$22.9 million in 2021	
Loss from ordinary activities after tax attributable to members	Decreased by 98%(1) from a loss of US$125.2 million for 2020 to a loss of US$2.4 million for 2021	
Net loss for the period attributable to members	Decreased by 98%(1) from a loss of US$125.2 million for 2020 to a loss of US$2.4million for 2021	
An explanation of the results is contained within the 2021 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 2020		
Dividends		
No dividends have been paid or proposed for the year ended 31 December 2021 (2020: nil)		
Net Tangible Asset per Security	**31 December 2021**	**31 December 2020**
	US$0.05	US$0.06
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:

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ANNUAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2021

Australis Oil & Gas Limited
ABN 34 609 262 937

AUSTRALIS OIL & GAS


Weatherford

CONTENTS

2021 HIGHLIGHTS

100% SAFETY RECORD

NO INCIDENTS IN 2021

CASHFLOW POSITIVE

FOR EACH QUARTER OF 2021

20% ▼

DEBT BALANCE REDUCED

> US$65 MILLION

VALUE (NPV10) OF
PRODUCING RESERVES

LARGEST
ACREAGE HOLDER

IN THE TMS CORE

2021 HIGHLIGHTS

COMMITMENT TO SAFETY & ENVIRONMENT	• 100% safety record in 2021 – no incidents – continuing safe operating • One reportable spill – all spilled oil captured in secondary containment with no environmental impact
TMS TIER 1 PRODUCTION DELIVERS POSITIVE CASH FLOW	• Each quarter of 2021 delivered positive EBITDA • Operating cashflow of US$3.1 million
BALANCE SHEET STRENGTHENED	• Cash balance of US$ 9.3 million • Working capital of US$4.3 million excluding debt • Outstanding Credit Facility debt balance reduced by 20% to US$16 million • Net debt reduced to ~ US$7 million
RESERVES AND RESOURCES	• Value of 3.0 mmbbls PDP reserves using February 2022 futures > NPV10 US$65 million • Independently estimated 2P + 2C resource at 152 million bbls
SCALE	• Largest acreage holder in the TMS Core; a contiguous and controlling position • TMS Core Acreage 98,000 net acres, 39% Held by Production (HBP)
STRATEGY	• The oil weighted TMS Core is an increasingly unique and desirable play, given its size, characteristics and substantial remaining Tier 1 inventory • Our TMS asset is at an attractive stage for partnering with well performance de-risked and delineated but largely undeveloped • Positioned for significant value re-rating with the improved market conditions and increasing third party activity in TMS

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

CHAIRMAN'S LETTER

In my report last year, I referenced oil prices having recovered strongly above US$55 per barrel and being optimistic regarding the potential for industry activity being regenerated. As I write this report WTL is above $90 and there is considerable discussion regarding production growth in the US during 2022, inventory declines and the limited years of drilling inventory should producers in the Permian accelerate development. This is music to our ears and consistent with our long-held strategy!

We have continued to use our operational cashflow to ensure we maintained our significant largely undeveloped asset through this period 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.

The past year has again been one where our team have had to work during complex circumstances in their communities and for that I wish to acknowledge them for their commitment and performance.

Our unwavering objective has been and remains the creation and realisation of shareholder value. We have a strategy to deliver this and remain committed to it. The oil business in the US is in a more optimistic place now and local to our significant acreage position there has recently been another successful well drilled, completed and put on production. Unsurprisingly there has also been an uptick in local leasing activity by competitors.

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

Our operating cash flow funded corporate overhead and financing costs. Our sales were stronger this year at US28 million but net profit (US$(2.4) million) was materially impacted by our hedge losses (US$5.39) on contracts required under our funding arrangements.

Field net back of US$8.5 million from producing wells in the TMS and operating cashflow of US$3.1 million enabled the repayment of US$4 million of principle debt during the year. Our operations team and management deserve much credit for maintaining the significant reductions in operating costs achieved during the previous year.

Importantly, throughout this financial year and all operations were executed with an excellent environmental, health and safety record.

From a more macro perspective and as referenced above, we have considered for some time that directionally, the US unconventional oil and gas industry has diminishing Tier 1 oil locations and lower well performance in existing plays – particularly more mature developments. This is now in the context of a capital investment outlook by operators for 2022 and beyond that is becoming more bullish.

We believe that diminishing Tier 1 oil locations in other plays will reinforce the uniqueness of the TMS Core, given its productivity, attractive commercial characteristics and substantial remaining undeveloped inventory. The Permian is by far the play with the most future production potential but the consequences of handling the vast amounts of associated salt water that comes with its oil to surface (relative to the much lower water cut in the TMS) is a definite "watch this space" due to saltwater handling costs and environmental concerns around reinjection wells.

The production history available for our wells paints a very clear picture as to performance and nature of our production, without taking in to account the potential upside associated with technological and operating practice advances in recent years.

Your Board has sought to apply prudent management of our capital position aimed at maximising ultimate value for shareholders. Having cashflow and operating control of our large acreage position has been very important. Our core acreage position in the TMS remains significant at approximately 100,000 net acres and importantly our HBP acres represent almost 40% of this number. This land position is our key asset, very difficult to replicate and our currency in seeking partners to fund additional drilling.

We have a modest sized board but one that offers significant knowledge, experience and commitment in their roles. Management and staff have again all worked very hard in difficult circumstances during 2021 and I would like to acknowledge their contribution and sacrifices.

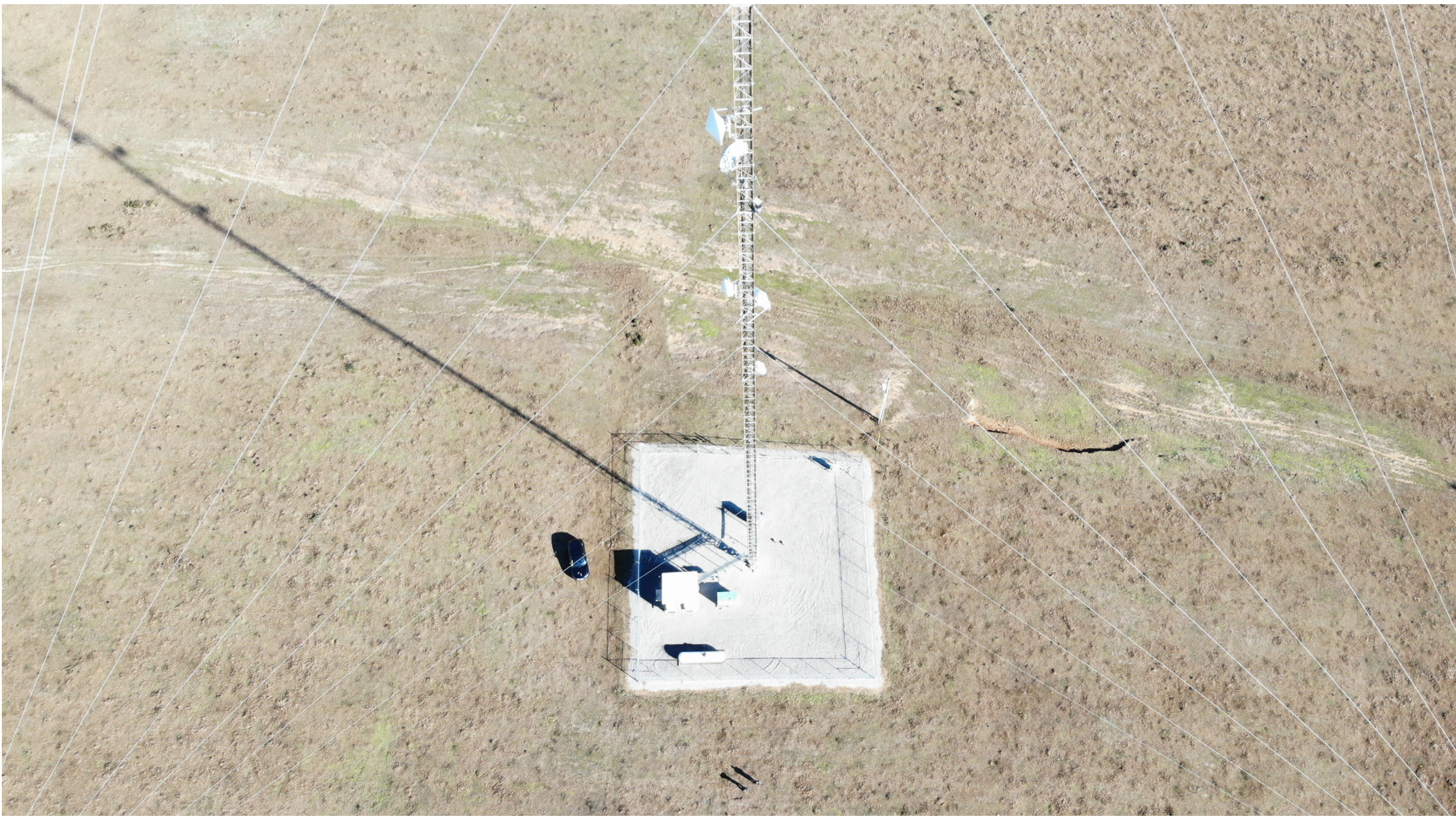
As in previous years, I would like to take this opportunity to welcome new shareholders and express my appreciation for your confidence and commitment. For our longer standing shareholders, thank again for your loyalty and continued support.

Looking ahead, in what continues to be a relatively unstable international environment in many respects, I am hopeful at least of a sustained improvement in oil market conditions that will attract considerable interest to our asset base. We remain confident of the value potential of our assets and look forward to bringing you news in this regard during 2022.

I wish you good health and happiness for the future and hopefully a return to some of the personal freedoms that have been unavailable to us in recent times.

Yours sincerely,

JON STEWART
CHAIRMAN



BUSINESS STRATEGY, TMS ASSET AND 2021 OPERATIONS

BUSINESS STRATEGY

SUMMARY

- The US unconventional oil industry has been heavily reliant on three key plays: the Permian; Eagle Ford and Bakken.
- The Eagle Ford and Bakken are increasingly mature with limited quality future drilling locations and were already in decline prior to 2020.
- Whilst the Permian has a significant inventory of future drilling locations, corporate consolidation over the last 18 months means the majority are now tightly held by a few larger companies.
- 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 of limited growth but increased shareholder returns, and they remained disciplined during 2021 despite the improved oil price environment, with rig count increases being driven overwhelming by private company activity.
- Previously drilled but uncompleted wells (DUC's) were preferentially completed during 2021 to minimise the capital required to maintain production and allow for shareholder distributions and debt repayment. The number of DUC's has now reduced to historic low levels and new drilling will be needed to maintain production levels going forward.
- Australis believes that in 2022 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 discovered plays such as the TMS will be 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 18.2 MMbbls/d[1]. Figure 1 below 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 barrels per day whilst at the same time consumption increased from 15.7 to over 20.8 million barrels per day. 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.

[1]*EIA estimate of 2020 average consumption*

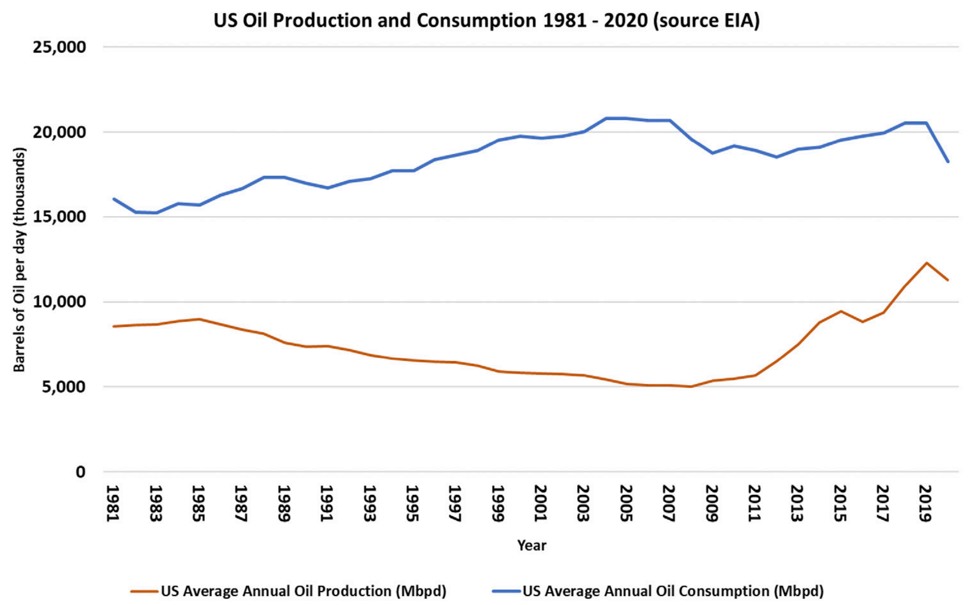


Figure 1: US Oil production and Consumption 1981 - 2020

Practically all of the growth that occurred between 2008 and 2019 originated out of US unconventional oil development and Figure 2 below shows this 7 million barrels per day increase and which key plays contributed to that growth.

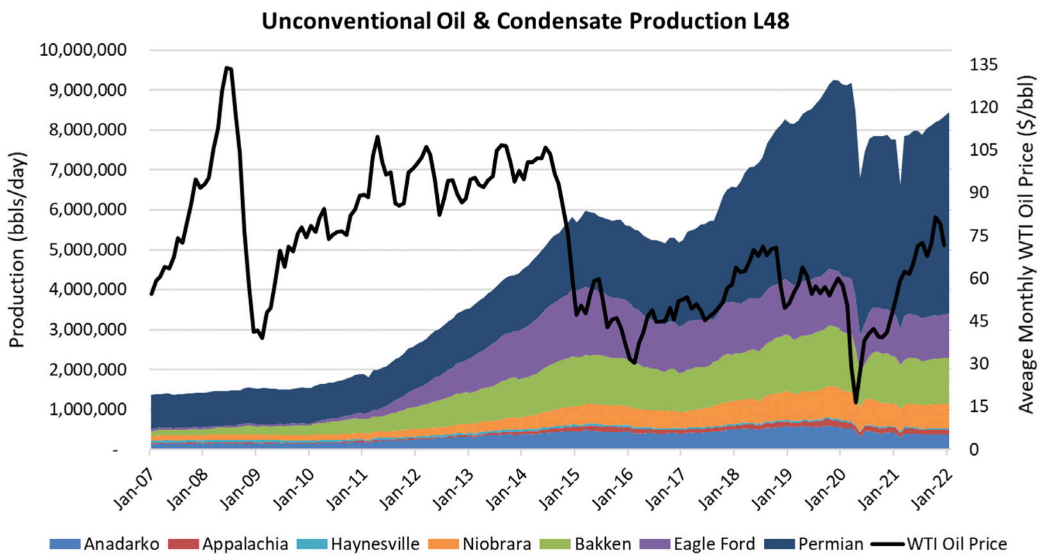


Figure 2: Unconventional US oil production 2007 - 2022 and WTI oil price (Source EIA)

BUSINESS STRATEGY, TMS ASSET AND 2021 OPERATIONS

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. The first growth phase between 2010 and 2015 saw most of the increasing volumes originate from the Eagle Ford and Bakken plays and a strong oil price supported the early evolution of this industry. The Permian already had existing production and growth there largely occurred during a second phase between 2017 to 2020 during which time oil prices recovered somewhat from their lows in 2016, but were relatively weak compared to the phase 1 period. However, knowledge was transferred from the more established plays and the cost base for development was lower allowing the second phase growth to occur and be dominated by the Permian. Closer inspection demonstrates production had already started to decline in the Eagle Ford and Bakken by early 2020 and certainly there has been no indications of significant recovery following the steep declines that coincided with the initial COVID 19 outbreak, with continued declines during 2021. In 2H 2020 and 2021 the Permian has restarted growth, albeit at more modest levels.

These three oil-weighted unconventional plays are at different stages of maturity. The Eagle Ford and the Bakken are both more developed plays, with the majority of the quality reservoir now on production as development activity naturally high grades the better-quality rock, such that at this time the majority of remaining targets are secondary and peripheral. The Permian by comparison is a significantly larger resource and has considerable remaining inventory, but the low oil price environment of 2020/21 saw ~$60 billion of ownership consolidation, with larger companies and strong balance sheets merging in mostly script deals to secure complementary operations and drilling inventory. Therefore, whilst a substantial inventory of quality drilling locations exists in the Permian, it is now tightly held by a limited number of companies.

In addition to the increasing maturity of the US unconventional oil industry, there is a second phenomenon at play within the US unconventional industry which is pertinent to the Australis business model. Prior to the second phase of production growth shown in Figure 2, US publicly listed upstream companies participated in a record equity issuance that was used to help fund the ensuing production growth. Their production revenues were predominately recycled into drilling new wells and supplemented with equity or debt funding to support a growth-centric focus. However, the failure of this business model to generate positive free cash flow that would allow for capital returns led to shareholder frustration and by late 2019 there was increasing pressure on US E&P companies to evolve their business models away from a focus on production growth, to one focused on shareholder return. This manifested as the targeting of production maintenance rather than growth, and increased the percentage of operating revenue allocated for debt repayment and shareholder returns at the expense of new drilling. The impact of this change in approach was already apparent by the end of 2019, with rig counts and activity levels reducing and production growth stagnating. The dramatic oil price drop in the first half of 2020, initially due to output increases from Saudi Arabia and Russia and then the reduced demand impact of COVID, subsequently decimated rig counts. The recovery in production volumes since mid-2020 has been disciplined and cautious, with the majority of new rigs being secured by private oil and gas companies rather than publicly listed companies. The success of this new model of limited drilling and enhancing free cashflow available for shareholder returns was greatly enhanced in 2021 by focusing on wells that have been previously drilled but not completed (DUCs). These wells represent lower cost incremental production with the drilling capital already sunk. In 2021 these DUCs comprised of 50% of the new wells put on production in the Eagle Ford and Bakken and 40% of the new wells in the Permian. Figure 3 below shows the dramatic reduction in Permian DUCs in second half of 2020 and first half of 2021 vs the new wells drilled and completed.

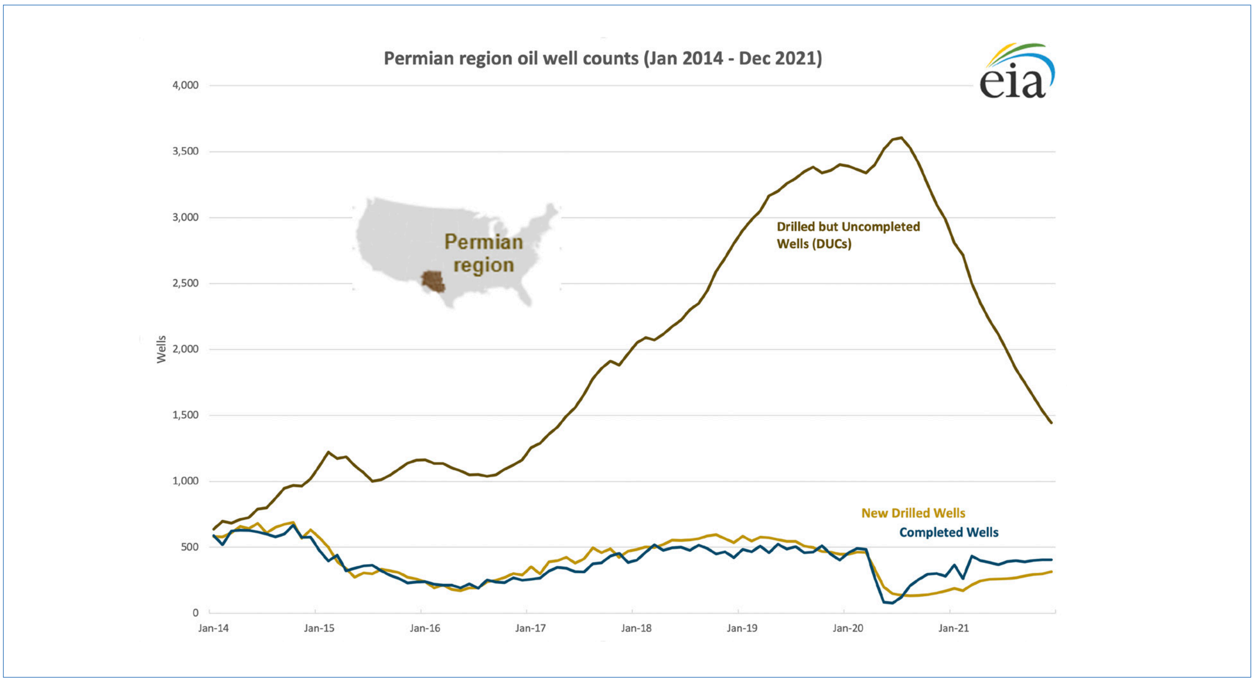


Figure 3: Permian drilled, completed and DUC well count.

However, DUC inventory is approaching minimal levels across the Permian, Bakken and Eagle Ford. As a result, new wells will need to be drilled out of available inventory in the future to achieve similar completion rates just to maintain current production rates. Those wells will require more capital to drill and complete and the drilling new wells that do not have Tier 1 productivity will further erode profitability.

US public E&P companies generated significant free cashflow in 2021 and are expected to generate an increased amount in 2022 based on capital budgets disclosed to date for the upcoming year. Leverage ratios for the industry as whole are at historical lows and are or soon will be within disclosed target ranges, meaning significant debt repayments are not expected to be a significant use of cashflow in 2022. Further, only a relatively modest amount of free cashflow (after dividends and anticipated share buy back levels) is being allocated for recycling into new drilling (compared to historical standards). The declining inventory of DUCs and future Tier 1 drilling locations outside of the Permian presents a dilemma for many companies seeking to maintain or gently grow production while also generating the positive free cashflow maximizing returns of capital to shareholders. Simply put they will need to acquire future locations with Tier 1 productivity and Australis believes this will force the consideration of undeveloped areas with such as the TMS.

TUSCALOOSA MARINE SHALE (TMS) ASSETS

TMS Brief History

The unconventional 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 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 Eagle Ford Shale in 2009 – 2011 a number of companies took large positions 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 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.

BUSINESS STRATEGY, TMS ASSET AND 2021 OPERATIONS

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 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

The Company 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 included the majority of upside other than a future increase in oil price. But participating in these processes allowed us to benchmark the TMS 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 600,000 acres (<5% of total depositional area) where production data from approximately 85 wells clearly demonstrated a high quality reservoir with consistent results.
- **Production History** - Wells drilled by previous operators had been on production for at least 2 years allowing empirically derived decline curves to underwrite base case economics. Well performance from 2014 vintage technology compared very favourably to other more developed US unconventional areas that also benefited from advances in industry knowledge and practice during the intervening period.
- **Oil weighted production** - The wells produced 95% oil and the field location had a number of pricing and infrastructure advantages compared to other more mature and developed plays.
- **Modest entry cost** - For Australis the play entry was largely uncompetitive and hence at a highly advantageous price point for two reasons:
    - outside the delineated core area, well results had been poor and the play as a whole had a mixed reputation. As a result, there was very little industry focus on the play in 2016; 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 or recommence drilling operations.

AUSTRALIS ACTIVITY 2016 – 2020

Australis built a position within the TMS through a series of transactions and an active leasing program, both of which targeted only the core TMS as defined initially by well productivity and then refined through subsurface evaluation. Due to lack of competition and no activity underway in the play, Australis was able to lease on a low-cost accretive basis and build 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 one of these was only completed for half of that length and the fourth well was abandoned 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.

OPERATIONS IN 2021

Throughout 2021 Australis operationally focused on managing its existing production in a safe manner to maximise productivity and minimise costs. There have been no safety incidents during 2021 and at year end there were 689 days since the last incident. There was one reportable spill during the year, when an oil storage tank developed a pin hole on the bottom and leaked 135 bbls oil into the secondary containment area. Accordingly, the spill did not impact the environment as it was contained within the solid bunding installed on all Australis operated production facilities to protect the environment. The spill volume was pumped back into the facilities for subsequent sale.

During the year two significant weather events materially impacted production:

i. In mid-February a period of extreme cold weather across the gulf states led to widespread power loss and surface equipment freezing up. There were five consecutive days where maximum temperatures were below zero and although no permanent damage was done, the field was shut in as a precautionary measure and then incrementally brought back online over the next 7 – 10 days, as power was restored to each wellhead.

ii. On 30 August 2021, Hurricane Ida made landfall in Louisiana as a Category 4 major hurricane. The system trajectory took it directly over the top of the TMS field some 18 hours later, by which time it had diminished to a Category 3 storm, which still indicates winds in excess of 180 km/hr. There was no material damage done to any of the Company property and none of the Australis personnel who live in the area were injured, however extensive damage was done to the predominantly overhead power system in the region and naturally the repairs prioritized domestic power supply, so it took a period of 7 – 10 days before wells were able to be brought back online.

Despite these challenges production from the field has been largely in line with expectation and quarterly volumes are shown below.

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total
Sales Volumes (bbls)	100,000	110,000	104,000	96,000	410,000

Table 1: Australis Working Interest (WI) oil sales volumes in 2021 (bbls).

During the third quarter Australis disposed of five marginally economic wells and the associated acreage in Louisiana which were located outside the TMS core area and were acquired from Encana with the 2017 transaction. These wells had no material reserves associated with them and have never been included in our lease or HBP acreage count. The abandonment liabilities associated with these wells were assumed by the purchaser, a local operator which specialises in low volume production.

In mid-2021 Australis closed on a modest transaction to purchase incremental interests in a number of our operated wells from a working interest partner. This opportunistic transaction added ~40 bopd to the existing production and ~400 HBP acres with ~2.7 net future locations.

LEASE OPERATING COSTS (LOE)

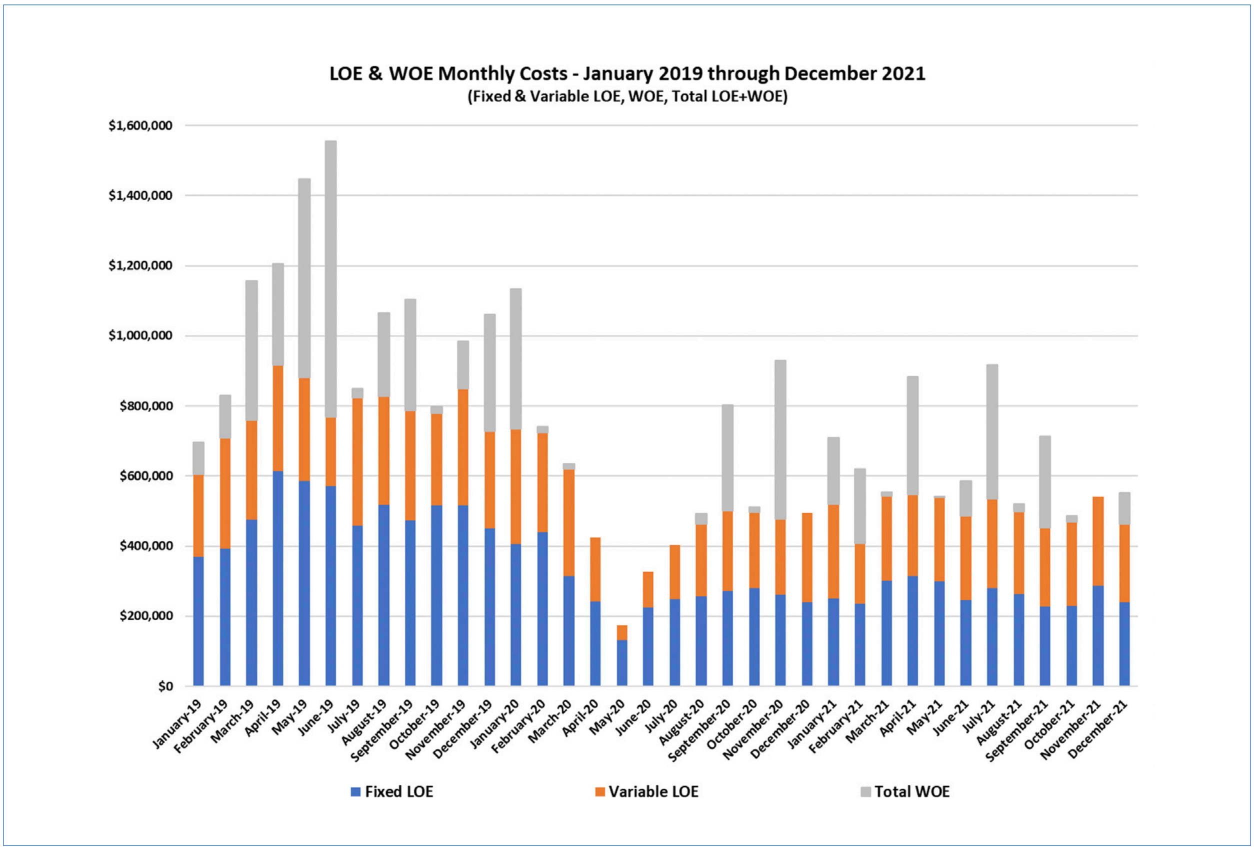


Figure 4: LOE 2019 – 2021 (Gross)

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 2020 (shown in blue in Figure 4), that reduction was maintained during 2021 with continued efficient use of resources in the field. Variable LOE contribution (from fluid management, power etc.) also saw a reduction in 2020 but saw a modest increase in 2021 largely due to general price escalation during the latter part of 2021 as activity levels and industry confidence improves.

A key continued focus has been on well workover costs. Whilst this includes identifying lower cost and more efficient operational gains, the key opportunity has been to reduce the frequency of workovers. This has been influenced by field operating practices, chemical treatment optimisation and improved completion designs. The following chart shows how workover frequency has been reduced year on year for Australis as these optimisation efforts have an effect. With average mean time to failure extending beyond 19 months and a number of wells now at or over the 36-month marker, significant steps have been made by the field operating teams which have been beneficial to our cost structure.

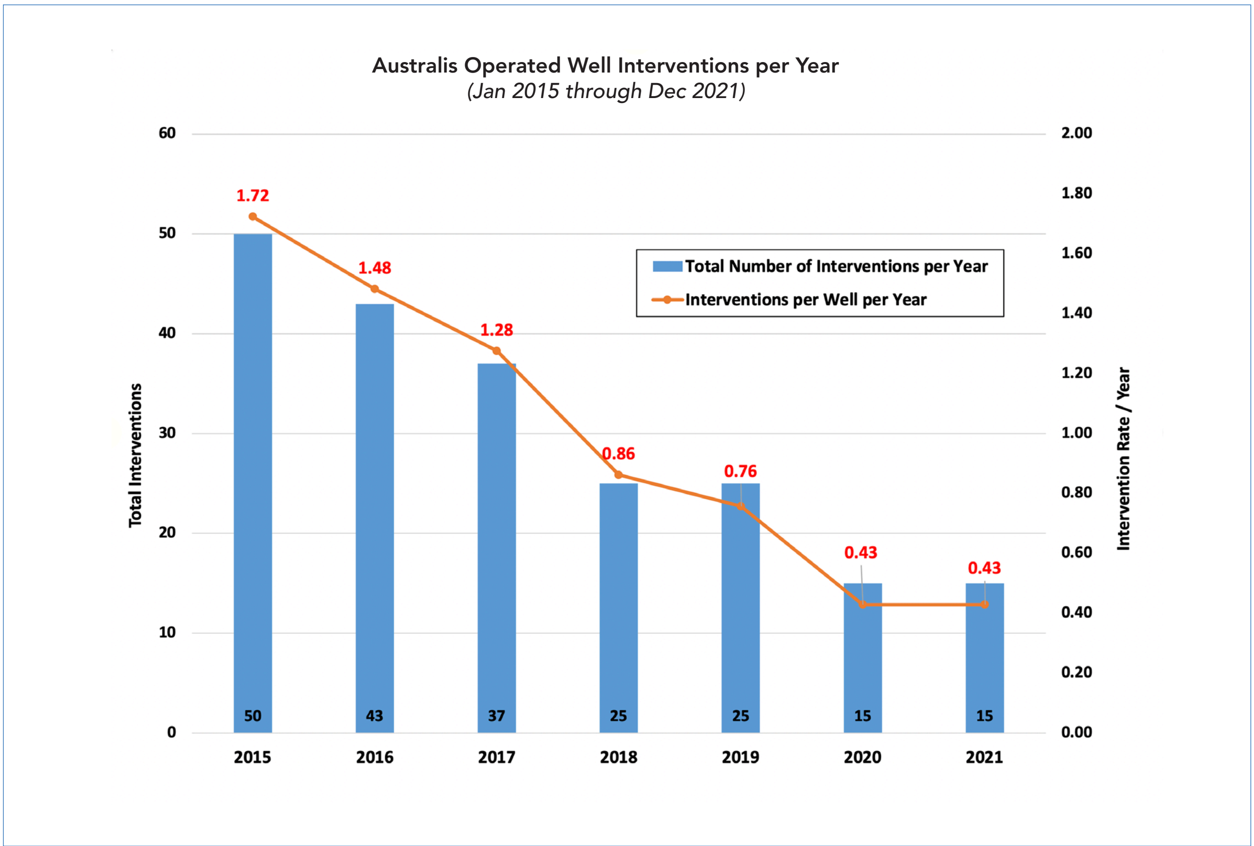


Figure 5: Operated well intervention frequency 2015 – 2021 (Australis operator from 2017)

TMS EMISSIONS

Australis monitors and reports CO_2e emissions annually to the regulatory authorities in the US. The Company has made meaningful 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 2020 a private equity fund Juniper Capital Advisors ("Juniper") permitted a new well designated the Reese 11H No.1 through their local operating company State Line Exploration LLC ("State Line"). Juniper is a US-based energy investment firm with over US$1.2 billion in assets under management and its investments include a controlling stake in Ranger Oil Corporation (NYSE: ROCC, formerly Penn Virginia Corporation). In November 2021 State Line commenced drilling operations, and the well was drilled and cased by year end. Fracture stimulation operations were completed in January 2022 and flow back is expected to occur in early 2022. Australis has no working interest in this well but has engaged in constructive discussions with the State Line operating team throughout the process.

As shown in Figure 6 below the Reese 11H No. 1 well is located within the Australis designated TMS Core and is in close proximity to a number of Australis operated and producing wells.

Another development of note was the acquisition of Goodrich Petroleum Corporation ("Goodrich") by Paloma Partners VI Holdings, LLC, an affiliate of Paloma Resources ("Paloma") a portfolio company of EnCap Energy Capital Fund XI L.P. ("EnCap"). Goodrich was an active participant in the TMS prior to 2014 and following a debt restructuring exercise the company focused their activities elsewhere within their portfolio. However they have maintained a material HBP position within the TMS of ~34,000 net acres with some exposure to the core area, including two drilled but uncompleted (DUC) wells. Paloma were Australis's original partners in the play in 2016/2017 and the Company welcomes another new operator into the TMS.

BUSINESS STRATEGY, TMS ASSET AND 2021 OPERATIONS

AUSTRALIS TMS LEASE POSITION

With ~98,000 net acres and over 1/3 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.

Australis started 2021 with approximately 107,500 net acres within the TMS Core in Mississippi and Louisiana with ~ 13,300 net non HBP acres due to expire during the year. Australis commenced a disciplined but modest strategic leasing program in the second quarter, seeking 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 lower graded term lease acreage to expire. During the year, Australis strategically leased or acquired 3,600 net acres and at 31 December 2021 Australis holds ~98,000 net acres in the TMS Core, of which 38,100 net acres (39%) are HBP.

Using the acreage position at year end 2021 and the assumed well spacing, derived from over seven years of production history, there are approximately 360 net future well locations associated with this leasehold ownership.

Australis also commenced a targeted unit permitting program in the fourth quarter and by year end, had two new units permitted on the western side of the field.

Australis intends to continue its targeted leasing and permitting program during the remainder of 2022. When Australis elects to accelerate discretionary capex expenditure on leasing, the Company is confident that it can quickly and contiguously build the position. The Company closely monitors third party leasing activity in the area which would be a contributing factor to any such decision to accelerate.

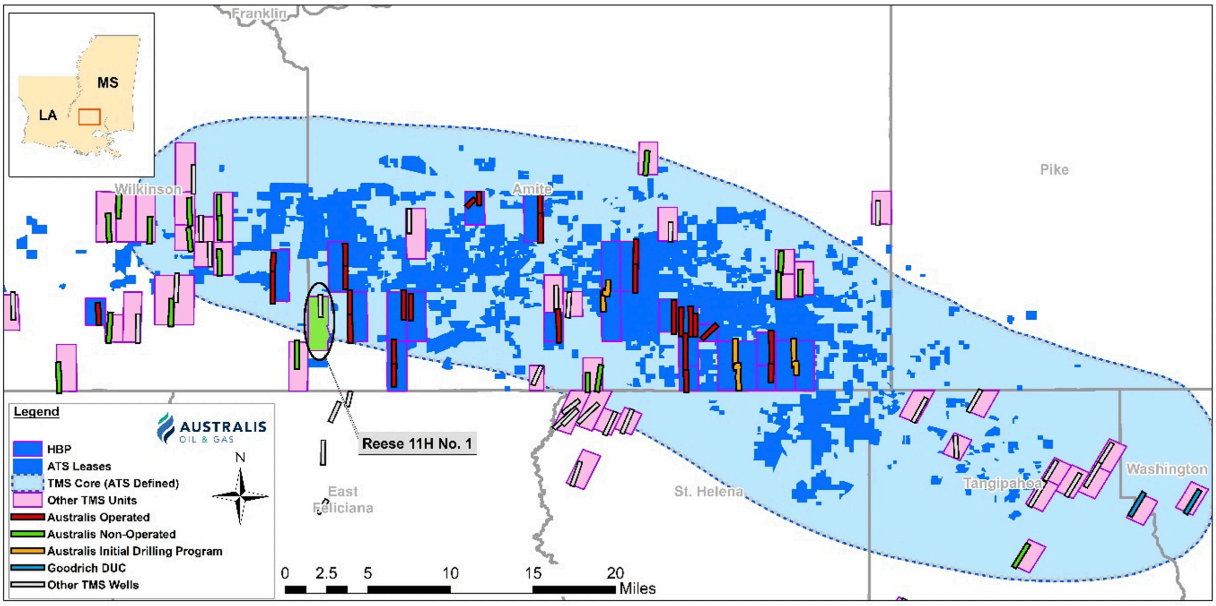


Figure 6: Australis acreage with well locations and the State Line Exploration well

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

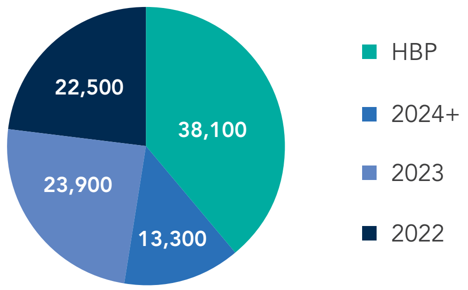


Figure 7: Australis TMS lease expiration year – TMS Core Net Acres as at 31 December 2021

RESERVES AND RESOURCES

The year end 2021 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 developed reserves only for the year end 2021 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. 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.

	Net Oil (Mbbls)	% change to YE20
Proved Developed	2,983	-18%
Proved + Probable Developed	3,674	-11%
Proved + Probable + Possible Developed	4,541	-4%
1C Contingent Resource	23,402	+13%
2C Contingent Resource	148,985	0%
3C Contingent Resource	269,866	0%

BUSINESS DEVELOPMENT

During 2021 Australis was engaged in finding a development partner for the TMS. Whilst sufficient drilling has taken place to delineate out the TMS core, it remains a relatively early-stage development opportunity and therefore requires a potential partner to have both confidence in the asset and in the broader market to support the investment in a new play. The Company has therefore taken a cautious and targeted approach, recognising that the process may be educational at this point, addressing any misconceptions of the play and ensuring partners are aware of its potential when industry conditions allow such opportunities to be considered. Australis has and continues to interact with a variety of potential partner types, including private and public oil and gas companies, finance partners and private equity funds.

To date the greatest traction has been achieved with private oil and gas companies, who are less subject to shareholder pressure and able to take a longer term perspective on the industry and opportunities. However, improving industry sentiment, sustained higher oil prices and increasing third party activity in the play will all contribute to improved confidence and broaden the appeal of the opportunity. The Company remains patient but confident in sourcing the appropriate partner or partners.

FINANCIAL & CORPORATE REVIEW

SUMMARY OF FINANCIAL RESULTS POSITION

Overview

In 2021 the Company achieved many of the financial goals established at the end of 2020 as it emerged from the volatile and unprecedented global pandemic year. Australis continued to safeguard its TMS asset by strengthening its balance sheet and increasing liquidity via an equity raising and continued cash generation from operations, whilst maintaining reductions in field-based operating costs and G&A expenditure. The internally imposed restriction on discretionary capital expenditure was lifted in Q2 2021 to allow for the commencement of limited but strategic TMS acreage leasing and acquisitions. The Q1 2021 capital raising (US$7.9 million, before costs) enabled the Company to pursue this leasing plan as well as provide additional liquidity for opportunities and Balance Sheet strength.

Although Australis reported an accounting net loss of US$2.4 million (2020: US$125.2 million) for the year ended 31 December 2021, the Company continued throughout the year producing a positive operating cashflow before debt repayment. This operational cashflow of US$3.1 million was achieved despite incurring hedge losses, mostly from oil price hedge settlements required under the terms of our credit facility to be executed in the low oil price period in 2020.

Revenue of US$28.3 million from wells in the TMS assisted in funding costs, including corporate overhead and financing expenses but excluding the repayment of US$4 million of principle debt. The Company's net debt position improved by over 50% during the year. At 31 December 2021, cash on hand was US$9.3 million and total debt owing under the Credit Facility with Macquarie was reduced by US$4 million to US$16 million, giving a net debt of US$6.7 million.

A review of Group results is summarised below.

	Year ended 31 December 2021	Year ended 31 December 2020	% Change Favourable/
	US$'000	US$'000	(Unfavourable)
Sales volumes (working interest)* bbls	410,000	505,000	(19)%
Revenue before oil hedges	28,273	21,416	32%
Oil hedge (loss) / profit	(5,395)	4,732	(214)%
Field Netback	8,509	14,612	(42)%
Operating Cashflow	3,146	6,621	(52%)
EBITDA**	2,735	7,083	(61%)
Net (loss) / profit before impairment and taxation	(2,408)	1,502	(260)%
Impairment provision	-	(126,710)	-
Net (loss) after impairment and taxation	(2,408)	(125,208)	98%

* *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.*

Sales and Revenue

Revenue from oil sales (before hedges) for the year was US$28.3 million, which was 32% higher than 2020 despite lower sales volumes due to a 62% increase in the average oil price achieved throughout 2021 compared to 2020. This benefit was offset by the impact of oil price hedges settled during 2021, particularly from hedges executed to meet Credit Facility covenants, during the 2020 low oil price environment.

Sales volumes reduced by 19% primarily due to the natural decline of wells and the impact of two weather related events that occurred during the year, both causing power losses to the field which required wells to be restarted in a managed manner. The February 2021 extreme cold weather across the gulf states and the landing of Hurricane IDA as a Category 3 storm across the field in late August both caused widespread power outages.

The Australis production and average realised price per barrel of oil by quarter and for the full year in 2021 was as follows:

	2021 by Qtr	Q1	Q2	Q3	Q4	2021 Total	2020 Total
Oil Production (WI)	bbls'000	100	110	104	96	410	505
						2021 average	2020 average
Realised oil price before hedges	US$/bbl	$59.76	$65.95	$73.40	$77.23	$68.99	$42.39
Realised oil price including hedges	US$/bbl	$51.17	$52.81	$58.92	$61.03	$55.89	$51.76

The Australis average realised oil price of US$56/bbl in 2021 (including hedge settlements) was 8% higher compared with US$52 in 2020. Australis continued to benefit from higher realised pricing than other plays in onshore USA due to the LLS premium received in the TMS. Australis' achieved premium over WTI averaged over US$1.90 per barrel in 2021.

Field Netback, Operating Cashflow and EBITDA

Field Netback, operating cashflow and EBITDA, whilst all positive, decreased compared to 2020 due to increases in

- production taxes, as four of the six Australis wells drilled in 2018 and 2019 transitioned from their preferential state severance tax rate after 30 months of production to the higher standard rate, and
- production costs and workover costs.

Production costs (lease operating and workover expenses) of US$7.9 million (US$19.20/bbl) were within the range of expectations, however, higher on a per barrel basis than 2020 (US$13.33/bbl) due to a general increase in consumable costs. With 2021 sales volumes being 95,000 bbls less than 2020, the Company's fixed costs components that do not vary with produced volumes, resulted in a higher per bbl cost.

Field Netback of US$8.5 million (US$20.75/bbl on a WI basis or US$25.73/bbl on a Net Interest (after royalty) basis).

Australis TMS field Operating costs (WI)

	2021		2020[1]		% change	
Bbls	410,000		505,000		19% lower	
	US$000	US$/bbl	US$000	US$/bbl	Change US$	% change US$/bbl
Operating costs	$6,111	$14.90	$5,524	$10.94	$(3.96)	(36)%
Well Workover costs	$1,762	$4.30	$1,207	$2.39	$(1.91)	(80)%

[1]*Production was curtailed in Q2 2020 during the low oil price period caused by COVID*

G&A expenditure continued to reduce during 2021 following the 2020 staff rationalization and reduction in salaries and cash remuneration for all employees and directors. G&A expenditure for 2021 totaled US$5.4 million, an 8% reduction from 2020 (US$5.9 million).

Net Loss

The Company reported a loss of US$2.4 million for the 2021 year (2020: US$125.2 million) primarily due to the loss on oil price hedges of US$5.4 million discussed above.

Funding & Balance Sheet

	As at		
Balance Sheet Summary	**31 December 2021**	**31 December 2020**	**US$'000 Change Favourable/**
	US$'000	US$'000	(Unfavourable)
Current assets	13,074	8,435	4,369
Non-current assets	77,754	79,789	(2,035)
Current liabilities	(12,768)	(10,372)	(2,396)
Non-current liabilities	(16,223)	(19,156)	2,933
Equity	61,837	58,696	3,141

Following the internal decision in 2020 to suspend discretionary capital expenditure and reduce operating and G&A expenses, Australis commenced 2021 maintaining this discipline. In Q1 2021, the Company completed a A$10.2 million (US$7.9 million, before costs) capital raising to improve liquidity and allow for a limited capital expenditure program to lease TMS mineral rights.

Australis capital expenditure for 2021 of US$2.0 million resulted from the commencement of a strategic mineral rights leasing program, the purchase of incremental interests in several existing Australis operated wells from a partner and an increase in the Company's spare plant and equipment due to concerns over delays in supply timeframes. These expenditures resulted in a small increase in PDP reserves and a total of 3,600 net acres acquired during the year, of which approximately 400 net acres are HBP.

At year end, the Company had US$9.3 million in cash, total Credit Facility debt of US$16 million and working capital, excluding Credit Facility debt, of US$4.3 million.

Credit Facility

The Company's sole Credit Facility is with Macquarie Bank Limited, and at year end the balance owning was US$16 million, down from US$20 million at the commencement of 2021.

During the year, the Company met all required covenants under this facility including the minimum oil price hedging volumes for up to 3 years of future production. This covenant required Australis to hedge future volumes at times when futures oil pricing were very low and has resulted in a significant hedge loss for 2021. This covenant requirement ceased in the Q3 2021 and accordingly the Company is no longer required to hedge the oil price pursuant to the Credit Facility.

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

Oil Price Hedging

For 2021 a total of 288,000 bbls of hedged oil settled for at a loss of $5.4 million, compared to the prior year profit on hedge contracts on 381,000 bbls of $4.7 million. The average protected floor price of the settled hedges for 2021 reduced to $46/bbl (2020:$51/bbl) as a result of hedges required to be executed in 2020 during the low oil price futures environment. WTI swap contracts comprised 83% of the settled oil price hedges in 2021 with the balance being WTI zero cost collar contracts. The hedged volume represented 87% of net production (70% of WI) production for 2021.

The majority of the hedge loss for 2021 resulted from hedge contracts taken out during the low oil futures pricing environment in 2020 and 2021.

During 2021, the Company executed additional oil price hedges (207,500 bbls for production to occur between January 2022 to December 2024) primarily using WTI zero cost collars.

The following hedges were in place as at 1 January 2022.

Australis Hedge Position	WTI Swaps		WTI Collars		
Qtr/Year	Volume	Protected Price	Volume	Protected Price (Put)[A]	Ceiling Price (Call)[A]
	000bbls	US$/bbl	000bbls	US$/bbl	US$/bbl
Q1/2022	31	$51.00	18	$45.83	$69.17
Q2/2022	13	$54.78	30	$43.50	$71.38
Q3/2022	19	$55.77	21	$43.57	$73.04
Q4/2022	9	$53.09	19	$45.00	$74.15
Q1 – Q4/2023	22	$55.05	50	$41.65	$66.01
Q1 – Q4/2024	14	$53.44	0		

A. Based on weighted average monthly price

Table 2: Australis' current WTI oil price hedge position as at 1 January 2022

The "mark to market value" of the hedge position as at 31 December 2021 was US$(2.8) million reflecting the higher 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 2022 consistent with Australis' hedging strategy to manage commodity price risk, however, the requirement to minimum hedge volumes under the Credit Facility has now ceased.

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.

RESERVES AND RESOURCES STATEMENT

Reserves

In previous years, for year end reserves evaluation purposes, Australis proposed modest development plans for a 5 year drilling program. These plans were provided to independent engineer, Ryder Scott, to assess the associated proved, probable and possible undeveloped reserves. These development plans were based on an appropriate projected well schedule at that time in nature and any recoverable volumes not developed within the modest drilling program was assigned as an undeveloped resource and as such was allocated to a low, mid or high case contingent resource category, subject only to a qualifying development plan.

As Australis has consistently advised, it has been seeking to introduce a partner in the TMS to help progress field development, as such, the Board decided for the 2021 year end reserve and resource evaluation to defer proposing a development plan. A development plan and an update to the undeveloped reserve assessment will be completed at time when there is more clarity on future development plans with partner(s).

This deferral of proposing a development plan has no impact the economic potential of the play. As shown in the Year End 2020 reserve report[2], which included a modest development program, the proved undeveloped reserves were economic even at the year end 2020 reserve report oil price of US$47.02/bbl.

Accordingly, for the year end 2021 reserve evaluation:

- Only developed reserves were considered, and
- Recoverable oil volumes from future wells (proposed in prior year's reserve evaluation) are currently allocated to contingent resources, subject to a development plan.

Table 3 below provides an update to the producing reserve estimates for YE2021

Reserve Category	Australis Reserves[1]		Net Oil YE2021 vs YE2020[2]
	Gross Oil (Mbbls)	Net Oil (Mbbls)	
Proved Developed Producing (PDP)	4,285	2,954	-19%
Proved Developed Not Producing (PDNP)	37	29	n/a
Proved Developed (1P)	**4,322**	**2,983**	**-18%**
Probable Developed Producing	1,038	690	+42%
Probable Developed Not Producing	1	1	n/a
Probable Developed Total	1,039	691	+42%
Proved + Probable Developed (2P)	**5,361**	**3,674**	**-11%**
Possible Developed Producing	1,304	866	+51%
Possible Developed Not Producing	0	1	n/a
Possible Developed Total	1,304	867	+51%
Proved + Probable + Possible Developed (3P)	**6,665**	**4,541**	**-4%**

Table 3

PDP Reconciliation

As at 31 December 2021, the PDP net reserve estimate(1) of 2.95 MMbbls is reconciled to the year end 2020 report below in Table 4. NPV(10) of the net PDP reserves volume is US$61.76 million, which is an increase of 30.7% from the year end 2020 value, predominantly due to the higher oil price assumption for the year end 2021 report of US$67.27/bbl (Year end 2020 assumed price of US$47.02/bbl)[2].

Description	Net Oil (Mbbl)
PDP Reserve (31/12/20)[2]	**3,656**
2021 Net Production	(301)
Technical Adjustment	(633)
Allocation to PDNP	(9)
Higher oil price	102
Operating cost	(6)
Changes to ownership	150
Other	3
PDP Reserve (31/12/21)[1]	**2,954**

Table 4: 2021 to 2020 PDP reconciliation

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

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

- There were two transactions during the last 12 months. Australis divested interests in Louisiana and purchased additional working interests in existing wells from a partner, the net affect adding 150,000 bbls.
- Two operated wells and two non-operated wells were moved from PDP to PDNP due to workover economics not meeting internal hurdles, which results in the wells being left shut in. This decision is under constant review and recent oil price increases may influence this decision.
- An improved oil price extends well economic limits and allows for a modest increase in recovered volumes.
- Technical revision – the re-forecast of some wells has led to a reduction in anticipated recoverable volumes resulting from productivity changes and has been influenced by increased down time encountered this year.
- Higher average calculated operating cost for non-operated wells (inclusive of workovers).
- There were then other non-material adjustments based on ownership.

Resources

For the year ended 2021, Ryder Scott have allocated the following net (after royalty) contingent resources to the Australis TMS interests based on the 98,000 net acres held within the TMS core area.

Contingent Resource Category	Oil (Mbbls)[1]	Oil YE2021 vs YE2020[2]	Gas (MMscf)[1]	BOE (Mboe)
Low Estimate (1C)	23,402	+13%	10,554	25,161
Best Estimate (2C)	148,985	-%	83,515	162,904
High Estimate (3C)	269,866	-%	184,253	300,575

Whilst there are no changes to the subsurface assumptions that are used to generate the contingent resource estimates in each resource category, the only material change is the acreage position that Australis holds (a reduction of approximately 10,000 acres from year end 2020) and this can be quickly increased with the application of capital to a targeted leasing program.

Notes

1. Contingent Resources and Reserves estimated with an effective date of 31 December 2021 are taken from the Independent Ryder Scott report dated 1 February 2022 and announced on 7 February 2022, titled "Reserve and Resource Update Year End 2021". 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[3].

2. Contingent Resources and Reserves estimated with an effective date of 31 December 2020 are taken from the Independent Ryder Scott report dated 29 January 2021 and announced on 5 February 2021, titled "Reserve and Resource Update Year End 2020". The report was prepared in accordance with the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management (SPE-PRMS) as revised in June 2018. Ryder Scott generated their independent reserve and contingent resource estimates using a deterministic method[3].

3. The deterministic method is based on qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk-based) approach estimates the quantities at each level of uncertainty discretely and separately.

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 "TMS Reserves and Contingent Resources" and the "Reserves and Resources Statement" 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.

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.

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.

The impact of the COVID-19 pandemic continued to effect global demand for oil and gas, and the market's expectations on future demand, throughout 2021. Although the oil price has risen from the lows in mid-2020 and stabilised through most of 2021, there is no certainty as to when, and to what degree, government-imposed COVID-19 restrictions will be fully eased. Further, there is no guarantee that the levels of transportation and other business activity that drive oil demand will fully recover to prior levels once those restrictions are lifted. In addition, periodic re-imposition of restrictions on transportation and business activities imposed by governments around the world due to the emergence of new variants of COVID-19 will negatively impact the global demand for oil in 2022. These factors could result in higher volatility in crude oil pricing that impact the Company's revenue and cashflows from production.

Management expects the COVID-19 pandemic may continue to influence our business, financial condition, and results of operations through the first half of 2022, and we are unable to predict the extent or nature of these impacts at this time. Management will continue to mitigate potential further crude oil volatility in 2022 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.

(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. In 2021, a number of hurricanes and an extreme flash freezing event impacting the Gulf of Mexico region resulting in increased downtime for Australis producing oil wells and negatively impacted oil productions. 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.

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

Abbreviation / Term	Description
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
C	Contingent Resources – 1C/2C/3C – low/most likely/high
Capex	Capital expenditure
CH_4	Methane
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
D, C & T	Drilling, Completion, Tie In and Artificial Lift
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
EHS	Environmental, Health and Safety
ESG	Environmental, Social and Governance
EUR	Estimated Ultimate Recovery per well
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
Gross	Means 100% (or 8/8ths) interest
HBP	Held by Production (lease obligations met)
IRR	Internal Rate of Return
LLS	Louisiana Light Sweet Oil Benchmark Price
LOE	Lease operating expenditure comprising fixed and variable costs
Mt or mt	Metric ton
N_2O	Nitrous oxide
Net Acres	Land the Company has leased and currently holds the mineral rights
Net or NRI	Working interest after deduction of Royalty Interests
Net Sales	Oil & gas sales net of royalties
NPV(10)	Net Present Value (discount rate), before income tax
Opex / Operating Costs	Field operating expenditure including LOE and WO
PDNP	Proved Developed Non-Producing, a subset of Proved Reserves
PDP	Proved Developed Producing, a subset of Proved Reserves
Permitted Drilling Units	Acreage within a formed and approved drilling unit but is yet to be HBP as a well has not been drilled and commenced production
PUD	Proved Undeveloped Producing

GLOSSARY

Abbreviation / Term	Description
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
Ryder Scott	Ryder Scott Company LP
TMS	Tuscaloosa Marine Shale
TMS Core	The Australis designated productive core area of the TMS delineated by production history
Type Curve	The estimated ultimate recovery (EUR) and associated production profile for a future development well location
WI	Working Interest
WO or WOE	Expense for "working over" / repairing an existing well.
WTI	West Texas Intermediate Oil Benchmark Price

NON-IFRS FINANCIAL MEASURES

References are made within this report to certain financial measures that do not have a standardised meaning prescribed by Australian Accounting Standards and International Financial Reporting Standards (collectively, IFRS). Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non–IFRS financial measures. 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 2021	31 December 2020
	US$'000	US$'000
Net (loss) after tax	(2,408)	(125,208)
Adjustments:		
Net finance expenses	1,906	2,931
EBIT	**(502)**	**(122,277)**
Depletion	1,641	434
Depreciation – production equipment	1,300	1,521
Depreciation	296	639
Impairment provision	-	126,710
EBITDA	**2,735**	**7,027**
Exploration expenditure	15	0
EBITDAX	**2,750**	**7,027**

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 2021	31 December 2020
	US$'000	US$'000
Net (loss) after tax	(2,408)	(125,208)
Adjustments:		
Depletion	1,641	434
Depreciation – production equipment	1,300	1,521
Depreciation	296	639
Finance expenses amortisation	753	885
Impairment provision	-	126,710
Value adjustment (Portugal Land)	(118)	
Share based payments	887	1,826
Unrealised foreign exchange (gain) / loss	347	(54)
Inventory adjustment	(58)	
Earnings excluding non-cash items	**2,640**	**6,753**

SUSTAINABILITY REPORT

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 will increasingly include 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 most 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 and are covered in this report. For 2021, we have expanded our reporting to include Scope 1 and Scope 2 Emissions in line with TCFD recommendations as well as our fiscal contribution to the community through royalties and severance tax payments and secondary economic impact arising from the use of vendors, employees and service contractors from within the local communities. We believe this expanded reporting provides the reader with an improved insight into the various forms of interaction that occur.

PURPOSE AND VALUES

The Company detailed its Purpose and Values in the 2019 Annual Report, and they are consistent with the corporate business strategy and culture which has been implemented since the Company was formed in 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 has been establishing the Company's EHS performance as the overarching financial multiplier within the Company's annual Short-Term Incentive Plan ("STI Plan"), scaling the achieved bonus amounts up or down based on EHS performance. This was first introduced in 2018 and has continued each subsequent year, including 2021. Under the STI Plan, the EHS multiplier, which ranges from 60% (poor performance) to 140% (excellent performance), is applied to 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 2021 and preceding years. Australis has adopted a new CO_2 Emissions target to be included in the EHS multiplier assessment for the STI Plan in 2022.

ENVIRONMENT

Climate Change

The Australis Board and management acknowledge that CO_2 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. Therefore, 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.

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

	Transitional Risks	Possible Impact	Time Frame
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 2022 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 2020, Australis participated in the US Federal Environmental Protection Agency's (EPA) Greenhouse Gas (GHG) Reporting Program by submitting data on operations. At the date of the 2020 Annual Report, the 2020 data was not available but is included in this report together with 2019 data. In addition, Australis has been able to prepare and include its 2021 data in this report.

Australis produced the following gross volumes during 2019, 2020 and 2021 (note these are production volumes and not sales volumes) from our operated assets in Mississippi (approximately 99% of production).

	Oil Production (bbls)	Gas Production (MMscf)	Total Production (boe)	Water Production (bbls)
2019	850,172	438	923,168	763,100
2020	508,906	346	566,565	509,614
2021	415,988	305	466,852	558,704

Australis generated the following Scope 1 GHG gross emission volumes from our operations in 2019, 2020 and 2021.

Scope 1 Emissions	2019	2020	2021
mt CO_2e	57,537	34,625	29,461
Scope 1 Intensity			
mt CO_2e /bbl of oil equivalent	0.0677	0.0611	0.0631

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.

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 and for the Perth, Houston and field offices. The table below summarises Scope 1 and Scope 2 Emissions for 2021.

		2021
Scope 1 Emissions	mt CO_2e	29,461
Scope 2 Emissions	mt CO_2e	87
Scope 1 & 2 Emissions	mt CO_2e	29,548
Production	bbl of oil equivalent	466,852
Scope 1 & 2 intensity	mt CO_2e /bbl of oil equivalent	0.0633

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 approximately 1 bbl of saline water for each bbl of oil. The volumes for 2019, 2020 and 2021 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 continues to take 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.

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

The following table provides a summary of the spill performance of Australis operations in 2020 and 2021

	2020	2021
Non-reportable spills[1]	8	1
Reportable spills[2]	1	1
Oil volume spilled inside containment (bbls)	0	135
Oil volume spilled outside containment (bbls)	13.4	0.4
Produced water spill volume (bbls)	10.7	0

[1] Non-Reportable Spill: >1 gal but below the government reporting threshold of one bbl of oil or five bbl of water on land

2 Reportable Spill: meets a government reporting threshold of one bbl of oil or five bbl of water on land

2021 EHS Performance

In 2021, Australis met or exceeded all EHS related targets under the STI Plan. Throughout the year there were no reportable safety incidents, one non-reportable spill and one reportable spill. The reportable spill, a total of 135 bbls oil, was caused by a leak in a storage tank. This spill was entirely contained within the collection system which surrounds the Company's oil storage tanks and did not enter the environment. As described above the spill was immediately addressed through existing containment and remediation procedures adopted by the Company that meet or exceeded industry standards. The minor non-reportable spill (of 0.4 bbl) did occur outside of containment, but did not enter the environment, and immediate remediation was effected to the same standards as a reportable spill. 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 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 2021 the Australis team logged a total of 642 SOS forms, which were assessed with less than 1% being considered high risk, 21% medium risk and 78% low risk. 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 2020 and 2021.

	Incident Type	2020	2021
Employees	Near Miss	0	0
	First Aid	0	0
	OSHA Recordable[1]	0	0
	Lost Time	0	0
	Lost Time Days	0	0
	TRIR[2]	0.00	0.00
	Hours Worked	46,508	40,501
Contractors[3]	Near Miss	0	1
	First Aid	0	0
	OSHA Recordable	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 but notes that activity levels were lower during 2021.*

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 192,821 miles in 2021 (252,228 miles in 2020) without any incidents and compiled an average score (measuring the above mentioned driving behaviours) from the third-party monitoring system of 96%, which corresponds to a low risk assessment performance

2021 was a challenging year because of the continued impact of COVID 19, and Australis has implemented regimes and processes aimed at protecting staff whilst maintaining production operations. Whilst COVID 19 did directly impact some staff, these workplace processes enabled a safe working environment and 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 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, although this was scaled back for non-mandatory requirements in 2020 and 2021 due to COVID.

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.
- In previous years Australis has carried out Emergency Response drills in collaboration with local authorities. Due to COVID and the reduced activity levels in the field it was not carried out during 2021 but will be reinstated on an annual basis when pandemic risks recede.
- In 2021, the Australis team actively supported the local emergency response and recovery effort in Mississippi following Hurricane Ida which caused significant damage by assisting in road clearing and debris removal.
- 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 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 has been seen across many industries due to the impact of COVID 19, as well as contractual changes from our oil offtaker, it was more difficult and expensive to split loads during the year. As a way of managing this, oil inventories in on site storage on average increased before loads were picked up and trucked during the year. The table below provides a breakdown of the total oil hauled during 2020 and 2021 showing the individual pickups from well locations ('load tickets') and the average oil volume per load ticket.

Year	Total Oil Gross Hauled (bbl)	Number of load tickets	Average bbl oil per ticket
2020	510,916	3,041	168
2021	413,529	2,295	180

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

Fiscal impact on the local community

Australis sold 413,529 bbl of oil (gross) during 2021, it managed from the operated production from 37 wells across 20 sites, of which 17 sites are in Mississippi. This level of activity generated some significant fiscal benefits to the local community, which included:

- $4.78 million paid in royalties to local mineral rights owners
- $4.07 million spent with local Mississippi vendors and contractors
- $1.87 million spent with local Louisiana vendors and contractors
- $1.42 million paid in production taxes to local Mississippi and Louisiana authorities.

These are significant sums and total in excess of $12 million contributed to the local communities during 2021, 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' Audit and Risk Management Charter is available via the Company's website.

Operational Risk Management

Australis' risk management initiatives extend beyond our employees, to include our contractors. An example of this is Australis' use of 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.

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 2021.

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 2021 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 2021 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	Options	Performance Rights	Fee Rights
J Stewart	76,335,002	15,000,000	-	9,965,940
I Lusted	18,303,161	6,000,000	7,807,456	9,861,125
G Dowland	17,778,612	5,000,000	5,752,132	7,019,458
A Watson	4,795,715	-	-	2,717,975
S Scudamore	496,002	-	-	2,717,975

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, CA

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. Mr. Dowland is a qualified Chartered Accountant.

Other current directorships of Australian listed public entities

None

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

None

Special responsibilities

None

Mr Alan Watson – Non-Executive Director

Qualifications – B.Sc (Hons.)

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

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

Other current directorships of Australian listed public entities

Pinnacle Investment Management Group Limited

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

None

Special responsibilities

Chairman of the Remuneration and Nomination Committee

Member of the Audit and Risk Management Committee

Mr Stephen Scudamore – 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

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 directors		Meetings of committees			
			Audit		Remuneration	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Jonathan Stewart	6	6	5	5	4	4
Ian Lusted	6	6	-	-	-	-
Graham Dowland	6	6	-	-	-	-
Alan Watson	6	6	5	5	4	4
Steve Scudamore	6	6	5	5	4	4

In addition to the above formal meetings there were a number of informal meetings held throughout the year to discuss a variety of operational and strategic matters. The Board and Committees also resolved several actions by circular resolution. A total of 12 Board resolutions, 3 Audit Committee resolutions and 2 Remuneration Committee resolutions were resolved by circulatory resolution during 2021.

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 2021 (2020: Nil).

420,000 unlisted options exercisable at A$0.275 expired unexercised on 24 May 2021, 20,000,000 unlisted options exercisable at A$0.49 and 10,000,000 unlisted options exercisable at A$0.51 expired unexercised on 30 June 2021 and 420,000 unlisted options exercisable at A$0.3125 expired unexercised on 30 November 2021.

Shares issued on the exercise of performance rights

The following vested performance rights were exercised and settled during the year ended 31 December 2021 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.

Grant Date	Year Ended 31 December 2021 Number exercised	Year Ended 31 December 2021 Exercise Price	Year Ended 31 December 2020 Number exercised	Year Ended 31 December 2020 Exercise Price
Performance Rights - 2017 LTI Award	157,948	-	932,506	-
Performance Rights - 2018 LTI Award	1,338,757	-	1,796,402	-
Performance Rights - 2019 LTI Award	594,730	-	480,582	-
Performance Rights - 2020 LTI Award	1,877,223	-	-	-
Fee Rights B (in lieu of 2020 cash remuneration)	19,921,259	-	-	-
Total Shares	**23,889,917**		**3,209,490**	

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 2021	Year Ended 31 December 2020
Expired	-	-
Exercised to meet Employee tax obligations	7,997,341	593,621
Forfeited (failed to meet Performance conditions)	2,724,629	808,206
Forfeited (failed to meet Continued employment)	82,669	5,958,803
Total	**10,804,639**	**7,360,630**

Details of all options, performance rights and fee rights on issue and their terms and conditions as at 31 December 2021 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 2020 STI for was part settled in ordinary shares in lieu of cash. 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$0.0495 per share. The Executive Directors did not receive shares or cash in lieu of their 2020 achieved STI.

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 2021, (2020: Nil) no dividends have been paid or declared and the directors do not recommend the payment of a dividend in respect of the financial period.

Events after the reporting date

Other than disclosed, no event has occurred since 31 December 2021 that would materially affect the operations of the Group, the results of the Group or the state of the affairs of the Group not otherwise disclosed in the Group's financial statements.

Likely developments

Refer to the Business Development section on page 15 of the Business Strategy, TMS Asset and 2021 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 33 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 2022

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 2021.

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:

REMUNERATION REPORT

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

Dear Fellow Shareholders

As you will have read earlier in this Annual Report, at the beginning of 2021 the effects of the COVID-19 global pandemic were continuing to effect the Oil and Gas industry both from a demand and operational perspective. However, during the year conditions gradually improved, bringing a higher level of confidence to the industry. WTI oil prices increased by over 50% during the year and US unconventional drilling activity has begun to increase particularly with the announcement of 2022 budgets.

Australis continued to manage and safeguard its TMS asset during 2021 in order to take advantage of an improving environment in which to attract capital and partners necessary to develop and unlock the asset value.

As previously stated, the Company commenced 2021 retaining its financial discipline including within its remuneration structure. Shareholders will recall that the Company entered the year continuing with the reductions in fixed cash remuneration which had been established in 2020, and which had averaged 37% for Executive Directors. With the improving environment, particularly in the US, the fixed remuneration for non KMP was reinstated in mid 2021 to the pre-pandemic levels. Executive KMP's fixed remuneration was only partially reinstated, together with a portion of the reinstatement conditional upon achieving the goal relating to TMS development via the introduction of a partner or capital in 2022.

As a result of the continued improving sentiment within the US oil and gas industry and, in particular, the increase in TMS activity by third parties during 2021, Australis implemented various retention components for key personnel, excluding Executive Directors, in addition to the existing Remuneration structure of fixed, short term and long-term incentives. These are detailed at page 54.

Your non-executive directors continued in 2021 to receive their fees in an equal split of cash and equity as part of cash conservation efforts.

Short Term Incentive Remuneration (STI)

The targets and goals established for 2021 were, as in previous years, subjected to a scaling factor based on achieving the higher priority safety and environmental goals. It is pleasing that the groups outstanding record in safety and environment continues to be achieved.

Objectives for 2021 focussed primarily on partnering and financing for TMS development activity and the various elements associated operational cashflow. The weighting of these incentives varied between management and staff, with Executive KMP weighted 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 22% and 36% of their available incentives.

Further aligning of KMP and senior management with shareholders, as well as to continue to conserve cash, between 100% and 50% of the earned 2021 incentives will be paid in equity.

Long Term Incentive Plan (LTI)

The 2021 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 2021 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.

Due to the prevailing share price at year end, none of the 6.9 million Performance Rights subject to share price testing from the 2019, 2020 and 2021 LTI Awards vested at the end of the 2021 year. Accordingly, all 8.7 million Performance Rights that vested for the 2021 year to staff related to their satisfying the condition of continued employment.

As the time of writing in early 2022, the US oil and gas industry outlook is more positive than it has been for several years. Whilst the Australis remuneration structure for 2022 remains similar to 2021, your board will react and adopt appropriate changes as necessary to retain and incentivise the management team and staff to execute the Company's strategy, particularly securing appropriate partnering and / or financing arrangements.

Alan Watson
Chair Remuneration and Nomination Committee
24 February 2022

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 2021 the RNC was comprised of Independent non-Executive Directors: Mr Alan Watson (Chair) and Mr Steve Scudamore and non-Executive Chairman Mr Jonathan Stewart whose qualifications are set out within the Directors Report at page 42-44.

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 however remuneration benchmarking for all KMP was undertaken by management through a comparison to peer companies in the US and Australia of a similar size, industry and complexity.

3.5 2021 Overview

During 2021 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 not granted under the Incentive Plan however were approved by Shareholders at the May 2021 Annual General Meeting.

During 2021 a discretionary award of performance rights was made to Executive Directors to recognise their continued support for the Company policy to preserve cash. The two Executive Directors reduced their base salary by 60% and 55% respectively in 2020 and voluntarily forfeited their 2020 achieved STI's of $40,674 and A$36,523 respectively. As a result an additional 750,000 discretionary performance rights were granted to Mr Lusted and 650,000 discretionary performance rights were granted to Mr Dowland under the 2021 LTI Plan Award with a vesting date of 31 January 2022 subject to continuous service. The CEO and CFO's base salaries were partially reinstated in mid 2021 to the pre COVID-19 levels however, 26% and 15% of their reinstated base salaries respectively are not payable until certain goals related to securing partners and finance are achieved during 2022.

In order to further conserve cash the Board has also determined that a proportion of the achieved 2021 short term incentives for executives and senior employees including Executive Directors will be settled by way of the issue of ordinary shares under the Incentive Plan (STI Shares).

The 2021 '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 financial liquidity, business development strategy, meeting productivity, production general expenditure, and reserve and resource targets, whilst maintaining the Company culture and commitment to achieving high rates of safety measured with reference to injury time, safety and environmental standards and vehicle use customary for onshore oil & gas operations.

Operational safety and environmental standards continued to be maintained at high levels 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 11 May 2021, the remuneration report for the financial year ended 31 December 2020 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. If all outperformance stretch targets are achieved this increases to 106.3% of available STI.
Other KMP	• 90% of available STI is linked to measurable corporate targets and goals. If all outperformance stretch targets are achieved this increases to 97% of available STI. • 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 with the overall result being a range with a maximum of an increase of up to 40% of achieved STI for achieving all EHS targets or reduction of up to 40% of achieved STI depending on the extent and number of EHS targets missed.

- **"at risk" long term incentives** with shareholder objectives through the grant of share-based incentives with performance hurdles. Prior to 2016, long term incentives were provided to Executive KMP (also founders of the Company) through the grant of non-transferable options, subject to vesting requirements linked to continued employment. Long term incentives were granted to Executive KMP under the LTI Plan from 2017 as set out herein other than Executive Directors who did not receive a grant for 2017. For 2021 the long term incentives offered to Executive KMP were subject to continued employment and performance hurdles (for between 50% and 75% of the grant) that include minimum absolute shareholder return ("TSR") and are benchmarked to a peer group that could be considered as an alternative investment to Australis.

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

The re-approval of the Incentive Plan will be included in the Agenda for the 2022 Annual General Meeting.

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.
- On 1 July 2021 as a result of the improving conditions in the oil and gas industry the Board agreed to reinstate salary reductions implemented in 2020 as a result of the impact of COVID-19. Whilst base salaries were partially reinstated for Executive Directors, 46% and 27% of the reinstated base salary for the CEO and CFO respectively is conditional and not payable until achievement of certain Company goals during 2022. The CCO's base salary was also reinstated as well as receiving a 10% increase to the reinstated base salary, however 23% of this revised based salary is similarly not payable and subject to achievement of certain Company Goals during 2022. In addition, the VP Operations was awarded an increase in base salary to reflect an increase in responsibility for US Operational and Corporate activity during the pandemic. The revised base remuneration, including the conditional component, remains 15% and 8% respectively lower than the CEO and CFO base remuneration on 31 October 2019. Changes in base remuneration are set out below.

	Base Salary				
	1 Jan 2020[1]	1 Jan 2021	1 Jul 2021		
Executive KMP			Unconditional	Conditional[3]	Total
CEO	A$400,000	*A$240,000*	A$314,000	A$111,000	A$425,000
CFO	A$304,000	*A$197,600*	A$296,660	A$53,340	A$350,000
COO	C$290,160	*C$241,790*	C$300,000	C$54,640	C$354,650
VP Operations[2]	US$250,000	*US$187,500*	US$300,000	US$0	US$300,000

1. *The CEO and CFO reduced their salaries by 20% from A$500,000 and A$380,000 respectively on 1 November 2019 as the Company commenced internal restructuring to conserve cash due to the prevailing low oil price environment that occurred in 2019.*
2. *The base remuneration of the VP operations was increased from US$187,500 to US$206,250 on 1 January 2021 and further increased to US$300,000 on 1 July 2021.*
3. *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 is deferred subject to achievement of the above goals during 2022. If these are not achieved, the conditional component of each executives base salary is forfeited and the base salary is reduced to the unconditional component.*

4.2.1 Fixed remuneration (continued)	
Post-employment benefits	• Superannuation Guarantee contributions are made for Australian - based Executive KMP at 10% of the base salary • USA - based Executive KMP receive a contribution towards "401k" retirement plans which matches their own contributions to such plans. In 2021, 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 2021 the contribution to RRSP was C$8,000 (2020: C$7,821). • In January 2021, a 2% one-off employer only 401k contribution was made to US employees including the VP Operations based on total cash remuneration (base plus STI subject to IRS limits) for 2020. • 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 2021, 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, for Other KMP only, of individual performance for 2021. • The maximum amount of STI awarded to Executive KMP is expressed as a percentage of their 2021 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 106.3% of their available STI is linked to corporate performance. For Other KMP 97% of their available STI is linked to corporate performance. Maximum availability assumes all stretch targets achieved. 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 2021 Company performance was assessed based on weighted components that included:

Corporate KPI's		As a % of target STI Target (2)	Range (subject to minimum threshold achievement) Base (2)	 Stretch (2)	EHS Multiplier (1)
1. Goals aligned to TMS partnering, financing and development activities	Executive Directors	70%	n/a	70%	
	Other KMP	60%	n/a	60%	
2. Target relating to general and administrative expenditure	Executive Directors	10%	5%	10%	
	Other KMP	8%	4%	8%	
3. Target relating to production from existing operated wells	Executive Directors	10%	5%	12.5%	
	Other KMP	10%	5%	12.5%	
4. Target relating to production expenses	Executive Directors	6%	3%	9%	
	Other KMP	7%	3.5%	10.5%	
5. Target relating to maintaining / increasing reserves and resources	Executive Directors	4%	2%	4.8%	
	Other KMP	5%	2.5%	6%	
Total not greater than	**Executive Directors**	**100%**	**85%**	**106.3%**	**0.6 to 1.4 x**
	Other KMP	**90%**	**75%**	**97%**	**0.6 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 0.6 to 1.4 times, dependent on the level of achievement of EHS targets, will be applied to the achieved STI %.

(2) At the end of the financial year, the RNC determined the corporate KPI outcomes based on the allocation (set at the commencement of the year) appropriate to the Company's activity during 2021 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.*

4.2.2 Short term incentives (continued)	
Performance conditions	• 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 2021 Annual Financial Statements.
2021 Achievement	• The Group's performance in 2021 was deemed satisfactory. The corporate goals for 2021 continued to be impacted by COVID-19 uncertainty, and accordingly, not all corporate targets were achieved. 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 a successful capital raising, effective cost control and achievement of budgeted income streams. • In assessing the achievement of the 2021 Award the RNC took into account the changes during the year in the oil & gas industry, oil price and the general limitations on normal operations as a result of the COVID-19 pandemic. The RNC recognise the continued effort and achievement of its employees in 2021 and have determined that the achieved STI will be settled in full. As in the previous year in order to conserve cash, settlement of the achieved STI for Executive KMP and senior management will be by cash and / or ordinary shares, and payable after the release of the 2021 Annual Financial Statements. For the 2021 award the CEO and CFO will not receive any of their achieved STI in cash, all will be in ordinary shares. For Other Executive KMP their achieved STI will be settled 30% in cash with balance in ordinary shares. • Corporate Goals- The Goals for 2021 included balance sheet strengthening, partnering 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 2021 the restrictions imposed in jurisdictions to try to contain COVID-19 have again made negotiations challenging for a large proportion of the year. The easing of restrictions worldwide toward the end of 2021 and the improving industry environment is expected to facilitate more, and in person, negotiations during 2022. • Corporate Targets – 1. General and administrative expenses for 2021 met the base target performance requirements. General and administrative expenses for 2021 were 9% lower than for 2020 due to the maintenance of cost saving initiatives implemented during 2020 and continued into 2021. 2. Oil productivity in 2021 from all wells on production at the commencement of 2021 met the minimum target performance requirement linked to the independent reserves production estimate 3. Production expenses in 2021 met the base target 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 (adjusted for the planned shut-ins during 2020) . 4. Reserves and Resources as at 31 December 2021 met the minimum performance target requirement being the maintenance of independent assessed reserves and resources relative to the TMS Core acreage. Please refer to the Reserves and Resources Statement on pages 20-22 of the Annual Report for disclosure of the independently assessed reserve and resource results.

4.2.2 Short term incentives (continued)

2021 Achievement

- The STI Targets and achieved awards for the year ended 31 December 2021 were as follows:

Executive KMP	Maximum Available STI*		STI not Achieved and Forfeited		STI Achieved and payable [3]	
Directors	US$ [1]	% of Base Salary	US$ [2]	% of Maximum Available STI	US$ [2]	% of Maximum Available STI [3]
I Lusted	224,398	111.62%	175,001	78%	49,397	22%
G Dowland	173,507	96.73%	135,313	78%	38,194	22%
Other						
D Wasylucha	142,765	67.41%	94,333	66%	48,432	34%
D Greene	151,673	59.92%	97,383	64%	54,290	36%

* *Includes stretch targets and maximum EHS multiplier.*
(1) *Maximum Available STI calculated on average base salary for 2021.*
(2) *Inclusive of superannuation (Australian KMP) and 401k (US KMP) where applicable.*
(3) *STI achieved and payable represents the STI payable.*
(4) *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 with the overall result being a range of a maximum of an increase of up to 40% of achieved STI for achieving all EHS targets or reduction of up to 40% of achieved STI depending on the extent and number of EHS targets missed. For 2021 the EHS multiplier stretch target was achieved. Whilst there was reportable spill within containment (i.e. environmental protected area) and two non-reportable spills were recorded for the year, the Company's active group wide safety observation proactive measures (minimum being 30 written safety observations/ recommendation per month over a rolling 4 month period for 2020), allowed one incident only per year clawback to be utilised. Irrespective of this clawback, the maximum increase to the achieved STI was recorded.*

The STI achieved will be settled as follows:

Executive KMP	STI Achieved US$	Cash Settlement US$	Share Settlement [1] US$
I Lusted	49,397	-	49,397
G Dowland	38,194	-	38,194
D Wasylucha	48,432	14,530	33,902
D Greene	54,290	16,287	38,003

(1) *Represents the value of the STI achieved to be settled in ordinary shares after the lodgement of the 2021 Annual Financial Report. The number of ordinary shares to be issued in settlement will be based on the five day volume weighted average price prior to the date of grant*
(2) *The fair value of the ordinary shares issued will be calculated in accordance with AASB 2 Share Based payments. The fair value of the grant may differ to the A$ share settlement.*

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 29 April 2019. 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 2021 LTI award (and 2020 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.
(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 2021 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, the awards to be vested for the CEO and CFO.

The 2021 Award included the grant of 750,000 and 665,000 discretionary performance rights to the CEO and CFO respectively to compensate for reduced cash compensation in 2020. This award was approved by Shareholders in General Meeting in May 2021. The discretionary performance rights are subject to service conditions only and vest on 31 January 2022.

4.2.3 Long term incentives (continued)	
Awards	• The following performance rights were granted pursuant to the annual LTI awards to Executive KMP in 2021 (and 2020):

Executive KMP	2021 Performance Rights Grant	2020 Performance Rights Grant
Ian Lusted [1]	3,536,070	3,835,616
Graham Dowland [1]	2,958,864	2,498,630
Darren Wasylucha	1,842,371	1,958,027
David Greene	1,786,816	1,838,726

(1) The 2021 Performance Rights granted to Messrs Lusted and Dowland include 750,000 and 665,000 discretionary performance rights respectively. The discretionary performance rights are subject to service conditions only and will vest on 31 January 2022.

- The terms and conditions of the 2021 and 2020 LTI Awards are set out in Section 6 of this Report.
- The fair value of the 2021 LTI Awards were calculated by RSM Australia Pty Ltd and will be expensed over the vesting periods commencing in the 2021 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 2021, 50% of the NEDs base and additional fees (2020: 83.33% of the Chair base fee and 50% of the base and additional fees for other NEDs) 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 2021. 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 2021 (2020: 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 non-Executive Directors (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 non-Executive Directors.

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 2021:

Table 3: Lapse of unexercised options in 2021

Director	Number	Date Granted	Date Vested	Expiry Date	Exercise Price
Alan Watson	420,000	24 May 2016	24 May 2019	24 May 2021	0.2750
Steve Scudamore	420,000	30 Nov 2016	30 Nov 2019	30 Nov 2021	0.3125

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 2021 LTI Award	21 May 2021	1 (2)	31 Jan 2022	31 Jan 2024	Nil	A$0.0430	Service condition (3)	N/A
						A$0.0278	Performance hurdle 1 (4)(8)	
						A$0.0179	Performance hurdle 2 (7)(8)	
		2 (2)	31 Jan 2023	31 Jan 2025	Nil	A$0.0430	Service conditionn (3)	N/A
						A$0.0275	Performance hurdle 1 (4)(8)	
						A$0.0187	Performance hurdle 2 (7)(8)	
		3 (2)	31 Jan 2024	31 Jan 2026	Nil	A$0.0430	Service condition (3)	N/A
						A$0.0241	Performance hurdle 1 (4)(8)	
						A$0.0171	Performance hurdle 2 (7)(8)	
Fee Rights A	21 May 2021	1	31 Jan 2022	31 Jan 2024	Nil	A$0.0430	Service condition (3)	N/A
Performance Rights 2020 LTI Award	25 June 2020	1 (2)	31 Jan 2021 (11)	31 Jan 2023	Nil	A$0.029	Service condition (3)	38%
						A$0.0186	Performance hurdle 1 (4)(8)	
						A$0.0241	Performance hurdle 2 (7)(8)	
		2 (2)	31 Jan 2022 (11)	31 Jan 2024	Nil	A$0.029	Service condition (3)	N/A
						A$0.0188	Performance hurdle 1 (4)(8)	
						A$0.0247	Performance hurdle 2 (7)(8)	
		3 (2)	31 Jan 2023 (11)	31 Jan 2025	Nil	A$0.029	Service condition (3)	N/A
						A$0.0172	Performance hurdle 1 (4)(8)	
						A$0.0231	Performance hurdle 2 (7)(8)	

Type of grant	Grant date	Tranche	Vesting Date	Expiry date	Exercise Price	Value per right at grant date[1]	Vesting condition	Vested
Fee Rights A	25 June 2020	1	31 Jan 2021 [11]	31 Jan 2023	Nil	A$0.029	Service condition [3]	100%
Fee Rights B	25 June 2020	1	31 Jan 2021 [11]	31 Jan 2023	Nil	A$0.029	Service condition [3]	100%
Performance Rights-2019 LTI Award	1 May 2019	1 [2]	31 Jan 2020 [11]	31 Jan 2022	Nil	A$0.28	Service condition [3]	33%
						A$0.172	Performance hurdle 1 [5][8]	
						A$0.148	Performance hurdle 2 [7][8]	
		2 [2]	31 Jan 2021 [11]	31 Jan 2023	Nil	A$0.28	Service condition [3]	33%
						A$0.171	Performance hurdle 1 [5][8]	
						A$0.150	Performance hurdle 2 [7][8]	
		3 [2]	31 Jan 2022 [11]	31 Jan 2024	Nil	A$0.28	Service condition [3]	N/A
						A$0.149	Performance hurdle 1 [5][8]	
						A$0.135	Performance hurdle 2 [7][8]	
Performance Rights-2019 Senior Executive Award (excluding Executive Directors)	1 May 2019	1 [10]	1 Jan 2022 [11]	1 Jan 2024	Nil	A$0.012	Service condition [9]	N/A
							Performance hurdle [9]	
		2 [10]	1 Jan 2022 [11]	1 Jan 2024	Nil	A$0.020	Service condition [9]	N/A
							Performance hurdle [9]	
		3 [10]	1 Jan 2022 [11]	1 Jan 2024	Nil	A$0.024	Service condition [9]	N/A
							Performance hurdle [9]	

Type of grant	Grant date	Tranche	Vesting Date	Expiry date	Exercise Price	Value per right at grant date(1)	Vesting condition	Vested
Performance Rights-2018 LTI Award	25 May 2018	1 (2)	31 Jan 2019 (11)	31 Jan 2021	Nil	A$0.405	Service condition (3)	96%
						A$0.386	Performance hurdle 1 (6)(8)	
						A$0.331	Performance hurdle 2 (7)(8)	
		2 (2)	31 Jan 2020 (11)	31 Jan 2022	Nil	A$0.405	Service condition (3)	33%
						A$0.362	Performance hurdle 1 (6)(8)	
						A$0.313	Performance hurdle 2 (7)(8)	
		3 (2)	31 Jan 2021 (11)	31 Jan 2023	Nil	A$0.405	Service condition (3)	33%
						A$0.331	Performance hurdle 1 (6)(8)	
						A$0.284	Performance hurdle 2 (7)(8)	

(1) *The value at grant date of performance rights granted are calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.3 of the Financial Report for details of the assumptions used in calculating the value of each performance right as at their effective grant date.*
For Executive KMP a percentage (see note 4 below) of each tranche of Performance Rights granted under the 2018, 2019, 2020 and 2021 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 2021 and 2020 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 2020 and 2019 respectively to the VWAP of the Company for the month of December prior to the particular Vesting Date.*

Vesting Schedule – Absolute TSR – 2021 and 2020 Grant

ATS TSR increase compared to December VWAP prior to grant*	0% to < 5%	5% to < 10%	10% to < 15%	15% to < 20%	20% to < 25%	25% to < 30%	30% to < 40%	40%+
Vesting date for:	% of Absolute TSR tested tranche that vests							
Tranche 1**	10%	20%	40%	60%	80%	100%	100%	100%
Tranche 2***	5%	10%	20%	40%	60%	80%	100%	100%
Tranche 3****	0%	5%	10%	20%	40%	60%	80%	100%

* *being December 2020 for 2021 Award and December 2019 for 2020 Award*

** *being 31 Jan 2022 (December 2021 VWAP) for 2021 Award and 31 January 2021 (December 2020 VWAP) for 2020 Award*

*** *being 31 Jan 2023 (December 2022 VWAP) for 2021 Award and 31 January 2022 (December 2021 VWAP) for 2020 Award*

**** *being 31 Jan 2024 (December 2023 VWAP) for 2021 Award and 31 January 2023 (December 2022 VWAP) for 2020 Award*

(5) *The following vesting conditions will be assessed for the Executive KMP on the Vesting Date for the 2019 LTI Award:*

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

Vesting Schedule – Absolute TSR – 2019 Grant

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

(6) *The following vesting conditions will be assessed for the Executive KMP on the Vesting Date for the 2018 LTI Award:*

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

Vesting Schedule – Absolute TSR – 2018 Grant

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

(7) *The following vesting condition will be assessed on the Vesting Date for Executive KMP for the 2018, 2019, 2020 and 2021 LTI Awards:*

- *Performance hurdle 2*
  - *2018 LTI Award: up to 37.5% for Executive Directors, 30% for the CCO and 10% for the VP Operations of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's December 2017 VWAP) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 9.2. Each peer company's TSR is calculated by comparing its VWAP for the month of December prior to the current Vesting Date with its December 2017 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.*
  - *2019 LTI Award: up to 18.75% for Executive Directors, 15% for the CCO and 5% for the VP Operations of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's December 2018 VWAP) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 9.2. Each peer company's TSR is calculated by comparing its VWAP for the month of December prior to the current Vesting Date with its December 2018 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of awards that will vest on a particular Vesting Date, as set out in the table below.*
  - *2020 and 2021 LTI Award: up to 18.75% for Executive Directors, 15% for the CCO and 12.5% for the VP Operations of the relevant tranche of the award that may vest on a particular Vesting Date will vest in accordance with the following vesting schedule dependent on the relative TSR Performance of the Company (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date and the Company's December 2019 and 2020 VWAP respectively) with the TSR performance of a selected peer group of ASX listed companies for the same period as listed in section 9.2. Each peer company's TSR is calculated by comparing its VWAP for the month of December prior to the current Vesting Date with its December 2019 and 2020 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 2021 LTI	LTI Vesting for the Relative TSR portion of the 2019 and 2020	LTI Vesting for the Relative TSR portion of the 2018 LTI
1st	100.0%	100.0%	100.0%
2nd	80.0%	83.3%	87.5%
3rd	60.0%	66.7%	75.0%
4th	40.0%	50.0%	62.5%
5th	20.0%	33.3%	50.0%
6th	0.0%	16.7%	37.5%
7th	0.0%	0.0%	25.0%
8th	0.0%	0.0%	12.5%
9th	0.0%	0.0%	0.0%

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

(9) The following vesting condition will be assessed on the Vesting Date for the Other KMP (Executive Directors did not participate) for the 2019 Senior Executive Award:

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

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

(10) Tranche 1 – 40% of total performance rights awarded
Tranche 2 – 40% of total performance rights awarded
Tranche 3 – 20% of total performance rights awarded

(11) Performance rights can only be exercised if they have vested and can be exercised for two years from the date of vesting other than for North American based KMP (the two year exercise period does not apply). Upon exercise each performance right is convertible into one ordinary share which will rank equally with all other issued ordinary shares.

(12) Performance rights carry no dividend or voting rights.

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 2021:

Table 5: KMP share-based awards granted, vested or forfeited during 2021

	Award	Grant date	Grant value[1] (A$)	Number granted	Number vested during year	Number forfeited during year
Non-Executive Directors						
Jonathan Stewart	Fee Rights A - 2020	25 June 2020	-	-	7,927,458	-
	Fee Rights A – 2021[3]	21 May 2021	95,809	2,038,482	-	-
Alan Watson	$0.275 Options (Series B, C and D)	24 May 2016	-	-	-	420,000
	Fee Rights A- 2020	25 June 2020	-	-	1,902,583	-
	Fee Rights A – 2021[4]	21 May 2021	38,323	815,392	-	-
Steve Scudamore	A$0.3125 Options (Series A, B and C)	30 November 2016	-	-	-	420,000
	Fee Rights A- 2020	25 June 2020	-	-	1,902,583	-
	Fee Rights A – 2021[5]	21 May 2021	38,323	815,392	-	-
Executive Directors						
Ian Lusted	2018 LTI Award	25 May 2018	-	-	197,675	898,801
	2019 LTI Award	1 May 2019	-	-	79,365	-
	2020 LTI Award	25 June 2020	-	-	171,199	-
	Fee Rights B	25 June 2020	-	-	9,861,125	-
	2021 LTI Award[2]	21 May 2021	124,434	3,536,070	-	-
Graham Dowland	2018 LTI Award	25 May 2018	-	-	139,535	634,447
	2019 LTI Award	1 May 2019	-	-	51,701	-
	2020 LTI Award	25 June 2020	-	-	111,524	-
	Fee Rights B	25 June 2020	-	-	7,019,458	-
	2021 LTI Award[2]	21 May 2021	104,683	2,958,864	-	-
Other KMP						
Darren Wasylucha	2018 LTI Award	25 May 2018	-	-	151,363	344,114
	2019 LTI Award	1 May 2019	-	-	54,824	-
	2020 LTI Award	25 June 2020	-	-	125,859	-
	Fee Rights B	25 June 2020	-	-	3,539,091	-
	2020 STI Shares[7]	15 March 2021	15,652	316,204	316,204	-
	2021 LTI Award[2]	21 May 2021	94,187	1,842,371	-	-

	Award	Grant date	Grant value[1] (A$)	Number granted	Number vested during year	Number forfeited during year
David Greene	2018 LTI Award	25 May 2018	-	-	150,487	57,022
	2019 LTI Award	1 May 2019	-	-	57,733	-
	2020 LTI Award	25 June 2020	-	-	142,271	-
	Fee Rights B	25 June 2020	-	-	3,228,318	-
	2020 STI Shares[7]	15 March 2021	24,001	484,872	484,872	-
	2021 LTI Award[2]	21 May 2021	66,125	1,786,816	-	-

(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 2021 LTI Award was calculated by dividing an amount equal to a percentage of base salary as at 1 January 2021 by the Australis VWAP for the month of December 2020. 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 26 March 2021, being A$0.056.

(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 26 March 2021, being A$0.056.

(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 26 March 2021, being A$0.056.

(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 Wasylucha and Green in part satisfaction of their achieved 2020 STI based on the five day volume weighted average price at the date of grant of A$0.0495.

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
Darren Wasylucha	151,363	8,476	2018 LTI Tranche 3
	54,824	3,070	2019 LTI Tranche 2
	125,859	7,048	2020 LTI Tranche 1
	3,539,091	198,189	Fee Rights B
David Greene	75,244	4,997	2018 Tranche 2
	150,487	8,427	2018 Tranche 3
	28,866	1,917	2019 Tranche 1
	57,733	3,233	2019 Tranche 2
	142,271	7,967	2020 Tranche 1
	3,228,318	180,786	Fee Rights B

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

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

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					Six months ended			
	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Revenue from oil sales (US$'000)	22,909	26,148	52,570	33,704	23,347	10,898	13,590	28,182	16,028
EBITDA (US$'000)	2,735	7,027	13,772	2,272	4,045	1,083	4,367	7,155	772
Interest expense (US$'000)	(1,155)	(2,053)	(1,632)	-	-	(607)	(1,307)	(562)	-
(Loss) / Profit before impairment and taxation (US$'000)	(2,408)	1,502	7,009	85	(1,159)	(1,652)	922	4,459	(395)
(Loss) / Profit after impairment and taxation (US$'000)	(2,408)	(125,208)	7,009	85	(1,159)	(1,652)	(125,788)	4,459	(395)
(Loss) / Profit per share									
- Basic (US cents)	(0.21)	(0.12)	0.72	0.01	(0.18)	(0.15)	(12.76)	0.47	(0.05)
- Diluted (US cents)	(0.21)	(0.12)	0.63	0.01	(0.18)	(0.15)	(12.76)	0.41	(0.05)
Share price at start of year/period	A$0.06	A$0.08	A$0.28	A$0.23	A$0.22	A$0.06	A$0.08	A$0.28	A$0.23
Share price at end of year/period	A$0.048	A$0.06	A$0.08	A$0.28	A$0.23	A$0.046	A$0.026	A$0.26	A$0.46
Proved reserves (mmbbl) [3]	2.98	10.4	48.6	31.9	29	10.4	48.6	31.9	29
Proved plus Probable reserves (mmbbl)	3.67	21.0	62.1	49.7	47	21.0	62.1	49.7	47
TMS 2C Contingent Resource (mmbbl)	149.0	149.4	129.5	107.8	98	149.4	129.5	107.8	98
Gross sales (WI) (bbls)	410,000	505,000	846,000	506,000	469,000[1]	209,000	236,000	441,000	255,000
Net (after royalties) sales (NRI) (bbls)	332,000	411,000	694,000	409,000	374,000[2]	170,000	193,000	362,000	207,000

(1) Gross sales are for the period April – December 2017
(2) Net sales are for the period April – December 2017
(3) Please refer to the reserves section on page 15 for a summary of the reserves evaluation for the year ended 31 December 2021.

9.2 LTI Award Peer Group

The peer group for the 2018 to 2021 LTI awards Relative TSR Performance is set out below. Refer to Section 6.2 for details of each peer group's criteria for selection in each years LTI award.

Table 7: 2018 to 2021 LTI award Peer Groups

Peer Group Company	2021 LTI Award	2020 LTI Award	2019 LTI Award	2018 LTI Award
Buru Energy Limited	√	√	-	√
Blue Energy Limited	-	-	-	√
Cooper Energy Limited	√	√	√	√
Central Petroleum Limited	√	√	√	-
Carnarvon Petroleum Limited	√	√	√	√
Freedom Oil & Gas Limited	-	-	√	√
Horizon Oil Limited	√	√	√	√
Sundance Energy Australia Limited (2)	-	-	√	-
Sino Gas & Energy Holdings Limited (1)	-	-	-	√
88 Energy Limited	√	√	√	√
AWE Limited (1)	-	-	-	√
Byron Energy Limited	-	-	-	√
Comet Ridge Limited	√	√	√	√
Far Limited (3)	√	√	√	√
Karoon Gas Australia Limited	√	√	√	√
Senex Energy Limited	√	√	√	√
Liquefied Natural Gas Limited (3)	√	√	√	√
Global Energy Ventures Limited	-	-	-	√
Otto Energy	√	√	-	-

(1) AWE Ltd and Sino Gas & Energy Holdings Ltd were delisted from the ASX in 2018 and will therefore not be included in the peer group for the performance testing of the 2018 LTI award.
(2) Sundance Energy Australia Ltd was delisted from the ASX in 2019 and will therefore not be included in the peer group for the performance testing of the 2019 LTI award.
(3) Far Ltd and Liquified Natural Gas Ltd were suspended from trading on the ASX as at 31 December 2020 and will therefore not be included in the peer group for the performance testing of Tranche 3 for 2018 LTI award, Tranche 2 for 2019 LTI award and Tranche 1 for the 2020 LTI award.

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		Share-based			Total	
Name	Cash salary & fees	STI Cash [1][2]	Other benefits [3]	Superannuation	Remuneration	Annual/ Long Service leave provision	Equity settled fees [4][6]	STI Shares [1][2]	Options/ Rights [5][6]	Remuneration	Performance related
Non-Executive Directors											
Jonathan Stewart											
31 Dec 2021	78,608	-	-	15,754	94,362	n/a	87,465	n/a	n/a	181,827	n/a
31 Dec 2020	25,206	n/a	-	2,395	27,601	n/a	139,321	n/a	n/a	166,922	n/a
Alan Watson											
31 Dec 2021	34,394	-	-	3,351	37,745	n/a	31,531	n/a	n/a	69,275	n/a
31 Dec 2020	31,675	n/a	-	3,009	34,684	n/a	33,437	n/a	n/a	68,121	n/a
Steve Scudamore											
31 Dec 2021	34,394	-	-	3,351	37,745	n/a	31,531	n/a	n/a	69,275	n/a
31 Dec 2020	31,675	n/a	n/a	3,009	34,684	n/a	33,437	n/a	n/a	68,121	n/a
Executive Directors											
Ian Lusted											
31 Dec 2021	206,167	-	902	22,029	229,097	49,856	-	49,397	128,347	456,697	22%
31 Dec 2020	201,414	-	2,951	10,198	214,563	(24,895)	n/a	n/a	320,832	510,500	19%
Graham Dowland											
31 Dec 2021	180,289	-	902	22,953	204,144	34,157	-	38,194	94,194	370,689	20%
31 Dec 2020	157,368	-	2,951	12,217	172,537	(6,348)	n/a	n/a	223,298	389,487	17%
Other KMP											
Darren Wasylucha											
31 Dec 2021	217,223	14,530	5,564	6,326	243,643	3,756	n/a	33,902	56,115	337,417	21%
31 Dec 2020	190,861	1,946	5,399	5,731	203,937	3,038	n/a	25,790	136,366	369,131	18%
David Greene [5]											
31 Dec 2021	253,125	16,287	15,820	9,422	294,654	15,169	n/a	38,003	49,411	397,237	17%
31 Dec 2020	203,125	5,000	18,572	17,163	243,860	10,777	n/a	24,238	105,052	383,927	10%
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**	
Total 2020	841,324	6,946	29,872	53,722	921,864	(17,428)	206,195	50,028	785,548	1,956,207	

(1) *STI represents the amount earned in relation to 2021 which will be settled in 2022 after release of the 2021 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2021. 2020 STI represents the amount earned in relation to 2020 which were paid in 2021 after release of the 2021 Annual Financial Statements. Amounts were translated to USD using closing spot rate on 31 December 2020.*
(2) *Achieved STI for 2021 is to be settled in cash and / or ordinary shares. Messrs Lusted and Dowland will receive 100% of their achieved STI in shares and Other KMP will receive 70% fof their achieved STI in shares. Achieved STI for 2021 will be settled in ordinary shares after the release of the 2021 Annual Financial Statements. The number of ordinary shares to be issued will be based on the five day volume weighted average share price at the date of grant. The fair value of the Share award will be determined at the date of grant. Achieved STI for 2020 was settled in cash and / or ordinary shares. Messrs Lusted and Dowland voluntarily forfeited their achieved 2020 STI. Approximately 83% of Messrs Wasylucha and Greene 2020 STI was settled in ordinary shares after the release of the 2020 Annual Financial Statements.*
(3) *Other benefits include car parking, health and travel benefits and associated fringe benefit tax, where applicable.*
(4) *Part of the non-executive director base fees for 2020 were settled in performance rights (Fee Rights A) – Mr Stewart A$190,259, Mr Watson A$45,662 and Mr Scudamore A$45,662. AASB 2 requires the equity instruments to be valued in accordance with footnote (6) below at the date of grant. The Fee Rights A vested on 31 January 2021 and the fair value at grant is expensed over the period of vesting.*
(5) *Includes Fee Rights B granted to Executive KMP in 2021 to compensate for base salary forgone between 1 November 2019 and 31 December 2020 and the forfeiture of their 2019 achieved STI where applicable. The number of Fee Rights B granted to Executive Directors was based on the Company's Volume Weighted Average Price for the period 1 January to 31 March 2020 being A$0.024 cents. The grant of Fee Rights B to Executive Directors was approved by shareholders at the Annual General Meeting in June 2020. The number of Fee Rights B granted to Other KMP was based on a deemed issue price of A$0.022 cents, which was issued at an 8.3% discount to the Company's Volume Weighted Average Price for the period 1 January to 31 March 2020.*

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

(i) *For Messrs Wasylucha and Greene the grant value was converted to Australian dollars at the average exchange rate for the period 1 January 2020 to 31 March 2020.*
(ii) *Fair value at date of grant is calculated in accordance with AASB 2 Share-Based Payments. Refer to Note 7.3 of the Financial Statements for details of the assumptions used in calculating the value of each Fee Right B at grant date.*

The Fee Rights B were subject to continuous employment requirements and vested on 31 January 2021.
(6) *AASB 2 – Share Based Payments requires the fair value at grant date of the options and performance rights granted be expensed over the vesting periods. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual KMP may ultimately realise should these equity interests vest. No options, performance rights or fee rights were granted to directors during 2021 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 2021)

Name	Type of grant	Year granted	Vested %	Retest [(1)(2)] %	Forfeited %	Financial year in which benefits have vested or may vest	Maximum total valuation of grant yet to vest [(4)] A$
Non-Executive Directors							
Jonathan Stewart	$0.35 (Series A) options	2015	100%	-	-	2017	-
	Fee Rights A	2020	100%	-	-	2021	-
	Fee Rights A	2021	-	-	-	2022	87,655
Alan Watson	$0.275 (Series B) options	2016	100%	-	100%	2017	-
	$0.275 (Series C) options	2016	100%	-	100%	2018	-
	$0.275 (Series D) options	2016	100%	-	100%	2019	-
	Fee Rights A	2020	100%	-	-	2021	-
	Fee Rights A	2021	-	-	-	2022	35,062
Steve Scudamore	$0.3125 (Series A) Options	2016	100%	-	100%	2017	-
	$0.3125 (Series B) Options	2016	100%	-	100%	2018	-
	$0.3125 (Series C) Options	2016	100%	-	100%	2019	-
	Fee Rights A	2020	100%	-	-	2021	-
	Fee Rights A	2021	-	-	-	2022	35,062
Executive Directors							
Ian Lusted	$0.35 (Series A) options	2015	100%	-	-	2017	-
	2018 LTI Award Tranche 1	2018	95%	-	5%	2019	-
	2018 LTI Award Tranche 2		25%		75%	2020	-
	2018 LTI Award Tranche 3		25%	-	75%	2021	-
	2019 LTI Award Tranche 1	2019	25%	75%	-	2020	19,762
	2019 LTI Award Tranche 2		25%	75%	-	2021	39,464

Name	Type of grant	Year granted	Vested %	Retest (1)(2) %	Forfeited %	Financial year in which benefits have vested or may vest	Maximum total valuation of grant yet to vest (4) A$
	2019 LTI Award Tranche 3		-	-	-	2022	113,730
	2020 LTI Award Tranche 1	2020	31%	69%	-	2021	7,384
	2020 LTI Award Tranche 2		-	-	-	2022	24,610
	2020 LTI Award Tranche 3		-	-	-	2023	46,589
	Fee Rights B	2020	100%	-	-	2021	-
	2021 LTI Award Tranche 1	2021	-	-	-	2022	44,088
	2021 LTI Award Tranche 2		-	-	-	2023	23,662
	2021 LTI Award Tranche 3		-	-	-	2024	43,801
Graham Dowland	$0.35 (Series A) options	2015	100%	-	-	2017	-
	2018 LTI Award Tranche 1	2018	95%	-	5%	2019	-
	2018 LTI Award Tranche 2		25%	-	75%	2020	-
	2018 LTI Award Tranche 3		25%	-	75%	2021	-
	2019 LTI Award Tranche 1	2019	25%	75%	-	2020	12,873
	2019 LTI Award Tranche 2		25%	75%	-	2021	25,708
	2019 LTI Award Tranche 3		-	-	-	2022	74,087
	2020 LTI Award Tranche 1	2020	31%	69%	-	2021	4,810
	2020 LTI Award Tranche 2		-	-	-	2022	16,031
	2020 LTI Award Tranche 3		-	-	-	2023	30,349
	Fee Rights B	2020	100%	-	-	2021	-
	2021 LTI Award Tranche 1	2021	-	-	-	2022	38,342
	2021 LTI Award Tranche 2			-	-	2023	19,481
	2021 LTI Award Tranche 3		-	-	-	2024	36,063

Name	Type of grant	Year granted	Vested %	Retest (1)(2) %	Forfeited %	Financial year in which benefits have vested or may vest	Maximum total valuation of grant yet to vest (4) A$
Other KMP							
Darren Wasylucha	$0.285 options	2017	100%	-	-	2017	-
	$0.345 options	2017	100%	-	-	2018	-
	$0.40 options	2017	100%	-	-	2019	-
	2018 LTI Award Tranche 1	2018	96%	-	4%	2019	-
	2018 LTI Award Tranche 2		40%	-	60%	2020	-
	2018 LTI Award Tranche 3		40%	-	60%	2021	-
	2019 LTI Award Tranche 1	2019	40%	60%	-	2020	6,826
	2019 LTI Award Tranche 2		40%	60%	-	2021	13,631-
	2019 LTI Award Tranche 3		-	-	-	2022	54,632
	2019 Senior Executive Award Tranche 1	2019	-	-	-	2022	1,200
	2019 Senior Executive Award Tranche 2		-	-	-	2022	2,000
	2019 Senior Executive Award Tranche 3		-	-	-	2022	1,200
	2020 LTI Award Tranche 1	2020	45%	55%	-	2021	3,016 -
	2020 LTI Award Tranche 2		-	-	-	2022	13,295
	2020 LTI Award Tranche 3		-	-	-	2023	25,516
	Fee Rights B	2020	100%	-	-	2021	-
	2021 LTI Award Tranche 1	2021	-	-	-	2022	8,526
	2021 LTI Award Tranche 2		-	-	-	2023	17,045
	2021 LTI Award Tranche 3		-	-	-	2024	32,226

Name	Type of grant	Year granted	Vested %	Retest (1)(2) %	Forfeited %	Financial year in which benefits have vested or may vest	Maximum total valuation of grant yet to vest (4) A$
David Greene	2018 LTI Award Tranche 1	2018	99%	-	1%	2019	-
	2018 LTI Award Tranche 2		80%	-	20%	2020	-
	2018 LTI Award Tranche 3		80%	-	20%	2021	-
	2019 LTI Award Tranche 1	2019	80%	20%	-	2020	1,198
	2019 LTI Award Tranche 2		80%	20%	-	2021	2,392
	2019 LTI Award Tranche 3		-	-	-	2022	36,531
	2020 LTI Award Tranche 1	2020	54%	46%	-	2021	2,360
	2020 LTI Award Tranche 2		-	-	-	2022	12,943
	2020 LTI Award Tranche 3		-	-	-	2023	25,046
	Fee Rights B	2020	100%	-	-	2021	-
	2021 LTI Award Tranche 1	2021	-	-	-	2022	8,720
	2021 LTI Award Tranche 2		-	-	-	2023	17,434
	2021 LTI Award Tranche 3		-	-	-	2024	33,362

(1) The performance rights that did not vest for Tranche 1 and Tranche 2 of the 2019 LTI award will be retested along with Tranche 3 of the 2019 LTI Award.
(2) The performance rights that did not vest during the year for Tranche 1 of the 2020 LTI award will be retested along with Tranche 3 of the 2020 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: 2021 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 (1)	Shares	68,335,002	-	-	8,000,000	76,335,002	n/a	n/a
	Options	15,000,000	-	-	-	15,000,000	15,000,000	-
	Fee Rights A	7,927,458	2,038,482	-	-	9,965,940	7,927,458	2,038,482
Alan Watson (2)	Shares	4,195,715	-	-	600,000	4,795,715	n/a	n/a
	Options	420,000	-	-	(420,000)	-	-	-
	Fee Rights A	1,902,583	815,392	-	-	2,717,975	1,902,583	815,392
Steve Scudamore (3)	Shares	296,002	-	-	200,000	496,002	n/a	n/a
	Options	420,000	-	-	(420,000)	-	-	-
	Fee Rights A	1,902,583	815,392	-	-	2,717,975	1,902,583	815,392
Executive Directors								
Graham Dowland (4)	Shares	15,478,612	-	-	2,300,000	17,778,612	n/a	n/a
	Options	5,000,000	-	-	-	5,000,000	5,000,000	-
	Performance Rights	3,970,572	2,958,864	-	(634,447)	6,294,989	302,760	5,992,229
	Fee Rights B	7,019,458	-	-	-	7,019,458	7,019,458	-
Ian Lusted (5)	Shares	15,903,161	-	-	2,400,000	18,303,161	n/a	n/a
	Options	6,000,000	-	-	-	6,000,000	6,000,000	-
	Performance Rights	6,003,521	3,536,070	-	(898,801)	8,640,790	448,239	8,192,551
	Fee Rights B	9,861,125	-	-	-	9,861,125	9,861,125	-
Other KMP								
Darren Wasylucha (6)	Shares	388,962	316,204	-	1,548,918	2,254,084	n/a	n/a
	Options	1,500,000	-	-	-	1,500,000	1,500,000	-
	Performance Rights	3,155,803	1,842,371	(154,302)	(521,858)	4,322,014	-	4,322,014
	Fee Rights B	3,539,091	-	(1,644,616)	(1,894,475)	-	-	-
David Greene (7)	Shares	32,669	484,872	-	2,590,934	3,108,475	n/a	n/a
	Performance Rights	2,343,190	1,786,816	(319,812)	(160,941)	3,649,253	-	3,649,253
	Fee Rights B	3,228,318	-	(2,271,122)	(957,196)	-	-	-

(1) On 21 May 2021 2,038,482 Fee Rights A were issued to Mr Stewart in part settlement of director fees for 2021 and 8,000,000 ordinary shares were issued as part of Tranche 2 Placement Shares at A$0.05 per share.
(2) 21 May 2021 815,392 Fee Rights A were issued to Mr Watson in part settlement of director fees for 2021 and 6,000,000 ordinary shares were issued as part of Tranche 2 Placement Shares at A$0.05 per share. On 24 May 2021 420,000 unlisted options expired unexercised.
(3) On 21 May 2021 815,392 Fee Rights A were issued to Mr Scudamore in part settlement of director fees for 2021 and 200,000 ordinary shares were issued as part of Tranche 2 Placement Shares at A$0.05 per share. On 30 November 2021 420,000 unlisted options expired unexercised.
(4) On 31 January 2021 Mr Dowland's 634,447 unvested performance rights lapsed due to failure to meet performance outcomes. On 21 May 2021, 2,958,864 performance rights under the 2021 LTI award were granted to Mr Dowland, refer notes 4.2.3 of this Report and 2,300,000 ordinary shares were issued as part of Tranche 2 Placement Shares at A$0.05 per share.
(5) On 31 January 2021 Mr Lusted's 898,801 unvested performance rights lapsed due to failure to meet performance outcomes. On 21 May 2021, 3,536,070 performance rights under the 2021 LTI award were granted to Mr Lusted, refer notes 4.2.3 of this Report and 2,400,000 ordinary shares were issued as part of Tranche 2 Placement Shares at A$0.05 per share.

(6) On 31 January 2021 Mr Wasylucha's 2,072,219 performance rights were deemed exercised in relation to Canadian tax liability arising on vesting of 3,871,137 performance rights and 344,114 unvested performance rights lapsed due to failure to meet performance outcomes. On 1 February 2021 Mr Wasylucha exercised 1,798,918 vested performance rights. On 15 March 2021 Mr Wasylucha was granted 316,204 shares as part of the 2020 STI equity settlement. On 21 May 2021 1,842,371 performance rights under the 2021 LTI awards were granted to Mr Wasylucha, refer notes 4.2.3 of this Report.

(7) On 31 January 2021 Mr Greene's 1,061,116 performance rights were deemed exercised in relation to USA tax liability arising on vesting of 3,567,875 performance rights.
On 31 January 2021 Mr Greene exercised 2,590,934 vested performance rights. On 15 March 2021 Mr Greene was granted 484,872 shares as part of the 2020 STI equity settlement. On 21 May 2021 1,786,816 performance rights under the 2021 LTI awards were granted to Mr Greene, refer notes 4.2.3 of this Report.

(8) Of the 10,124,121 performance rights granted to Executive KMP pursuant to the 2021 LTI Award,
- 2,659,160 related to Tranche 1,
- 2,488,321 related to Tranche 2 and
- 4,976,640 related to Tranche 3.

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 [3]	Termination notice period executive	Post-employment restraints [4]
Ian Lusted	Australis Oil & Gas Limited	Unlimited	1 month [1]	12 months	12 months	12 months
Graham Dowland	Australis Oil & Gas Limited	Unlimited	1 month [1]	12 months	12 months	12 months
Darren Wasylucha	Australis Oil & Gas Limited	Unlimited	2 months [2]	6 months increasing by one month for each anniversary to a maximum of 9 months.	3 months	6 months
David Greene [5]	Australis TMS Inc	Unlimited	2 months	6 months	3 months	12 months – non solicitation only

(1) The contractual Termination Benefits were approved by shareholders in General Meeting on 27 June 2016.
(2) The contractual Termination Benefit for Mr Wasylucha was approved by shareholders at Annual General Meeting on 29 April 2019.
(3) The Company may terminate without notice for serious misconduct including serious or persistent breach of duty, failure to perform obligations under agreement.
(4) Non-compete and non-solicitation provisions apply from notification of termination.
(5) Mr Greene was designated KMP as per AASB 124 definition from 1 January 2020 Mr Greene was transferred to an executive service agreement on 15 June 2021 and is no longer subject to "at will" employment.

Loans to KMP

No loans were made to KMP during 2021.

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. 2022 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 2021 provided for a blend of fixed and variable pay and short and long term incentives. Due to the impact COVID-19 has and continues to have on the oil industry and the Company, the remuneration strategy for 2022 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 2021

	Notes	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Operating revenue	2.1	**22,909**	26,148
Cost of sales	2.2	**(17,341)**	(13,499)
Gross profit		**5,568**	12,649
Other income	2.1	**769**	249
Other expenses	2.2	**(6,839)**	(8,465)
Impairment provision	3.4	**-**	(126,710)
(Loss) from operating activities		**(502)**	(122,277)
Net finance (expenses)	2.7	**(1,906)**	(2,931)
(Loss) from continuing operations before income tax expense		**(2,408)**	(125,208)
Income tax expense	2.8	**-**	-
Net (loss) attributable to owners of the Company		**(2,408)**	(125,208)
Other comprehensive (loss) / income			
Items that may be reclassified to profit or loss;			
Change in fair value of cash flow hedges	4.3	**(2,483)**	308
Other comprehensive (loss) / income for the year net of tax		**(2,483)**	308
Total comprehensive (loss) / income for the year attributable to the owners of the Company		**(4,891)**	(124,900)
(Loss) per share attributable to owners of the Company			
Basic (loss) per share (cents per share)	2.9	**(0.21)**	(12.70)
Diluted (loss) per share (cents per share)	2.9	**(0.21)**	(12.70)

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 2021

	Notes	31 December 2021 US$'000	31 December 2020 US$'000
Current assets			
Cash and cash equivalents	4.1	**9,253**	4,687
Trade and other receivables	5.1	**3,009**	3,012
Inventories	5.2	**812**	736
Total current assets		**13,074**	8,435
Non-current assets			
Oil and gas properties	3.1	**55,522**	56,471
Exploration and evaluation	3.2	**13,379**	12,690
Plant and equipment	3.3	**8,479**	9,794
Other receivables	5.1	**374**	710
Derivative financial instruments hedge	5.4	**-**	124
Total non-current assets		**77,754**	79,789
Total assets		**90,828**	88,224
Current liabilities			
Trade and other payables	5.3	**(6,094)**	(5,207)
Provisions	5.5	**(474)**	(357)
Derivative financial instruments hedge	5.4	**(2,032)**	(427)
Borrowings	5.7	**(4,000)**	(4,035)
Lease liability		**(168)**	(346)
Total current liabilities		**(12,768)**	(10,372)
Non-current liabilities			
Provisions	5.6	**(2,403)**	(2,660)
Borrowings	5.7	**(12,697)**	(15,909)
Derivative financial instruments hedge	5.4	**(754)**	-
Lease liability		**(369)**	(587)
Total non-current liabilities		**(16,223)**	(19,156)
Total liabilities		**(28,991)**	(29,528)
Net assets		**61,837**	58,696
Equity			
Contributed equity	4.2	**184,672**	176,109
Treasury shares	4.2	**(1,215)**	(137)
Share based payment reserve	4.3	**11,973**	11,426
Foreign exchange reserve	4.3	**(467)**	(467)
Cash flow hedge reserve	4.3	**(2,786)**	(303)
Accumulated losses	4.3	**(130,340)**	(127,932)
Total equity		**61,837**	58,696

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 2021

	Contributed Equity US$'000	Treasury Shares US$'000	Other Reserves US$'000	Accumulated Losses US$'000	Total US$'000
Balance as at 1 January 2020	**176,194**	**(188)**	**8,522**	**(2,724)**	**181,804**
(Loss) for the year	-	-	-	(125,208)	(125,208)
Other comprehensive income / (loss)					
Change in fair value of cash flow hedges	-	-	308	-	308
Total comprehensive Income / (loss)	**-**	**-**	308	(125,208)	(124,900)
Transactions with owners, in their capacity as owners					
Contributed equity net of transaction costs	-	-	-	-	-
Purchase of treasury shares	-	(34)	-	-	(34)
Release of treasury shares	(85)	85	-	-	-
Share-based payments	-	-	1,826	-	1,826
Transaction Costs	-	-	-	-	-
Balance as at 31 December 2020	**176,109**	**(137)**	**10,656**	**(127,932)**	**58,696**
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**

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 2021

	Notes	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Cash flows from operating activities			
Receipts from customers		**22,950**	28,318
Payments to suppliers and employees		**(19,847)**	(21,892)
Other revenue		**43**	195
Net cash inflow from operating activities	2.11	**3,146**	6,621
Cash flows from investing activities			
Payments for acquisition of exploration interests		**(571)**	(472)
Payment for property, plant and equipment		**(80)**	(617)
Payment for capitalised oil and gas assets		**(1,066)**	(2,628)
Refund of security deposits and bonds		**505**	97
Interest Received		**2**	7
Net cash (outflow) from investing activities		**(1,210)**	(3,613)
Cash flows from financing activities			
Proceeds from shares and other equity securities		**7,898**	-
Share issue costs		**(413)**	-
Treasury shares acquired		**-**	(34)
Proceeds from borrowings		**696**	696
Repayment of borrowings		**(4,000)**	(13,000)
Debt facility costs		**(1,201)**	(2,156)
Net cash inflow / (outflow) from financing activities		**2,980**	(14,494)
Net increase / (decrease) in cash and cash equivalents		**4,916**	(11,486)
Cash and cash equivalents at the beginning of the year		**4,687**	16,116
Effect of exchange rates on cash holdings in foreign currencies		**(350)**	57
Cash and cash equivalents at the end of the financial year	4.1	**9,253**	4,687

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 2021

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

For the year ended 31 December 2021

CORPORATE INFORMATION

The consolidated financial report for the year ended 31 December 2021 comprises the financial statements of Australis Oil & Gas Limited, the parent entity and its controlled entities ("Group" or "Consolidated Entity"). Australis Oil & Gas Limited ("Company" or "Australis") was incorporated in Australia as a private company on the 12 November 2015 as Australis Oil & Gas Holdings Pty Limited. On 10 June 2016 the Company converted to a public company and changed its name to Australis Oil & Gas Limited.

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

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

1.1 FINANCIAL REPORT

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

1. **Basis of Reporting** – summarises the basis of preparation of the financial statements.

2. **Results for the Year** – sets out the performance of the Group and highlights the significant accounting policies impacting on the results for the year.

3. **Invested Capital** – sets out expenditure during the year on oil & gas properties, exploration and evaluation, property, plant and equipment and the commitments of the Group.

4. **Capital and Debt Structure** – provides information about the Group financing structure.

5. **Other Assets & Liabilities** – sets out the working capital balances of the Group.

6. **Group Structure** – sets out the ownership and intra-group transactions with subsidiaries.

7. **Other Notes**

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 2021.

Title	Amendment	Impact
Amendments to AASB 9 Financial Instruments	Amended to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	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 2021 the Consolidated Entity recorded a loss of US$2.4 million.

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

- Earnings excluding non-cash items were US$2.6 million;
- Net hedge book position at 31 December 2021 protecting a sales price of >US$48/bbl for approximately 50% of the Groups forecast 2022 net sales of oil;
- At the reporting date the Consolidated Entity recorded a working capital surplus including the recognition of amortisation payments of $4 million due in the next 12 months, and Management forecasts compliance with the Macquarie Facility covenants;
- The forecast 2021 budget at the 2021 year end Ryder Scott PDP reserve estimates WTI oil price assumption of US$67.27/bbl provides surplus cash prior to the abovementioned debt amortisation payments; and
- The Consolidated Entity's cash position at 31 December 2021 is US$9.3 million.

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 2021 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 and Portuguese subsidiaries have a functional currency of US dollars. The presentational currency of the Company and its subsidiaries is US dollars.

(ii) Translation and balances

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

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

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

1.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined using either a Monte Carlo simulation valuation technique or a Black Scholes Option Pricing Model.

Key inputs to the Black Scholes options pricing model include the expected price volatility and risk free interest rate. The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information. The risk interest is the risk free rate of securities with comparable terms to maturity.

The vesting conditions of the Absolute TSR (ATSR) Rights and the Relative TSR (RTSR) Rights have been reflected in assessment of the fair value of the Rights through the use of a Monte-Carlo simulation model which determines the probability of the market conditions being fulfilled at the vesting dates and, as such, whether the Rights will vest.

1.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

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

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

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

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.

1.6 CURRENT VERSUS NON-CURRENT CLASSIFICATION (CONTINUED)

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

1.7 FAIR VALUE MEASUREMENT

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

- In the principal market for the asset or liability.

or

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

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

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

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

1.8 FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

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

1.9 RECENTLY ISSUED STANDARDS NOT IN EFFECT

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

- *AASB 9 Financial Instruments* – amend recognition of financial liabilities requirements.
- *AASB 3 Business Combinations* – update references to Conceptual Framework for Financial Reporting.
- *AASB 116 Property, Plant and Equipment* – measurement and recognition amendments
- *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* – measurement and recognition amendments
- *AASB 101 Presentation of Financial Statements* – classification amendments

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

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 2021 US$'000	Year ended 31 December 2020 US$'000
Revenue from continuing operations		
Sales revenue		
Oil sales	**28,273**	21,416
Realised (loss) / profit on forward commodity price contracts	**(5,364)**	4,732
Total revenue from continuing operations	**22,909**	26,148

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Other income		
Government subsidies	**43**	195
Gain on surrender of lease	**30**	-
Loan forgiveness*	**696**	-
Foreign exchange gain	**-**	54
Total other income	**769**	249

*Tranche 1 of a loan received from the US Federal Governments Covid-19 economic stimulus initiative, the Paycheck Protection Program, was forgiven 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 2021 US$'000	Year ended 31 December 2020 US$'000
Cost of sales			
Production costs		**(7,873)**	(6,731)
Royalties		**(5,395)**	(4,046)
Production taxes		**(1,223)**	(751)
Depletion	3.1	**(1,641)**	(434)
Depreciation – production equipment	3.3	**(1,300)**	(1,521)
Gain / (Loss) on sale of equipment/inventory		**33**	(8)
Other – inventory movements		**58**	(8)
Total cost of sales		**(17,341)**	(13,499)
Other expenses			
Administrative expenses	2.3	**(5,380)**	(5,944)
Exploration costs expensed	2.5	**(15)**	(56)
Depreciation	3.3	**(296)**	(639)
Unrealised foreign exchange loss		**(379)**	-
Share based payments	7.3	**(887)**	(1,826)
Value adjustment (Portugal land)	3.2	**118**	-
Total expenses		**(6,839)**	(8,465)

The administrative expenses for the year ended 31 December 2021 include the following material expenses; Employee benefits expensed – Note 2.4.

2.2 COST OF SALES & OTHER EXPENSES (CONTINUED)

Good and services tax

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

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

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

Foreign exchange risk

The functional currency of the Group is US dollars (USD) however the Group 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 2021 US$'000	Year ended 31 December 2020 US$'000
Administrative expenses			
Personnel expenses	2.4	**(4,463)**	(4,821)
Consulting and professional expenses		**(526)**	(596)
Other general and administrative expenses		**(391)**	(527)
	2.2	**(5,380)**	(5,944)

2.4 EMPLOYEE BENEFITS EXPENSED

Recognition and measurement

The Group's accounting policy for employee benefits other than post-retirement benefits is set out in Note 5.5. The policy for share based payments is set out in Note 7.3. For Australian based employees the Group makes superannuation contributions in accordance with the Superannuation Guarantee (Administration) Act 1992 to plans nominated by employees. US-based employees receive a contribution towards retirement plans (401k) which matches their own contribution to such plans. In 2020, contributions for US-based employees were matched up to a maximum of 6% of the base salary of each employee and an additional 2% employee 401k contribution was made based on total remuneration (base plus STI) for each employee for 2020. The extra 2% was paid in 2021. For 2021, 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 2021 US$'000	Year ended 31 December 2020 US$'000
Employee benefits			
Salaries and fees		**(3,037)**	(3,563)
Short term incentives		**(360)**	(196)
Superannuation and 401k		**(208)**	(293)
Other payroll expenses [1]		**(858)**	(769)
	2.3	**(4,463)**	(4,821)
Share based payments	7.3	**(887)**	(1,826)
		(5,350)	(6,647)

(1) Includes medical benefits and employer on costs in the USA and the movement in annual leave provision for the year of US$117,000 (2020: US$70,000) and long service leave provision of US$93,000 (2020: nil).

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 2021 US$'000	Year ended 31 December 2020 US$'000
Exploration expenditure			
Portuguese exploration expenditure		-	4
TMS exploration expenditure		**(15)**	(60)
	2.2	**(15)**	(56)

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.

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

For the year ended 31 December 2021

2.6 SEGMENT REPORTING (CONTINUED)

	Oil & Gas Production		Exploration		Other		Total	
US$000	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
External revenues	**22,909**	26,148	**-**	-	**-**	-	**22,909**	26,148
Other income	**-**	-	**-**	-	**769**	195	**769**	195
Direct operating costs	**(14,400)**	(11,544)	**-**	-	**-**	-	**(14,400)**	(11,544)
Corporate	**-**	-	**-**	-	**(5,380)**	(5,944)	**(5,380)**	(5,944)
Unrealised foreign currency gains / (losses)	**-**	-	**-**	-	**(379)**	54	**(379)**	54
Share based payments	**-**	-	**-**	-	**(887)**	(1,826)	**(887)**	(1,826)
Value adjustment (Portugal land)	**-**	-	**118**	-	**-**	-	**118**	-
EBITDAX (1)	**8,509**	14,604	**-**	-	**(5,877)**	(7,521)	**2,750**	7,083
Depletion	**(1,641)**	(434)	**-**	-		-	**(1,641)**	(434)
Depreciation	**(1,300)**	(1,521)	**-**	-	**(296)**	(639)	**(1,596)**	(2,160)
Impairment	**-**	(87,215)	**-**	(39,495)	**-**	-	**-**	(126,710)
Exploration costs expensed	**-**	-	**(15)**	(56)	**-**	-	**(15)**	(56)
EBIT (2)	**5,568**	(74,566)	**103**	(39,551)	**(6,173)**	(8,160)	**(502)**	(122,277)
Net finance (costs) / income	**(1,908)**	(2,938)	**-**	-	**2**	7	**(1,906)**	(2,931)
Segment (loss) / profit	**3,660**	(77,504)	**103**	(39,551)	**(6,171)**	(8,153)	**(2,408)**	(125,208)

(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.

	Oil & Gas Production		Exploration		Other		Total	
US$000	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Capital expenditure								
Exploration and evaluation assets	**-**	-	**689**	472	**-**	-	**689**	472
Oil and gas assets:								
- production	**691**	702	**-**	-	**-**	-	**691**	702
- rehabilitation provision		-		-		-		-
Other plant and equipment	**255**	622		-	**(371)**	(116)	**(116)**	506
	946	1,324	**689**	472	**(371)**	(116)	**1,264**	1,680

	Oil & Gas Production		Exploration		Other		Total	
US$000	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Segment assets	**66,695**	68,827	**13,379**	12,825	**10,754**	6,572	**90,828**	88,224
Segment liabilities	**(26,838)**	(27,344)	**-**	-	**(2,153)**	(2,184)	**(28,991)**	(29,528)

2.6 SEGMENT REPORTING (CONTINUED)

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.

	Revenue		Non-current assets	
US$'000	Year ended 31 Dec 2021	Year ended 31 Dec 2020	Year ended 31 Dec 2021	Year ended 31 Dec 2020
United States of America	**22,909**	26,148	**77,165**	79,149
Portugal	**-**	-	**118**	-
Australia	**-**	-	**471**	640
	22,909	26,148	**77,754**	79,789

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 2021 US$'000	Year ended 31 December 2020 US$'000
Interest income	**2**	7
Amortised debt finance transaction costs	**(753)**	(885)
Interest expense on debt finance	**(1,155)**	(2,053)
	(1,906)	(2,931)

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.

2.8 INCOME TAX EXPENSE (CONTINUED)

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 2021 US$'000	Year ended 31 December 2020 US$'000
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
(Loss) / profit from continuing operations before income tax expense	**(2,408)**	(125,208)
Prima facie tax expense at the Australian statutory tax rate of 30% (31 December 2020: 30%)	**(723)**	(37,563)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Share-based payment expense	**266**	356
Other non-allowable deductions	**447**	2,939
Income tax rate difference	**10**	(10,206)
	-	(44,474)
Movements in unrecognised temporary differences	**(1,070)**	34,287
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**1,070**	10,187
Income tax expense / (benefit)	-	-

2.8 INCOME TAX EXPENSE (CONTINUED)

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
(c) Tax affect relating to each component of other comprehensive income		
Cash flow hedges	**-**	-
	-	-
(d) Deferred tax asset		
Arising from temporary differences attributable to		
Other provisions and accruals	**730**	36,472
Tax losses in Australia	**2,482**	2,479
Tax losses in USA	**23,809**	22,330
Tax losses in Portugal	**1,093**	932
Tax losses in United Kingdom	**54**	49
Total deferred tax assets	**28,168**	62,262
(e) Deferred tax liability		
Oil and gas properties	**22,323**	22,104
Other accruals	**-**	-
Unrealised foreign exchange gain	**110**	(10)
Total deferred tax liabilities	**22,433**	22,094

Potential deferred tax assets have not been brought into account at 31 December 2021 (31 December 2020: 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 2021 US cents	Year ended 31 December 2020 US cents
Profit per share attributable to members of the Company		
Basic (loss) per share	**(0.21)**	(12.70)
Diluted (loss) per share	**(0.21)**	(12.70)
Profit used in calculation of basic / diluted loss per share	US$'000	US$'000
Net (loss) after tax	**(2,408)**	(125,208)
Weighted average number of ordinary shares used as the denominator in calculating:	Shares	Shares
Basic (loss) per share[1]	**1,168,577,354**	985,963,678
Diluted (loss) per share[2]	**1,168,577,354**	985,963,678

[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 2021 (2020: Nil).

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

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Net (loss) for the year	**(2,408)**	(125,208)
(i) Add / (less) non-cash items		
Impairment provision	**-**	126,710
Value adjustment (Portugal land)	**(118)**	
Depreciation, depletion and amortisation	**3,990**	3,477
Share based payment expense	**887**	1,826
Net unrealised foreign exchange loss / (profit)	**347**	(55)
(ii) Add / (less) items classified as investment / financing activities:		
Net interest received	**(2)**	(7)
(iii) Change in assets and liabilities during the financial year		
(Increase) / Decrease in receivables	**(48)**	2,268
(Increase) in inventories	**(181)**	(278)
Increase / (Decrease) in payables	**469**	(2,042)
Increase / (Decrease) in employee provisions	**210**	(70)
Net inflow from operating activities	**3,146**	6,621

2.12 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

			Non-cash Movements	
	31 December 2020 US$'000	Cash Flows US$'000	Fair Value Changes US$'000	31 December 2021 US$'000
Long term borrowings	19,944	(4,000)	753	16,697
Total liabilities from financing activities	**19,944**	**(4,000)**	**753**	**16,697**

SECTION 3: INVESTED CAPITAL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3.1 OIL AND GAS PROPERTIES

Recognition and measurement

Assets in development

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

Producing assets

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

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

Amortisation and depreciation of producing projects

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

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

3.1 OIL AND GAS PROPERTIES (CONTINUED)

Critical accounting estimates and judgements

Future restoration costs

The Group estimates the future rehabilitation costs of production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of restoration activities and the future removal technology available and liability specific discount rates to determine the present value of these cash flows. As at 31 December 2021 rehabilitation obligations have a carrying value of US$2,310,000 (31 December 2020: US$2,660,000).

Reserve estimates

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

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

Depletion and depreciation

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

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.

3.1 OIL AND GAS PROPERTIES (CONTINUED)

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
At cost	**149,811**	149,119
Accumulated depletion and impairment	**(94,289)**	(92,648)
	55,522	56,471

	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**

	Producing Projects US$'000	Development Projects US$'000	Total US$'000
2020			
Balance at 1 January 2020	128,435	14,983	143,418
Additions	519	183	702
Depletion / Depreciation charge	(434)	-	(434)
Impairment provision (1)	(87,215)	-	(87,215)
Balance at 31 December 2020	41,305	15,166	56,471
(1) See Note 3.4 Impairment			

3.2 EXPLORATION AND EVALUATION ASSETS

Recognition and measurement

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

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

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

Costs

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

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

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

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

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

Impairment

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

3.2 EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Opening balance	**12,690**	51,713
Capitalised expenditure [1]	**571**	472
Value adjustment (Portugal land)[2]	**118**	-
Impairment	**-**	(39,495)
Closing balance	**13,379**	12,690

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

Exploration commitments

As at 31 December 2021 there were no exploration commitments (2020: 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
2021					
Opening net book amount	**210**	**8,706**	**100**	**778**	**9,794**
Additions	**-**	**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**

	Office Equipment US$'000	Production Equipment US$'000	Motor Vehicles US$'000	Right of Use Asset US$'000	Total US$'000
2020					
Opening net book amount	275	9,605	123	1,445	11,448
Additions	-	622	-	(116)	506
Depreciation charge	(65)	(1,521)	(23)	(551)	(2,160)
Closing net book amount	210	8706	100	778	9,794
2020					
At cost	553	13,348	213	1,329	15,443
Accumulated depreciation	(343)	(4,642)	(113)	(551)	(5,649)
Closing net book amount	210	8,706	100	778	9,794

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 2021, there was no indication of impairment and therefore the Group was not required to assess the recoverable amount of the above noted CGU and its associated assets.

Impairment – 31 December 2020

At 31 December 2020 impairment indicators were identified and therefore the Group was required to assess the recoverable amount of the TMS CGU and its associated assets in accordance with *AASB 136 Impairment of Assets*.

Significant estimates and judgements

For oil and gas assets, the expected future cash flow estimations and recoverable amounts are based on a number of factors, variables and assumptions, the most significant of which are as follows:

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

At 31 December 2020 the impact of COVID-19 was factored into the calculation as well as the future uncertainty within the oil industry including the impact on global economics, oil demand and financing availability.

At 31 December 2020 the carrying value of the assets within the TMS cash generating unit primarily comprised of oil & gas properties, TMS exploration and evaluation assets, and associated production plant and equipment.

The results of the impairment assessment as at 31 December 2020 were as follows:

3.4 IMPAIRMENT (CONTINUED)

i. Producing assets and associated balances

	Impairment Loss US$000	Recoverable Amount US$000
	31 December 2020	31 December 2020
Oil & Gas Properties: Producing projects	(87,215)	41,305
Producing plant and equipment	-	8,707
Rehabilitation provision	-	(2,660)
Derivatives – hedging	-	(303)

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

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

4.1 CASH AND CASH EQUIVALENTS

Recognition and measurement

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

Cash and cash equivalents as defined above, consist of:

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Held with Australian banks and financial institutions		
Cash at bank and in hand	**6,307**	813
Held with Portuguese banks and financial institutions		
Cash at bank and in hand	**19**	4
Held with US banks and financial institutions		
Cash at bank and in hand	**2,927**	3,870
	9,253	4,687
Cash and cash equivalents in the Cash Flow Statement comprises the following Statement of Financial Position amounts:		
Cash on hand and balances at bank	**9,253**	4,687
Cash and cash equivalents	**9,253**	4,687

Cash & cash equivalents held in foreign currency

	31 December 2021 Amount in Currency $'000	31 December 2021 Amount in USD US $'000	31 December 2020 Amount in Currency $'000	31 December 2020 Amount in USD US $'000
Cash & cash equivalents				
AUD Dollars	**4,588**	**3,330**	856	655
Euro	**117**	**132**	4	5
UK Pounds	**1**	**1**	3	4
		3,463		664

4.1 CASH AND CASH EQUIVALENTS (CONTINUED)

Foreign exchange risk

The Group held US$3.5 million of cash and cash equivalents at 31 December 2021 (31 December 2020: US$0.7 million) in currencies other than US dollars (predominantly AUD dollars).

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

Credit risk

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

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 2021, the Group's interest-bearing assets consisted of cash and cash equivalents which earned interest at 0.04% floating rate (31 December 2020: 0.02%). 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 at least US$2 million in its approved controlled Group bank accounts. As at 31 December 2021, $16 million (31 December 2020 $20 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 2021 Securities	31 December 2020 Securities	31 December 2021 US$'000	31 December 2020 US$'000
Share capital				
Ordinary shares	**1,238,463,649**	985,963,678	**184,672**	176,109
Treasury shares	**(29,891,288)**	(1,001,932)	**(1,215)**	(137)
Total contributed equity	**1,208,572,361**	984,961,746	**183,457**	175,972

(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.

4.2 CONTRIBUTED EQUITY (CONTINUED)

(b) Movements in contributed equity

	Date	Number of Securities	Issue Price A$	US$'000
Balance at 1 January 2020		985,963,678		176,194
Treasury share release (1)	Various	-	Various	(85)
Balance at 31 December 2020		**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**

(1) During the reporting period employees of the Group exercised vested performance rights, 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 2020		**930,211**		**188**
On market acquisition	Various	2,685,641	-	34
Australis Oil & Gas Employee Share Trust subscription	Various	(2,613,920)	-	(85)
Balance at 31 December 2020		**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 (1))	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**

(1) During the year in order to conserve cash, payment of the achieved 2020 STI for all employees was part settled in ordinary shares in lieu of cash. 4,218,068 ordinary shares were issued based on the Company's volume weighted average shares price for the five trading prior to settlement being A$0.0495 per share.

4.3 RESERVES AND ACCUMULATED LOSSES

	Year ended 31 December 2021 US $'000	Year ended 31 December 2020 US $'000
(a) Share-based payment reserve		
Balance at the beginning of the financial year	**11,426**	9,600
Share-based payment expense arising during the year	**547**	1,826
Balance at end of the year	**11,973**	11,426
(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	**(303)**	(611)
Change in derivatives financial instruments at fair value through comprehensive income	**(2,483)**	308
Balance at end of the year	**(2,786)**	(303)
(d) Accumulated losses		
Balance at the beginning of the financial year	**(127,932)**	(2,724)
Net (loss) / profit for the year	**(2,408)**	(125,208)
Balance at end of the year	**(130,340)**	(127,932)

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 2021 US$'000	Year ended 31 December 2020 US$'000
Current assets		
Trade receivables	**2,506**	2,276
Other receivables	**503**	736
	3,009	3,012
Non-current assets		
Other receivables	**374**	710
	374	710

5.1 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables held in foreign currency

	31 December 2021 Currency Amount in $'000	31 December 2021 Amount in USD US$'000	31 December 2020 Amount in Currency $'000	31 December 2020 Amount in USD US$'000
Trade and other receivables				
AUD Dollars	**333**	**242**	303	232
Euro	**5**	**6**	139	170
		248		402

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 2021 (2020: 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 2021, 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 2021 is considered immaterial.

Foreign exchange risk

The Group held other receivables in Australian dollars of US$242,000 at 31 December 2021 (31 December 2020: US$232,000) and Euro's of US$6,000 at 31 December 2021 (31 December 2020: US$170,000). A reasonable possible change in the exchange rate of the US dollar to the Australian dollar and Euro (+ 10%/- 10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current year.

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 2021 US$'000	Year ended 31 December 2020 US$'000
Oil Inventory	**105**	45
Warehouse stores and Inventory	**707**	691
	812	736

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 2021 US$'000	Year ended 31 December 2020 US$'000
Trade payables	**5,425**	4,664
Other payables	**669**	543
	6,094	5,207

	31 December 2021 Amount in Currency $'000	31 December 2021 Amount in USD US$'000	31 December 2020 Amount in Currency $'000	31 December 2020 Amount in USD US$'000
Trade and other payables				
Australian Dollars	**134**	**97**	257	197
Euro	**4**	**5**	1	1
UK Pounds	**1**	**1**	9	12
		103		210

5.3 TRADE AND OTHER PAYABLES (CONTINUED)

Fair value

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

Risks

Liquidity risk

Trade and other payables are non-interest bearing and normally settled within 30 to 60 day terms except US$2,866,000 (2020: US$2,806,000) 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$101,000 of trade and other payables at 31 December 2021 (31 December 2020: $210,000) in currencies other than US dollars (being Australian dollars, Euros and British pounds). A reasonable possible change in the exchange rate of the US dollar to the Australian dollar (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period. A reasonable possible change in the exchange rate of the US dollar to the Euro (+ 10%/-10%), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period.

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

5.4 DERIVATIVE FINANCIAL INSTRUMENTS

Recognition and measurement

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

Cash flow hedges

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

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

The outstanding oil price hedge contracts held by the Group at 31 December 2021 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 2022 - Apr 2023	Oil	Nymex WTI	Collar	138,500	40.00 - 55.00	64.00 – 88.00	(979)
Jan 2022 - Sept 2024	Oil	Nymex WTI	Swap	107,800	42.86 – 61.69	n/a	(1,807)
Total				**246,300**			**(2,786)**

5.4 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

The derivative financial instruments relate to the Group's hedging activities to hedge against cash flow risks from movements in oil price, for which hedge accounting has been applied. The fair value of the derivative financial instruments are level 2 of the fair value hierarchy and are obtained from third party valuation reports. The fair value is determined using valuation techniques which maximise the use of observable market data.

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Forward commodity contracts – cash flow hedges:		
Current [1]	**(2,032)**	(427)
Non-Current [2]	**(754)**	124
	(2,786)	(303)

(1) To be settled in 2022
(2) To be settled in 2023 and 2024

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 2021 is $28,274,000 (2020: $21,416,000). Impact on profit after tax based on a +/- 5% change in average oil price based on the oil volumes translated would be as follows;

Impact on profit after tax	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
If the WTI + LLS average differential price was 5% (2020: 5%) higher [1]	**1,414**	1,071
If the WTI + LLS average differential price was 5% (2020: 5%) lower [1]	**(1,414)**	(1,071)

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

5.5 PROVISIONS FOR EMPLOYEE BENEFITS

Recognition and measurement

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

(i) Short-term employee benefits

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

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

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

(ii) Other long-term employee benefits

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

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Employee benefit provisions	**567**	357
Reconciliation of movement in employee benefit provision		
Balance at beginning of year	**357**	427
Annual leave provision arising during the year	**473**	254
Long service leave arising during the year	**93**	-
Utilisation	**(356)**	(324)
Balance at end of year	**567**	357
Comprising		
Current	**474**	357
Non-current	**93**	-
	567	357

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.

	31 December 2021 US$'000	31 December 2020 US$'000
Restoration provision	**2,310**	2,660
	2,310	2,660
Reconciliation of movement in restoration provision		
Balance at beginning of year	2,660	2,660
Divesture of producing wells	(350)	-
Balance at end of year	**2,310**	2,660

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 2021 US$'000	Year ended 31 December 2020 US$'000
Interest bearing loans and borrowings		
Borrowings Current [1]	**4,000**	4,035
Borrowings Non Current [2]	**12,697**	15,909
Total interest bearing loans and borrowings	**16,697**	19,944

(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.

(2) Non current borrowings consist of $12 million relating to the Macquarie Facility and $0.7 million relating to the loan received from the US Federal Governments Covid-19 economic stimulus initiative, the Paycheck Protection Program. The Macquarie non-current borrowings are net of capitalised transaction costs.

5.7 BORROWINGS (CONTINUED)

Macquarie Facility

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

The key amendments implemented on 6 April 2020 were:

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

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 2021 the following remained pledged as security:

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

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

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

5.7 BORROWINGS (CONTINUED)

Paycheck Protection Program Loan

Australis TMS Inc, a wholly owned subsidiary, received during the period 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). This is in addition to the initial loan (Tranche 1) in the amount of US$696,000 that was received in 2020.

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

- 1% interest rate
- 5 year term
- 17 month deferral for loan repayments

At the end of the 24 week designated covered period an application for forgiveness of the loan may be submitted subject to compliance with employee retention criteria and use of funds for eligible expenses. If the use of the proceeds criteria is met, the principal and any accrued interest are forgiven.

The Tranche 1 loan was forgiven in July 2021. At the date of this Report an application for forgiveness of Tranche 2 has been submitted.

	2021		2020	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Borrowings	**16,697**	**16,697**	19,944	20,696
	16,697	**16,697**	19,944	20,696

SECTION 6: GROUP STRUCTURE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021 and 2020
Australis Europe Pty Limited	Oil & gas exploration	Australia	100%
Australis USA 1 Pty Limited	Oil & gas exploration	Australia	100%
Australis Oil & Gas UK Ltd	Oil & gas exploration	United Kingdom	100%
Australis Oil & Gas Portugal Sociedade Unipessoal Lda	Oil & gas exploration	Portugal	100%
Australis TMS Inc	Oil & gas exploration	United States	100%
Australis Services Inc	Oil & gas exploration	United States	100%

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

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Sales of goods and services		
Management fees and expense recharges to subsidiaries	**1,293**	1,380
Advances to subsidiaries		
Balance at beginning of financial year	**3,271**	-
Repaid by the subsidiary	**(995)**	(340)
Advanced during year	**563**	3,611
Converted to equity	**-**	-
Balance at end of year	**2,839**	3,271

At 31 December 2021 Australis Oil & Gas Limited was owed US$2.8 million by its subsidiaries (2020: US $3.3 million). The amounts outstanding are repayable on normal credit terms.

Australis TMS Inc was owed US$169,000 by Australis Oil & Gas Portugal Sociedade Unipessoal Lda. The amounts outstanding are repayable on normal credit terms.

6.2 PARENT ENTITY INFORMATION

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

	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Summary financial information		
Current assets	**11,876**	5,674
Non-current assets	**54,450**	55,094
Total assets	**66,326**	60,768
Current liabilities	**(444)**	(643)
Non-current liabilities	**(120)**	(128)
Total liabilities	**(564)**	(771)
Net assets	**65,762**	59,997
Contributed equity	**185,842**	176,421
Treasury shares	**(2,384)**	(448)
Share-based payment reserve	**12,224**	11,426
Foreign currency translation reserve	**10**	10
Accumulated losses	**(129,930)**	(127,412)
Total equity	**65,762**	59,997
(Loss) for the year	**(2,518)**	(110,828)
Total comprehensive (loss) for the year	**(2,518)**	(110,828)

Australis Oil & Gas Limited had no contingent liabilities or contractual obligations as at 31 December 2021 (31 December 2020: Nil).

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

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

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 17 non-operated wells held in the TMS, onshore USA.

7.2 OIL AND GAS LEASES AND CONCESSIONS

At 31 December 2021 Australis holds approximately 98,000 net acres in the TMS core (31 December 2020: 107,500 net acres).

7.3 SHARE BASED PAYMENTS

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

i) Options

The movement in the year is set out below:

	Year ended 31 December 2021 Number	Year ended 31 December 2020 Number
Balance at beginning of year	**63,540,000**	111,990,000
- Expired [1]	**(30,840,000)**	(48,450,000)
- Exercised	**-**	-
Balance at end of year	**32,700,000**	63,540,000
Vested and exercisable at end of the year	**32,700,000**	53,540,000

(1) On 24 May 2021, 420,000 unlisted non-executive director options exercisable at A$0.275 expired unexercised. On 4 June 2021, 20,000,000 unlisted Facility options exercisable at A$0.49 and 10,000,000 unlisted facility options exercisable at A$0.51 expired unexercised. These options were granted to Macquarie Bank Limited as part of the original terms for the debt facility entered into on 4 June 2018. On 30 November 2021, 420,000 unlisted non-executive director options exercisable at A$0.3125 expired unexercised.

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

7.3 SHARE BASED PAYMENTS (CONTINUED)

Recognition and measurement

The fair value of options granted during was calculated using the Black Scholes options pricing model. The expense is apportioned pro-rata to reporting periods where vesting periods apply. No options were granted during the year ended 31 December 2021 (31 December 2020: 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 with the LTI awards commencing with the 2017 year. The Performance Rights granted will be tested for vesting on the basis of 1/7th, 2/7th and 4/7ths each year respectively. The performance hurdles for vesting of Performance Rights is continued employment and based on seniority an increasing portion is subject to additional hurdles relating to the total shareholder return (TSR) on an "absolute" and "relative" basis as follows:

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

b. Relative TSR - at the vesting date of a particular tranche of Performance Rights that are subject to the Relative TSR hurdle the following occurs. An absolute TSR is calculated for Australis by comparing the Australis VWAP for the month of December prior to the vesting date to the Performance Right issue price. The absolute TSR's for a peer group of companies (see Remuneration Report section 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.

7.3 SHARE BASED PAYMENTS (CONTINUED)

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

In order to reduce the cash burden on the Company in 2020, performance rights were also issued during the year at nil consideration to employees to compensate for the voluntary forfeiture of a portion of their base remuneration for 2020 and / or to compensate for permanent reductions in their cash remuneration (Fee Rights B). The performance rights were granted to employees under the EI plan and were subject to continuous service requirements with a vesting date of 31 January 2021. The number of performance rights granted was based on the cash remuneration foregone and a deemed issue price at the date of grant of between A$0.022 and A$0.024 cents each dependent on employment category. These issue prices were based on a discount of between 0% and 16.7% to the Company's volume weighted average price for the period 1 January to 31 March 2020. The discount reduced by seniority.

For 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 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 5.6 cents which was based on the Company's volume weighted average price for the period 1 January to 26 March 2021. In 2020 the performance rights were issued for nil consideration and vested on 31 January 2021. The performance rights were not issued under the EI Plan. The number of performance rights granted was based on the amount of fees agreed to be settled in equity and a deemed issue price of 2.4 cents which was based on the Company's volume weighted average price for the period 1 January to 31 March 2020.

The movement in the year is set out below:

	Year ended 31 December 2021 Number	Year ended 31 December 2020 Number
Balance at beginning of year	**89,341,447**	18,146,688
- Granted [(1)]	**27,951,813**	81,171,258
- Exercised [(2)]	**(23,889,917)**	(3,207,541)
- Forfeited [(3)]	**(2,724,629)**	(6,768,958)
- Lapsed [(3)]	**(82,669)**	-
Balance at end of year	**90,596,045**	89,341,447
Vested at end of the year	**36,240,580**	423,184

(1) During the year ended 31 December 2021 Australis issued 24,282,547 performance rights (2020: 25,384,452) to certain employees and executive directors under the EI plan. In addition, 3,669,266 fee rights A (2020: 11,732,624) were issued to non-executive directors in lieu of forgoing cash fees.
(2) During the year ended 31 December 2021 23,889,917 vested performance rights were exercised by employees.
(3) During the year ended 31 December 2021 2,724,629 unvested performance rights were forfeited and 82,669 unvested performance rights lapsed due non-achievement of vesting conditions.

7.3 SHARE BASED PAYMENTS (CONTINUED)

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
- Share price	A$0.043
- Expected volatility (2)	75%
- Risk free rate (3)	0.08%
- Dividend yield	0%

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

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 2021 US$'000	Year ended 31 December 2020 US$'000
Options expense	**-**	-
Performance rights expense	**887**	1,826
	887	1,826

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 (2020: Nil).

Key management personnel

Further detailed disclosures relating to the seven key management personnel (2020: seven) are set out in the Remuneration Report section.

	Year ended 31 December 2021 US$	Year ended 31 December 2020 US$
Base renumeration, short-term incentives and benefits (inc. annual leave provision)	**1,311,670**	1,066,909
Post-employment benefits	**83,185**	53,722
Share-based payments	**487,563**	835,577
	1,882,418	1,956,208

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 2021 (2020: Nil).

7.5 CONTINGENCIES

The company had no contingent liabilities as at 31 December 2021 (31 December 2020: 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 2021 US$'000	Year ended 31 December 2020 US$'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**	89
Other services	**-**	-
Total remuneration of BDO Audit (WA) Pty Ltd	**85**	89
BDO LLP (UK) for		
Audit and assurance services:		
Audit and review of financial statements	**1**	10
Total remuneration of BDO LLP (UK)	**1**	10
Total auditor's remuneration	**86**	99

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

7.7 EVENTS AFTER REPORTING DATE

No events have occurred since 31 December 2021 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 81 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 2021 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 2021.

For and on behalf of the Board

Jonathan Stewart
Chairman
Perth, Western Australia
24 February 2022

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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 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth

24 February 2022

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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 2021, 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 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of the Tuscaloosa Marine Shale Cash Generating Unit

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

The Group's carrying value of its Tuscaloosa Marine Shale ("TMS") Cash Generating Unit ("CGU"), including Oil and Gas Properties, Production Equipment and Exploration 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 is complex and highly judgemental and includes assessing a range of external and internal factors to determine whether the assets held within the CGU require impairment 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;
	
	• Assessing the competency and objectivity of, and work performed by, management's experts in respect of the oil & gas reserve estimates;
	
	• 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 2021 to independent consensus forecast;
	
	  • Obtaining and reviewing available reserve data from management's external expert to determine whether a significant change in the reserve is an indicator of impairment;
	
	  • Considering management's assessment of the Group's development and exploration assets by comparing to latest available and accepted market transactions and acreage leasing costs; and
	
	  • Assessing economic indicators for impacts on appropriate discount rates;
	
	• 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 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 49 to 80 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Australis Oil & Gas Limited, for the year ended 31 December 2021, 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 2022

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 4th February 2022.

1. TWENTY LARGEST SHAREHOLDERS

Ordinary shares	Number	Percentage
Citicorp Nominees Pty Limited	138,884,356	11.21%
UBS Nominees Pty Ltd	65,761,467	5.31%
BNP Paribas Nominees Pty Ltd <Agency Lending Drop A/C>	55,098,876	4.45%
JK Stewart Investments Pty Ltd <The Stewart Investment A/C>	33,392,858	2.70%
CPU Share Plans Pty Ltd <ATS LTI Unallocated A/C>	26,525,522	2.14%
Epicure Superannuation Pty Ltd <Epicure Superannuation A/C>	26,150,001	2.11%
Mr Andrew McKenzie & Mrs Catherine McKenzie <A W McKenzie Super Fund A/C>	20,000,000	1.61%
Barrell Energy Inc	19,082,200	1.54%
Precision Opportunities Fund Limited <Investment A/C>	15,000,000	1.21%
J P Morgan Nominees Australia Pty Limited	14,342,569	1.16%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	13,445,762	1.09%
Pasagean Pty Limited	12,000,000	0.97%
Everzen Holdings Pty Ltd <Lusted Family A/C>	11,903,161	0.96%
Mr Charles Robert Dirck Wittenoom	10,709,339	0.86%
Ms Treffina Joyce Dowland	10,533,571	0.85%
Chester Nominees WA Pty Ltd <M W Wilson Super Fund A/C>	10,000,000	0.81%
Ice Cold Investments Pty Ltd <G & J Brown Super Fund A/C>	9,500,000	0.77%
Sugarloaf Ventures Pty Ltd <Ski Capital A/C>	9,384,246	0.76%
Mr Kane Christopher Weiner	9,045,116	0.73%
Urban Land Nominees Pty Ltd	8,648,930	0.70%
Total top 20	**519,407,974**	**41.94%**
Other	719,055,675	58.06%
Total ordinary shares on issue as at 4th February 2022	**1,238,463,649**	**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	Unlisted Options	Performance Rights	Fee Rights	Unlisted securities %	Unlisted securities No of Holders
1 - 1,000	9,218	0.00%	65				0.00%	-
1001 - 5000	432,297	0.03%	149				0.00%	-
5,001 – 10,000	2,758,241	0.22%	313				0.00%	-
10,001 - 100,000	57,490,356	4.64%	1,421				0.00%	-
100,001 and Over	1,177,773,537	95.10%	921	32,700,000	52,237,982	38,358,063	100%	36
	1,238,463,649	**100.00%**	**2,869**	**32,700,000**	**52,237,982**	**38,358,063**	**100.00%**	**36**
Unmarketable parcels	8,929		345	-			-	-

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
Louisiana / Mississippi	Tuscaloosa Marine Shale	98,000
US Total		**98,000**

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

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Australis Oil & Gas Limited
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