Appendix 4E

Preliminary final report

Period ending 31 December 2018

Name of entity	Freedom Oil and Gas Ltd
ABN	48 128 429 158
Financial year ended	Year ended 31 December 2018
Previous corresponding reporting period	Year ended 31 December 2017

Results for announcement to the market

	For the year ended 31 December 2018 US$'000	**Movement over previous corresponding period US$'000**	**Percentage increase (decrease) over previous corresponding period**
Revenue from ordinary activities	21,786	17,677	430%
(Loss) from ordinary activities after tax attributable to members	(922)	10,524	92%
Net (loss) for the period attributable to members	(922)	10,524	92%

Dividends

No dividends were paid or proposed to members during the year ended 31 December 2018.

Brief explanation of results

The Company reported consolidated revenue from operations for the year ended 31 December 2018 of $21.8 million. Revenues in 2018 are from the Company's Eagle Ford acreage in Texas, where four producing wells were completed in 2018.

The company reported a consolidated net loss before income tax for the year ended 31 December 2018 of $1.6 million (2017: net loss of $11.4 million).

Non-cash expenses for the year ended 31 December 2018 were $10.4 million (year ended 31 December 2017: $7.6 million). Non-cash expenses in 2018 included primarily depletion expense, depreciation and amortisation expense, non-cash finance costs and share-based compensation. The 2017 net loss includes non-cash expenses for depletion expense, depreciation and amortisation expense, non-cash finance costs, and a non-cash charge related to the fair value of warrants issued with long-term debt.

General and administrative expense was $9.9 million in 2018 (2017: $7.6 million). Finance costs increased $2.4 million in 2018 due to new issues of debt in 2017, increasing the expenses for those facilities to a full year in 2018. In addition, the Company issued $10 million (face value) in mandatorily redeemable preferred stock in 2018. However, $3.6 million of finance costs were non-cash amortisation costs (2017: $0.9 million).

Refer to the directors' report, operating and financial review, financial statements and supporting notes in the attached Annual Report for the year ended 31 December 2018 for additional detail.

Statements

The following statements and supporting notes are included in the attached Annual Report for the year ended 31 December 2018:

Income statement
Statement of comprehensive income
Balance sheet
Statement of changes in equity
Statement of cash flows

Dividend reinvestment plans

There are no dividend reinvestment plans in operation.

Net tangible assets per security

NTA backing	Current period	Previous period
Net tangible asset backing per ordinary security (undiluted)	6 cents	4 cents

Control gained or lost during the period

There were no transactions entered into by the company during the year ended 31 December 2018 that resulted in control being gained or lost over any entities.

Subsidiaries

The consolidated results incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of share	Equity holding 31 Dec 2018*	Equity holding 31 Dec 2017*
Freedom Oil & Gas, Inc.	United States	Ordinary	100%	100%
Freedom Oil & Gas USA, Inc.	United States	Ordinary	100%	100%
Freedom Eagle Ford, Inc.	United States	Ordinary	100%	100%
Freedom Production, Inc.	United States	Ordinary	100%	100%
Maverick Drilling Company	United States	Ordinary	100%	100%
Maverick Production Company, Inc.	United States	Ordinary	100%	100%

* The proportion of ownership interest is equal to the proportion of voting power held.

Associates and joint venture entities

The company does not have any associates or joint venture entities.

Commentary on results for the period

Review of operations

Refer to the directors' report, operating and financial review, financial statements and supporting notes in the attached Annual Report for the year ended 31 December 2018 for additional detail.

Report based on audited accounts

This report has been based on the attached accounts which have been audited.

Freedom Oil and Gas Ltd

ABN 48 128 429 158

Annual report
for the year ended 31 December 2018

Freedom Oil and Gas Ltd ABN 48 128 429 158
Annual report – 31 December 2018

Contents

Corporate directory

Directors	J Russell Porter BSc, MBA *Executive director and President and Chief Executive Officer*
	J M Yeager BSc, MSc *Non-executive Chairman*
	N H Smith BSc *Non-executive director*
	L A Clarke CFP *Non-executive director*
	J C Camuglia BBus *Non-executive director*
	W M Talbert BBA, MBA *Non-executive director*
Principal registered office in Australia	Suite 2 24 Bolton Street Newcastle NSW 2300 Telephone +61 2 4925 3659 Contact: Andrew Crawford
Principal office in the United States	5151 San Felipe, Suite 800 Houston, Texas 77056 Telephone +1 281.416.8575 Contact: J. Russell Porter
Share register	Link Market Services Limited Level 21 10 Eagle Street Brisbane QLD 4000 Telephone +61 7 3320 2200
Auditor	PricewaterhouseCoopers 45 Watt Street Newcastle, NSW 2300
Stock exchange listings	Freedom Oil and Gas Ltd shares are listed on the Australian Securities Exchange (ASX) under ticker symbol **FDM**. Freedom Oil and Gas Ltd American Depositary Receipts (ADRs) are quoted on the International OTCQX under the ticker **FDMQY**. Each ADR represents fifteen Freedom Oil and Gas Ltd ordinary shares. Additionally, shares of FDM are quoted on the OTCQX under the ticker **FDMQF**.
Website address	www.freedomog.com

Year-End 2018 Letter from J. Russell Porter, President and Chief Executive Officer

Dear Fellow Shareholders,

I am pleased to present Freedom Oil and Gas Ltd's Annual Report for the year ended 31 December 2018. Under Mike Yeager's leadership, Freedom became an established E&P company with a skilled operations team, a quality acreage position in the liquids window of the Eagle Ford shale and access to capital through its Wells Fargo lending facility. As Freedom's new President, Chief Executive Officer and a member of the Board of Directors as of January 2019, I am excited to be building on the Company's early successes. Freedom has a solid foundation for growth, although with only 15 wells drilled and completed and one small acreage position, the Company is just getting started. To build Freedom into a larger and stronger company, I plan to apply my 30+ years of energy industry M&A experience to expand our asset base through both internal development opportunities and acquisitions.

Freedom's year-end results reflect its significant increase in activity in 2018, with the drilling and completion of four Lower Eagle Ford horizontal wells in the first half, followed by the drilling of nine wells in the second half, three of which were completed late in the year. As a result of our horizontal drilling program, net production increased from a total of 90,146 barrels of oil equivalent (BOE) in 2017 to 448,755 BOE in 2018, and revenue grew from $4.1 million in 2017 to $21.8 million in 2018. Proved reserves grew from 13.4 million BOE to 17.2 million BOE.

During the past year we significantly narrowed our after-tax operating losses from $11.5 million in the prior year to $0.9 million in 2018. While an average realised oil price of $68.92/Bbl during 2018 helped with profitability, the growth in our production volumes and revenue were the primary contributors to this improvement.

Closely managing costs is more important than ever in today's lower oil price environment. Although we have hedges in place that cover 114,237 barrels of oil for the balance of 2019 at an average all-in price of $69.64/Bbl, current lower oil prices put pressure on our profitability. While our goals include growth, we will also focus on managing that growth in a profitable manner.

In addition to growing production and cash flow, we are gathering valuable information that should allow us to optimise well spacing and completion design as we determine how best to move forward with additional development of our Eagle Ford position. We have tested several completion designs and worked to determine the optimum completion recipe for lateral length, well spacing, water amount, sand concentration and hydraulic fracture density, among other aspects. We have made progress in understanding how best to develop our acreage, but our work is not finished. Since initiating our Eagle Ford development program in 2017 and through the first quarter of 2019, we have drilled and completed 15 horizontal wells. Nine of these wells are on production and six additional wells have now been completed and are in early stages of flow back. We expect to commence drilling four wells in March that should be completed in the second quarter of 2019. As a result, in the first half of 2019, we expect to see the positive impact of 13 additional wells on production, driving substantially higher revenue for 2019.

A key issue that we are closely analysing is the optimal well spacing that will allow us to fully develop our acreage position without compromising well performance. Our nine most recent wells, the Vega, Persimmon and Katherine Brown wells, were all drilled 660 feet apart from one another and early production data indicates that wider spacing between wells may result in improved performance going forward. Freedom is working to optimise well spacing assumptions which should result in better wells and overall fewer wells, thus requiring less total capital to develop our acreage.

Like all good oil and gas operators, we will continuously adjust our drilling and well completion designs to achieve the best results possible from our acreage position. Over the last 18 months, we have varied the intensity of our hydraulic fracturing process. The three Vega wells were completed in December with significantly larger amounts of fluids and recently reached peak production after delays related to shut-ins required to accommodate nearby completion activities on other wells. The Persimmon and Katherine Brown wells were recently completed using less fluids and are in the early stages of flowback.

I am also pleased with the substantial efficiency gains we have achieved, and the progress in lowering drilling and completion costs as well as reductions in the number of days to drill and complete wells to further lowers costs. We estimate that the total cost to drill and complete a well declined from approximately $5.2 million at the beginning of 2018 to $4.8 million currently.

I believe that the current macro environment, while challenging in many ways, is also rich with numerous opportunities for growth, through both organic leasing of acreage, like the creation of our original acreage position, as well as through acquisitions of producing properties. With the support of the board of directors, we plan to seek opportunities to expand our asset base beyond our current single asset. Our management team has substantial business development expertise and a track record of successfully identifying and acquiring attractive assets. I believe that a lower price oil environment could create opportunities to expand our footprint beyond our single asset, upgrade our portfolio and provide new avenues for growth. Our objective is to evaluate all available opportunities and commit our capital to those with the best achievable economic returns and highest upside potential.

We believe that it is important to add scale to enhance efficiency and provide means for profitable growth and cash flow generation. Therefore, we will be spending a meaningful amount of time in pursuit of additional opportunities. In 2019, we will closely monitor oil prices, our growth opportunities and available sources of financing to prudently manage our growth plan going forward.

I am looking forward to building our Company.

Sincerely,

President & Chief Executive Officer
Freedom Oil and Gas Ltd

DIRECTORS' REPORT

The directors of Freedom Oil and Gas Ltd present their report on the consolidated entity (referred to hereafter as "Freedom," or "the Company") consisting of Freedom Oil and Gas Ltd and the entities it controlled at the end of, or during, the year ended 31 December 2018.

DIRECTORS

The following persons were directors of Freedom Oil and Gas Ltd during the whole of the financial year and up to the date of this report:

J M Yeager
N H Smith
L A Clarke
J C Camuglia

R B Clarke retired as director and Vice-Chairman of the Board effective 31 December 2018.

W M Talbert became a director of Freedom Oil and Gas Ltd 1 December 2018 and continues to be a director up to the date of this report.

J R Porter became Executive Director, President and Chief Executive Officer of Freedom Oil and Gas Ltd on 14 January 2019 and continues to be in office up to the date of this report.

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of Freedom includes the following highlights.

(a) Six horizontal appraisal wells (Phase 1 & 2), drilled in 2017 and the first half of 2018, are currently on production and continue to produce above the proved reserves type curve;
(b) Commenced continuous drilling program (Phase 3) in August 2018, under which nine new wells have been drilled, with three in early stages of production and six in various stages of completion as of the date of this report;
(c) Average gross daily production in 4Q 2018 of 1,939 barrels of oil equivalent (BOE) per day, of which 44% was crude oil, 30% was natural gas liquids ("NGL's") and 26% was natural gas. The crude oil receives a premium of US$5 to $6 above West Texas Intermediate (WTI) as a result of Houston Gulf Coast (formerly LLS) price realisation. Gas production is converted from thousand cubic feet (MCF) to BOE at the ratio of 6:1;
(d) Total production of 449 MBOE (thousands of BOE) for the year 2018, an increase of 359 MBOE over the year 2017;
(e) Executed new Wells Fargo reserves-based lending (RBL) facility documents in October 2018 and completed the initial US$20 million draw on the RBL facility in January 2019;
(f) As at 31 December 2018, 101,882 barrels (BBL) of crude oil hedged for 2019 at $66.40 per barrel with positive basis swap of $5.10 per barrel.

PRESENTATION CURRENCY

Items included in the directors' report and financial statements of Freedom are presented in US dollars unless otherwise stated.

DIVIDENDS

No dividends were paid to members during the year ended 31 December 2018 or the year ended 31 December 2017.

REVIEW OF OPERATIONS

The Company is currently focused on executing its strategy of developing the Eagle Ford acreage acquired in 2015-2017. Further information on developments and the results of 2018 are included in the Operational and Financial Review section on pages 24 to 26 of this Annual Report.

OPERATING RESULT

Freedom experienced a net loss after income taxes of $0.9 million for the year ended 31 December 2018 (year ended 31 December 2017: net loss after income taxes of $11.4 million). Non-cash expenses for the year ended 31 December 2018 were $10.4 million (year ended 31 December 2017: $7.6 million). Non-cash expenses in 2018 included depletion expense, depreciation and amortisation expense, relinquishment of leases, and non-cash finance expenses. The 2017 net loss includes non-cash expenses for depletion expense, depreciation and amortisation expense, non-cash finance costs, and a charge related to the fair value of warrants issued with long-term debt.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the year ended 31 December 2018 are detailed below.

Eagle Ford shale acreage

During the year ended 31 December 2018 Freedom maintained its total acreage in an area of South Texas in the Eagle Ford shale trend at approximately 9,337 acres. Since inception of the program, the Company has drilled 15 new wells with six completed and producing, three in the early stages of production, and six in various stages of completion.

Freedom reported proved reserves of 17.2 MMBOE and probable reserves of 17.3 MMBOE as at 31 December 2018.

Total net production for the year 2018 was 245 MBBL of oil, 579 MMCF of natural gas, and 107 MBBL of natural gas liquids. The average oil price received was $68.92 per BBL (exclusive of realised gains on derivative contracts). The average gas price received was $3.13 per MCF. The average price received for natural gas liquids was $25.21 per BBL.

Short-term and long-term financing

In October 2018 the company entered into a new three-year reserves-based credit facility with Wells Fargo Bank, N. A. The initial borrowing base was $20 million, which remained undrawn at 31 December 2018. In January 2019, the Company drew down the full $20 million. The interest rate is based on LIBOR plus applicable margins between 2.25% and 3.25%, depending on the utilisation of the borrowing base. See note 17 in the notes to the accompanying financial statements.

In September 2017 the Company's wholly owned subsidiary Freedom Eagle Ford, Inc. (Freedom Eagle Ford) issued 10,000 shares of mandatorily redeemable preferred stock, redeemable in March 2022. In April 2018, Freedom Eagle Ford issued a further 10,000 shares to the same lender, also due March 2022. The issue price was $1,000 per share, for a total of $20 million from the two issuances together. The redemption price is $2,000 per share, for a total of $40 million.

In February 2018 the Company repaid borrowings of A$5 million.

For further information on debt and equity, see notes 17, 20, and 22 in the attached financial statements.

Institutional and sophisticated investor placement

The Company issued a total of 166,666,667 fully paid ordinary shares at a price of A$0.15 per share on 10 August 2018 and 25 September 2018 raising $18.5 million (A$25 million) and netting $17.6 million after related costs. This capital was raised principally to fund additional development on the Company's Eagle Ford acreage.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Effective 14 January 2019, the Company employed J Russell Porter as President and Chief Executive Officer. J Michael Yeager stepped down as Chief Executive Officer on this date but continues to serve as Non-Executive Chairman of the Board.

On 8 January 2019, the Company drew down the available funding of $20 million under its credit facility. The loan is structured as a single tranche with an interest rate based on LIBOR that resets monthly. The initial rate was 5.77%.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in the report or financial statements that have significantly, or may significantly affect the operations of the Company, the results of the operations of the Company, or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on the strategy, prospects and risks of the Company is included in the operating and financial review on pages 24 to 26 of this annual report.

ENVIRONMENTAL REGULATION

Freedom's operations are all located in the United States in the state of Texas and are therefore not subject to any environmental regulation under either Australian commonwealth or state legislation. However, Freedom is subject to extensive federal, state and local laws and regulations in Texas and the United States in general. The board believes that the Company has adequate systems in place for the management of its environmental requirements in Texas and is not aware of any significant breach of these requirements.

INFORMATION ON DIRECTORS

J. Russell Porter, BSc, MBA *Executive Director, President and Chief Executive Officer. Age 56. Appointed 14 January 2019.*

Experience and expertise

Mr. Porter joined the Company as Executive Director, President and Chief Executive Officer on 14 January 2019. He has over 25 years of experience in the energy industry, primarily as Chief Executive Officer at Gastar Exploration, Inc., a US exploration and production company with significant conventional and unconventional assets. Mr. Porter's experience at Gastar included guiding the company through early stage development into full operations. He has assembled assets and managed operations in multiple basins in the U.S. as well as international exposure. His experience also includes five years of energy banking with a focus on exploration and production clients.

Other current directorships of listed entities

None.

Former directorships of listed entities in last 3 years

Petrel Energy Limited.

Special responsibilities
President and Chief Executive Officer.

Interests in shares and options

Contractual interest in 26,652,453 unvested rights over ordinary shares in Freedom Oil and Gas Ltd. The issue of the rights is subject to shareholder approval which will be sought at the 2019 Annual General Meeting.

J. Michael Yeager BSc, MSc. *Chief Executive Officer and Executive Chairman until 14 January 2019; Non-Executive Chairman thereafter. Age 65. Appointed October 2013; became Non-executive Chairman 14 January 2019.*

Experience and expertise
Mr. Yeager joined Freedom as the Chief Executive Officer and Executive Chairman. He has had a long career in the oil and gas business, including 26 years with ExxonMobil, where he held various global executive roles, and more than seven years as the Chief Executive of BHP Billiton Petroleum.

Mr. Yeager stepped down as Chief Executive Officer on 14 January 2019, but remains with the Company as Non-Executive Chairman of the Board of Directors.

Other current directorships of listed entities
None.

Former directorships of listed entities in last 3 years
None.

Special responsibilities
Non-Executive Chairman.

Interests in shares and options
28,920,935 ordinary shares in Freedom Oil and Gas Ltd.

Roger Brian Clarke BCom, CA. *Vice Chairman – Independent non-executive director, until his retirement 31 December 2018. Age 70. Appointed December 2007; retired 31 December 2018.*

Experience and expertise
Mr. Clarke was the Vice Chairman of the board during 2018 until his retirement on 31 December 2018. He has over 30 years' commercial experience in the investment banking industry, with responsibilities in fund management, banking and corporate finance. He is also the chairman of the advisory board of Morgans Financial Limited, and has been involved in a significant number of initial public offerings, capital raisings and corporate transactions. His understanding of the Australian corporate finance sector brings a level of expertise that has proved pivotal in establishing the strategic investment focus of Freedom. Mr. Clarke holds a Bachelor of Commerce degree and is a Chartered Accountant.

Other current directorships of listed entities
None.

Former directorships of listed entities in last 3 years
None.

Special responsibilities
Vice Chairman until 31 December 2018.
Chairman of audit and risk management committee until 31 December 2018.

Interests in shares and options
14,500,000 ordinary shares in Freedom Oil and Gas Ltd.

Lee Anthony Clarke CFP. *Vice Chairman – Independent non-executive director Age 49. Appointed October 2009.*
Experience and expertise
Mr. Lee Anthony Clarke served as an independent non-executive director until his appointment to Vice Chairman upon the retirement of Mr. Roger Brian Clarke on 31 December 2018.

Mr. Clarke is the principal and director of a private financial advisory and wealth management firm. He has over 25 years' of experience in the industry, working with private family groups, business owners and listed corporates. More recently he has focussed on business transactions and providing advice to business around succession and growth.

Mr. Clarke also has direct experience with capital raisings and initial public offerings and brings a deep knowledge of the Australian securities market as well as an extensive investor network. He holds a Diploma of Financial Planning from Deakin University, Melbourne and is a Certified Financial Planner.

Other current directorships of listed entities
None.

Former directorships of listed entities in last 3 years
None.

Special responsibilities
Member of audit and risk management committee.

Interests in shares and options
25,440,000 ordinary shares in Freedom Oil and Gas Ltd.

Nigel Henry Smith BSc. Independent non-executive director. *Age 61. Appointed March 2015.*
Experience and expertise
Mr. Smith is an international oil and gas industry executive with over 30 years of experience with BHP Billiton, BP, Atlantic Richfield Corporation (ARCO) and Shell International. Mr. Smith held executive and senior management positions in engineering, project management, production and drilling operations, and planning and acquisitions. He has worked in Europe, USA, Asia, Africa and the Caribbean. Mr. Smith graduated with a BSc in engineering from Nottingham University in UK.

Other current directorships of listed entities
None.

Former directorships of listed entities in last 3 years
None.

Special responsibilities
Member of audit and risk management committee.

Interests in shares and options
6,000,000 ordinary shares in Freedom Oil and Gas Ltd.

Joseph Charles Camuglia BBus. *Independent non-executive director. Age 55. Appointed April 2012.*
Experience and expertise
Mr. Camuglia has had over 25 years' experience as a Chartered Accountant and Certified Financial Planner. He started his career with Price Waterhouse as an accountant and in 1990 he established his own wealth management business. Mr. Camuglia holds a Bachelor of Business from Queensland University of Technology Brisbane and a Diploma of Financial Planning from Deakin University Melbourne.

Other current directorships of listed entities
None.

Former directorships of listed entities in last 3 years
None.

Special responsibilities
Member of audit and risk management committee.

Interests in shares and options
24,000,000 ordinary shares in Freedom Oil and Gas Ltd.

Winston Miles Talbert, MBA. Independent non-executive director. *Age 56. Appointed 1 December 2018*.

Experience and expertise
Mr. Talbert has over 22 years of experience as a senior executive in the U.S. oil and gas industry, with Sable Permian Resources, Plains Exploration & Production, and Freeport-McMoRan. Mr. Talbert has significant experience in the financing of mergers and acquisitions, and in successfully integrating merged companies. Mr. Talbert has a B.B.A. from Southern Methodist University and an M.B.A. from Emory University.

Other current directorships of listed entities
None.

Former directorships of listed entities in last 3 years
None.

Special responsibilities
Chairman of audit and risk management committee commencing 11 February 2019.

Interests in shares and options
None

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COMPANY SECRETARY
The Company secretary is Andrew James Arthur Crawford. Mr. Crawford has over 18 years' chartered and commercial accounting experience having commenced his career with KPMG in 2001. Mr. Crawford is a Chartered Accountant and Registered Tax Agent and holds a Bachelor of Commerce and Diploma of Financial Services. As Company Secretary, Mr. Crawford is considered an officer of the Company, but not a key management person.

MEETINGS OF DIRECTORS
The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 31 December 2018 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of audit risk management committee	
	A	B	A	B
J M Yeager	14	14	*	*
R B Clarke	13	14	1	2
N H Smith	13	14	2	2
L A Clarke	14	14	2	2
J C Camuglia	14	14	2	2
W M Talbert	1	1	-	-

A = Number of meetings attended.
B = Number of meetings held during the time the director held office or was a member of the committee during the period.
* = Not a member of the relevant committee.

REMUNERATION REPORT
The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

Key management personnel covered in this report

Non-executive directors and executive director
J M Yeager
R B Clarke
N H Smith
L A Clarke
J C Camuglia
W M Talbert (from 1 December 2018)

On 14 January 2019, Mr. Yeager stepped down from his position as Executive Chairman of the Board and Chief Executive Officer, and assumed the role of Non-Executive Chairman of the Board. J R Porter joined the Company on 14 January 2019 as Executive Director, President and Chief Executive Officer.

Other key management personnel
M J Mabile, Vice President, Operations effective 1 July 2018.

Remuneration policy and link to performance

Principles used to determine the nature and amount of remuneration

The objective of Freedom's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The board ensures that executive reward satisfies the following key criteria:

- competitiveness and reasonableness for the current challenges
- acceptability to shareholders
- performance linkage based on equity incentives
- transparency of actual accomplishments and achievement of objectives
- overall individual skills for the Company's objectives.

The Company feels it has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides recognition for contribution

There is no separate remuneration committee of the board of directors. The entire board is responsible for the review of remuneration policies and other terms of employment for executive directors, other senior executives and non-executive directors. Where necessary, the board obtains independent advice on the remuneration packages offered to potential employees. Executive directors do not participate in discussions regarding their own remuneration.

Remuneration for executives is based on a combination of fixed salary, short-term cash incentives, and share-based awards.

Remuneration for non-executive directors is limited to a fixed salary. There are no incentive programs for non-executive directors.

All key management personnel (KMP's) in the executive group, with the exception of Mr. Yeager, have been hired within the most recent two years. Although the Company has not engaged consultants specifically to benchmark its hiring remuneration packages against those of similarly situated companies, the search processes undertaken for these executives was robust. Management believes the remuneration packages granted to these executives were and still are reasonably in line with median rates and structures of remuneration for similar companies in the industry.

Mr. Yeager was hired in 2013, prior to a complete strategic change in direction for the Company. His remuneration reflected the anticipated challenges of setting and executing the new strategy. In 2016 his total compensation, which was all cash-based, was reduced from $1.8 million to $800,000 to allow the Company to conserve cash. The reduction also reflected changes in the market driven largely by the collapse in the price of oil. His total remuneration remained at $800,000 through 2018.

Elements of remuneration

Fixed remuneration

Fixed remuneration includes cash and health insurance. It is reviewed annually, or upon promotion. The goal of the Company is to provide fair and competitive salaries, comparable to those for similarly situated companies. Salaries are affected by these considerations in addition to market-based information:

- Responsibilities of the position
- Experience the employee brings to the position
- Past performance of the employee
- Increases recognising a promotion.

Short-term incentives

Short term incentives consist of discretionary bonuses paid in cash. The awards are determined typically in February, upon review of the prior year's results. The board determines each award, in a discretionary decision for each executive. The board may consider:

- Individual progress in the executive's own area of responsibility, which may include operational, reserves-based, and/or financial objectives
- Production growth
- Reserves replacement
- Stock price performance
- The Company's current and projected liquidity.

Share-based incentives

The Company has granted share-based incentives on an individual basis. This includes share-based incentive awards to Mr. Yeager when he was hired in 2013, and to Mr. Porter upon his commencement of employment in January 2019. Mr. Porter's shares are subject to shareholder approval.

These incentives have consisted of share-based awards in the form of time-vesting share rights, convertible to ordinary unrestricted shares upon vesting.

The award for Mr. Porter was included in his initial remuneration package. The objective of this award was to entice his acceptance of employment, encourage his ownership in the Company, and to align his interests with those of shareholders.

The objective of such share-based awards are to:

- Encourage ownership in the Company
- Align the employee's interest with that of shareholders
- Reward performance
- Enhance employee retention, when awards are time-vesting.

Retirement benefits

A portion of Mr. Yeager's cash remuneration, $300,000 annually, was granted in lieu of formal retirement benefits. It is treated herein as part of total cash salary.

Other than this arrangement, there are no retirement benefits provided, other than statutorily required benefits paid to Australia-based non-executive directors.

Post-termination and change in control benefits

Post-termination and change in control benefits are granted individually. Generally these benefits recognise marketplace norms. Specific benefits granted to Messrs. Yeager, Porter, and Mabile are detailed below, under the caption "Service agreements."

Allocation of remuneration between fixed and at-risk elements

The relative proportions of actual remuneration that were linked to performance and those that were fixed are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Non-executive directors of Freedom Oil and Gas Ltd						
R B Clarke	**100%**	100%	**NA**	NA	**NA**	NA
N H Smith	**100%**	100%	**NA**	NA	**NA**	NA
L A Clarke	**100%**	100%	**NA**	NA	**NA**	NA
J C Camuglia	**100%**	100%	**NA**	NA	**NA**	NA
W M Talbert	**100%**	100%	**NA**	NA	**NA**	NA
Executive directors of Freedom Oil and Gas Ltd						
Executive directors						
J M Yeager	**100%**	100%	**NA**	NA	**NA**	NA
Other key management personnel of the Company						
M J Mabile (a)	**71%**	NA	**29%**	NA	**NA**	NA
H K Selzer (b)	**NA**	100%	**NA**	NA	**NA**	NA

(a) Mr. Mabile was not considered a key member of management until 1 July 2018.
(b) Mr. Selzer served as Chief Financial Officer of the Company until March 2017.

Mr. Mabile's remuneration package maximum potential placed approximately 29% of his total remuneration at risk. This is based on a fixed salary, plus the potential of a target of 40% of salary awarded as a cash bonus. The table above reflects the actual split of variable vs fixed remuneration.

Statutory performance indicators

The table below shows measures of the Company's financial performance over the most recent five years as required by the *Corporations Act 2001*. These factors are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to key members of management. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	FY 31 Dec 2018	FY 31 Dec 2017	FY 31 Dec 2016	FY 31 Dec 2015	6 Months 31 Dec 2014
Revenue from continuing operations	$21.8 million	$4.1 million	--	$10.6 million	$12.7 million
(Loss)/Profit before income tax	($0.9 million)	($11.4 million)	($46.1 million)	($39.2 million)	($21.1 million)
(Loss)/Profit after tax	($0.9 million)	($11.4 million)	($46.1 million)	($39.2 million)	($18.7 million)
(Loss)/Earnings per share	(0.1) cents	(1.4) cents	(7.8) cents	(7.2) cents	(3.5) cents
Share price 1 July	A$0.29	A$0.085	A$0.055	A$0.105	A$0.225
Share price period end	A$0.14	A$0.275	A$0.084	A$0.066	A$0.160

Details of remuneration

Details of the remuneration of the directors and key management personnel ("KMP's") of Freedom (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

The KMP's of Freedom during the years ended 31 December 2018 and 31 December 2017 were the directors of Freedom Oil and Gas Ltd (see pages 6 to 8 above) and M J Mabile, Vice President, Operations. Mr. Mabile was not considered a KMP until his promotion to Vice President on 1 July 2018. Consequently, only his remuneration from that date forward is included herein. Mr. H K Selzer, Chief Financial Officer, left the Company in March 2017 and has not yet been replaced.

Subsequent to 31 December 2018, Mr. Porter joined the Company as Executive Director, President and Chief Executive Officer. Information regarding Mr. Porters' prospective remuneration and employment contract is discussed herein.

Year ended 31 December 2018	Fixed Remuneration				Variable Remuneration	
Name	Cash salary and fees	Sign-on Bonus	Non-monetary benefits	Super-annuation	Cash Bonus	Total
	$	$	$	$	$	$
Non-executive directors						
R B Clarke	45,951	-	-	4,365	-	50,316
N H Smith	75,000	-	-	-	-	75,000
L A Clarke	45,951	-	-	4,365	-	50,316
J C Camuglia	45,951	-	-	4,365	-	50,316
W M Talbert	6,250	50,000	-	-	-	56,250
Sub-total non-executive directors	**219,103**	**50,000**	**-**	**13,095**	**-**	**282,198**
Executive directors						
J M Yeager	800,000	-	57	-	-	800,057
Other key management personnel						
M J Mabile	186,000	-	12,942	-	74,500 (1)	273,442
Total key management personnel compensation	**1,205,103**	**50,000**	**12,999**	**13,095**	**74,500**	**1,355,697**

(1) The cash bonus of $74,500 reflects the estimated portion of the cash bonus earned after promotion to KMP.

Year ended 31 December 2017	Fixed Remuneration				Variable Remuneration	
Name	Cash salary and fees	Sign-on Bonus	Non-monetary benefits	Super-annuation	Cash Bonus	Total
	$	$	$	$		$
Non-executive directors						
R B Clarke	47,406	-	-	4,503	-	51,909
N H Smith	75,000	-	-	-	-	75,000
L A Clarke	47,406	-	-	4,503	-	51,909
J C Camuglia	47,406	-	-	4,503	-	51,909
Sub-total non-executive directors	**217,218**	**-**	**-**	**13,509**	**-**	**230,727**
Executive directors						
J M Yeager	800,000	-	157	-	-	800,157
Other key management personnel						
H K Selzer	161,231	-	18,732	-	-	179,963
Total key management personnel compensation	**1,178,449**	**-**	**18,890**	**13,509**	**-**	**1,210,848**

Service agreements

J R Porter, Executive Director, President and Chief Executive Officer from 14 January 2019
Mr. Porter's service agreement is effective 14 January 2019. His annual salary is $500,000, with a potential annual cash bonus of 90% of his salary. The bonus is awarded at the discretion of the board of directors in the first quarter following the end of each calendar year. Under his contract, Mr. Porter will be awarded, upon shareholder approval at the 2019 shareholder meeting, certain time-vesting share rights.

Mr. Porter's agreement entitles him to certain benefits if he is terminated without cause, as defined in the agreement, and upon a change in control. Generally, he would receive 1.5 times his salary and target bonus in case of termination without cause, and 1 times his salary and target bonus in case of a change in control, which would also cause any unvested share rights to vest.

J M Yeager, Executive Chairman of the Board and Chief Operating Officer, to 14 January 2019
Mr. Yeager's previous agreement of employment was renewed annually each October by the board of directors. The approved base salary was $500,000 per annum and additional compensation of $300,000 per annum in lieu of formal retirement benefits. Mr. Yeager's remuneration has decreased to $75,000 annually in 2019 as he is serving as Non-executive Chairman of the Board. There is no agreement of employment.

M J Mabile, Vice President of Operations
Mr. Mabile does not have an employment contract with the Company. The terms of his employment include a salary of $372,000 annually, and a maximum short-term cash bonus target of 40% of salary.

H K Selzer, Chief Financial Officer until March 2017
Mr. Selzer's employment terms included an initial base salary of $365,000 per annum. Mr. Selzer left the Company in March 2017. His gross pay in 2017 included a total of $96,186 in severance and accrued vacation pay.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. Non-executive directors abstain from any discussions regarding their own remuneration.

Aggregate remuneration to non-executive directors approved by the shareholders at the annual general meeting on 16 November 2012 is not to exceed A$500,000 per annum unless further approval is obtained.

Effective 1 April 2016 the board approved fees for the non-executive directors of A$67,500 per annum, with the exception of Mr. Smith. Mr. Smith's annual fee was set at US$75,000 per annum. Mr. Talbert, who joined the board in December 2018, is also paid US$75,000 per annum. Mr. Talbert also received a sign-on bonus of US$50,000. Mr. Yeager, in his new role as Non-executive Chairman of the Board, will receive US$75,000 annually beginning in February 2019. Non-executive directors do not receive incentive remuneration. There are no provisions for any retirement benefits other than statutory requirements. There is no additional remuneration for service on board committees.

The sign-on bonus awarded to Mr. Talbert was a market-based award to encourage him to join the Company and bring his expertise to the board.

Performance-based remuneration earned

Mr. Mabile received a cash bonus of $148,800 paid in February 2019 for 2018 performance. The remuneration table presents a prorated amount reflecting the estimated portion earned after becoming a KMP.

Short-term cash incentive awards for 2018 were determined at the discretion of the board, based on individual performance. The target for Mr. Mabile was 40% of salary, established in his initial acceptance of employment. The board awarded him 100% of the target, in recognition of his contributions to the Company's successful operations.

There were no forfeitures of performance-based awards during the years 2018 or 2017. Mr. Mabile earned 100% of the target for his cash award.

Equity instruments held by key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each director of Freedom Oil and Gas Ltd and other key management personnel of the Company, including their personally related parties, are set out below.

Year ended 31 December 2018 Name	Balance at the start of the period	Net acquisitions and disposals during the period	Shares Granted	Other changes during the period	Balance at the end of the period
Ordinary shares					
J M Yeager	28,920,935	-	-	-	28,920,935
R B Clarke	14,166,666	333,334	-	-	14,500,000
N H Smith	5,000,000	1,000,000	-	-	6,000,000
L A Clarke	25,440,000	-	-	-	25,440,000
J C Camuglia	23,700,000	300,000	-	-	24,000,000
M J Mabile [(a)]	NA	100,000	-	307,692	407,692

Year ended 31 December 2017 Name	Balance at the start of the period	Net acquisitions and disposals during the period	Shares Granted	Other changes during the period	Balance at the end of the period
Ordinary shares					
J M Yeager	28,920,935	-	-	-	28,920,935
R B Clarke	14,166,666	-	-	-	14,166,666
N H Smith	5,000,000	-	-	-	5,000,000
L A Clarke	25,440,000	-	-	-	25,440,000
J C Camuglia	23,700,000	-	-	-	23,700,000
H K Selzer	1,000,000	-	-	(1,000,000) [(b)]	-

(a) Mr. Mabile was not a KMP at the beginning of 2018. The 307,692 shares reported in "other changes during the period" represent the shares he already owned when he became a KMP.
(b) Balance of shares on final day of employment.

There were no unvested, or vested but unexercised, equity securities held by KMP's as at 31 December 2018 or 31 December 2017.

There were no equity securities forfeited or exercised by KMP's during either 2018 or 2017.

Share trading policy

The trading of shares issued to participants through participation in share-based incentive compensation plans is subject to, and conditional upon, compliance with the Company's employee share trading policy as detailed in the Company's Corporate Governance Charter. A copy of the Company's Corporate Governance Charter is available on the Company's website at www.freedomog.com/our-company/corporate-governance/.

Related Party Transactions

A director, R B Clarke, is a shareholder of Morgans Financial Limited. R B Clarke's shareholding in Morgans Financial Limited is less than 1%. Morgans Financial Limited acted as lead manager and underwriter of the entity's institutional and sophisticated investor placement in September 2018 and December 2017 and was paid fees of $831,899 and $778,838 for these services, respectively. The contracts for these services were based on normal commercial terms and conditions.

A director, L A Clarke, is the director of Lee Clarke & Co Pty Ltd. In July 2017 Lee Clarke & Co was paid a fee of $190,200 in connection with provision of the A$5 million debt facility. The contract for these services was based on normal commercial terms and conditions. In December 2017 and in September 2018 Lee Clarke & Co Pty Ltd took a firm allocation of stock from the lead manager of the December 2017 and September 2018 capital raises. The agreement between the lead managers and Lee Clarke & Co Pty Ltd and the fees paid by the lead manager to Lee Clarke & Co Pty Ltd were based on normal commercial terms and conditions.

	Year Ended 31 Dec 2018 $	Year Ended 31 Dec 2017 $
Amounts recognised directly in equity		
Transaction costs arising on share issue	**831,899**	778,838
	831,899	778,838
Amounts recognised directly in short-term financing		
Transaction costs arising on short-term financing	**-**	190,200
	-	190,200
Amounts recognised as expense		
General and administrative expense	**2,511**	35,634
	2,511	35,634

End of remuneration report

SHARES UNDER OPTION

Date options granted	Vesting date	Expiry date	Exercise Price	Number under option
4 July 2017	4 July 2017	30 June 2019	A$0.20	25,000,000

The Company granted options in connection with its issue of short-term financing in July 2017.

The Company also issued 63,259,430 warrants for ordinary shares at an exercise price of A$0.001, vesting 18 March 2022. The warrants were issued in connection with the issue of mandatorily redeemable preferred stock in 2017 and 2018.

SHARES ISSUED ON THE EXERCISE OF OPTIONS OR WARRANTS OR IN CONNECTION WITH PERFORMANCE RIGHTS
There were no exercises of options, warrants, or share rights during the years ended 31 December 2018 or 31 December 2017.

LOANS TO DIRECTORS AND EXECUTIVES
There are no loans to directors or executives as at 31 December 2018 or 31 December 2017.

INSURANCE OF OFFICERS
During the financial year, the Company paid a premium for a contract insuring the Directors and Officers of the Company against liability incurred as such a Director or Officer, other than conduct involving wilful breach of duty in relation to the Company, 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.

PROCEEDINGS ON BEHALF OF FREEDOM
No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporation`s *Act 2001.*

NON-AUDIT SERVICES
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with Freedom are important.

During the year ended 31 December 2018, no amounts were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

AUDITOR'S INDEPENDENCE DECLARATION
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

ROUNDING OF AMOUNTS
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

J M Yeager
Non-Executive Chairman

Houston, Texas
28 February 2019

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Freedom Oil and Gas Ltd for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Freedom Oil and Gas Ltd and the entities it controlled during the period.

C. Mara

Caroline Mara
Partner
PricewaterhouseCoopers

Newcastle
28 February 2019

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Level 3, 45 Watt Street, PO Box 798, NEWCASTLE NSW 2300
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CORPORATE GOVERNANCE STATEMENT

The 2018 corporate governance statement is dated as at 31 December 2018 and reflects the corporate governance practices in place throughout the year ended 31 December 2018. The corporate governance statement has been approved by the Board.

SCOPE OF RESPONSIBILITY OF THE BOARD

Responsibility for Company's proper corporate governance rests with the board. The board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of shareholders (with a view to building sustainable value for them), employees and other stakeholders.

The board's broad function is to:

(a) chart strategy and set financial targets for the Company;

(b) monitor the implementation and execution of strategy and performance against financial targets; and

(c) appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the board – consistent with its function as outlined above. These areas include:

(a) the composition of the board including appointment and retirement or removal of directors;

(b) oversight of the Company including its control and accountability systems;

(c) where appropriate, ratifying the appointment and the removal of senior executives;

(d) reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;

(e) monitoring the implementation of strategy by senior executives, and ensuring appropriate resources are available;

(f) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales;

(g) approving and monitoring financial and other reporting;

(h) performance of investment and treasury functions;

(i) monitoring industry developments relevant to the Company and its business;

(j) developing suitable key indicators of financial performance for the Company and its business;

(k) having input in and granting final approval of corporate strategy and performance objectives developed by management;

(l) the overall corporate governance of the Company including its strategic direction and goals for management and monitoring the achievement of these goals; and

(m) oversight of committees.

COMPOSITION OF THE BOARD

The board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

(a) The Chairman is responsible for leadership of the board and for the efficient organisation and conduct of the board.

(b) The Chairman should facilitate the effective contribution by all directors and promote constructive and respectful relations between directors and between the board and the senior executives.

(c) The board must comprise:

(i) members with a broad range of experience, expertise, skills and contacts relevant to Freedom and its business;

(ii) no less than three directors; and

(iii) no more than ten directors.

CORPORATE GOVERNANCE CHARTER
The Corporate Governance Charter outlines the practices to which the board and each director are committed. The charter outlines board duties, standing rules and expected behaviour. The Company's Corporate Governance Charter has been formally adopted and can be inspected on its website at www.freedomog.com/our-company/corporate-governance/.

The board has adopted a charter (which will be reviewed and amended from time to time as the board considers appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

(a) a detailed definition of 'independence';

(b) a framework for the identification of candidates for appointment to the board and their selection;

(c) a framework for individual performance review and evaluation;

(d) proper training to be made available to directors both at the time of their appointment and on an on-going basis;

(e) basic procedures for meetings of the board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive directors;

(f) ethical standards and values – formalised in a detailed code of ethics and values;

(g) dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by directors and senior management and their associates; and

(h) communications with shareholders and the market.

These initiatives, together with other matters provided for in the board's charter, are designed to institutionalise good corporate governance and, generally, to build a culture of best practice in the Company's own internal practices. The Company is committed to achieving and maintaining high standards of conduct and has undertaken various initiatives designed to achieve this objective.

The following are tangible demonstrations of the Company's corporate governance commitment.

INDEPENDENT PROFESSIONAL ADVICE
With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. Any costs incurred are borne by Freedom.

CODE OF ETHICS AND VALUES
Included in the Corporate Governance Charter is a section providing a detailed code of ethics and values to guide directors in the performance of their duties.

CODE OF CONDUCT FOR TRANSACTIONS IN SECURITIES OF FREEDOM
Included in the Corporate Governance Charter is a section providing a code of conduct for transactions in securities of the Company to regulate dealings in securities by directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

STANDING RULES FOR COMMITTEE
To ensure the committees formed by the board have guidelines upon which to operate, standard rules have been adopted by the board, which can be summarised as follows:

(a) their role is to improve the efficiency of the board through delegation of tasks;

(b) they must report to the board following each committee meeting; and

(c) the review and evaluation of each committee is conducted against the board charter as well as any criteria determined by the Chairman.

AUDIT AND RISK MANAGEMENT COMMITTEE
The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. Its current members are:

(a) Roger Brian Clarke, until his retirement 31 December 2018;

(b) Lee Anthony Clarke;

(c) Joseph Charles Camuglia;

(d) Nigel Henry Smith;

(e) Winston Miles Talbert beginning 11 February 2019; and

(f) J Michael Yeager, beginning 11 February 2019.

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the board following each meeting. Other matters for which the committee is responsible are the following:

(a) putting in place appropriate board and committee structure to facilitate a proper review function by the board;

(b) monitoring the establishment, operation, and improvement of an appropriate system of internal controls, including information systems;

(c) assessing corporate risk and ensuring compliance with internal controls;

(d) overseeing business continuity planning and risk mitigation arrangements;

(e) reviewing reports on any material misappropriation, frauds and thefts from the Company;

(f) reviewing reports on the adequacy of insurance coverage;

(g) monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Company's secretary in relation to those requirements;

(h) reviewing material transactions which are not a normal part of the Company's business;

(i) reviewing the nomination, performance and independence of the external auditors, including recommendations to the board for the appointment or removal of any external auditor;

(j) liaising with the external auditor and ensuring that the annual audit is adequate for shareholder needs and is conducted in an effective manner that is consistent with Audit and Risk Management Committee members' information and knowledge;

(k) reviewing management processes supporting external reporting;

(l) reviewing financial statements and other financial information distributed externally;

(m) preparing and recommending for approval by the board the corporate governance statement for inclusion in the annual report or any other public document;

(n) reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and

(o) reviewing and monitoring compliance with the code of conduct.

Meetings will be held at least three times each year. A broad agenda will be laid down for each regular meeting according to an annual cycle. The committee will invite the external auditor to attend each of its meetings.

COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPALS AND RECOMMENDATIONS
Principle 1: Lay solid foundations for management and oversight

The role of the board and delegation to management have been formalised in the Company's board charter. The charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed Company.

The Company has reviewed the performance of senior executives during the reporting period as discussed in the directors' and remuneration report on pages 10 to 16.

The Company does not have a formal diversity policy due to its size. However, the Company's workforce is currently made up of individuals with diverse skills, values, backgrounds and experiences. Freedom values this diversity and recognises the organisational strength, deeper problem solving ability and opportunity for innovation that it brings. In order to attract and retain a diverse workforce, Freedom is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available at work. Specifically, diversity at

Freedom refers to all characteristics that make individuals different from each other, including religion, race, ethnicity, language, gender, sexual orientation, disability and age. Diversity at Freedom is about committing to equality and treating all individuals with respect. The board will be responsible for assessing Freedom's gender diversity objectives and Freedom's achievement of those objectives on an annual basis.

At 31 December 2018, the Company employed seven women, which equates to approximately 41% of the Company's employed workforce. Two women are senior executives; there are no women on the board.

The Company does not fully comply with guideline 1.6, which recommends periodic review of non-executive directors' performance. Executives have had informal performance reviews by the board of directors.

Principle 2: Structure the board to add value

The Company has a six member board comprising five non-executive directors and one executive director. Together, the directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business. The names, qualifications, experience, years of service and details of attendance at board and committee meetings for each director are set out in the directors' report on pages 6 to 8. The Board has undertaken a review of the mix of skills and experience of members on the Board in light of the Company's principal activities and direction and considers the current mix is sufficient to meet the requirements of the Company.

Recommendations 2.4 and 2.5 of the Guidelines say that the majority of the board should be independent directors and that the Company's chairman should be independent. Recommendation 2.1 recommends that the board should establish a nomination committee. Recommendation 2.2 recommends that the board should disclose a skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

R B Clarke, L A Clarke, J C Camuglia, N H Smith, and W M Talbert are the independent, non-executive directors on the board. R B Clarke retired on 31 December 2018. Accordingly, the board complied with recommendation 2.4 as a majority of the board are independent.

At 31 December 2018 R B Clarke had a relevant interest in 1.35% of the issued capital of the Company. Notwithstanding those interests, the board considers that R B Clarke remained independent and that J M Yeager, since his retirement from the Chief Executive Officer position, is independent. The board will regularly assess each Director's independence.

At 31 December 2018 L A Clarke had a relevant interest in 2.36% of the issued capital of the Company through his holding of ordinary shares. Notwithstanding that interest, the board considers that L A Clarke remains independent. The board will regularly assess each Director's independence.

At 31 December 2018 J C Camuglia had a relevant interest in 2.23% of the issued capital of the Company. Notwithstanding that interest, the board considers that J C Camuglia remains independent. The board will regularly assess each Director's independence.

At 31 December 2018 N H Smith had a relevant interest in 0.56% of the issued capital of the Company. Notwithstanding that interest, the board considers that N H Smith remains independent. The board will regularly assess each Director's independence.

J M Yeager, the Executive Chairman, was not independent during 2018 and accordingly, the board did not comply with recommendation 2.5 during that year. In situations where it was inappropriate for J M Yeager to act as Chairman of the board, R B Clarke acted as Chairman. The board determined when such situations arise.

During January 2019, J M Yeager stepped down from his position as Executive Chairman to become Non-Executive Chairman. This brought the Company into compliance with Recommendation 2.5.

Subsequent to 31 December 2018, J R Porter joined the Company as President and Chief Executive Officer. He is also a non-independent director.

The board does not comply with the Guidelines of recommendation 2.1 because the board believes that a nomination committee is not warranted given the Company's size and the nature of its operations. In effect, the full board acts as the nomination committee.

The Company does not comply with Recommendation 2.6, which recommends a professional development plan for the members of the board of directors. Members are expected to provide for their professional development individually.

The Company does not comply with Recommendation 2.2 as it has not disclosed a skills matrix. The Board considers the current mix of directors is sufficient to meet the requirements of the Company.

Principle 3: Promote ethical and responsible decision making

Freedom has a board charter which is incorporated into the corporate governance charter. It includes a detailed code of ethics and values and a detailed code of conduct for transactions in securities of the Company.

Freedom has separately adopted a detailed Code of Conduct that all employees and directors must follow as a condition of employment. The Freedom Code of Conduct can be inspected on its website at www.freedomog.com/our-company/corporate-governance/.

The purpose of these codes is to guide directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities. Both codes have been designed to encourage the highest ethical and professional standards as well as compliance with legal obligations and the Guidelines.

Principle 4: Safeguard integrity in financial reporting

The Audit and Risk Management Committee has been established with its own charter and its current members are L A Clarke, J C Camuglia, N H Smith, and WM Talbert and J M Yeager who joined the Committee in February 2019. R B Clarke served as Chairman of the committee until his retirement 31 December 2018. W M Talbert succeeded him as Chairman of the committee in 2019. As all members are independent and there was an independent chair, the Audit and Risk Management Committee complies with recommendation 4.2 of the Guidelines. The CEO during the 2018, J M Yeager, has provided declarations recommended under principle 4. The Company does not have a CFO at the present time and as such a declaration from the CFO is not applicable. The Company's external auditor attended its May 2018 AGM and was available to answer questions from security holders relevant to the audit.

Principles 5: Make timely and balanced disclosure

The Company's current practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with ASX Listing Rule disclosure requirements are included in the Company's corporate governance charter.

Principles 6: Respect the rights of shareholders

The board communicates with shareholders regularly and clearly by electronic means as well as by traditional methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditor (PricewaterhouseCoopers) will attend the annual general meeting and will be available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

Principle 7: Recognise and manage risk

The Company does not have an internal audit function. However, the board, together with management, has established processes to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. The issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will be kept under regular review.

The board has received a declaration from the Chief Executive Officer during the year 2018, J M Yeager, in accordance with section 295A Corporations Act 2001 and have received assurance from Mr. Yeager that the declaration is founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to the financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The board does not comply with best practice recommendation 8.1, because given the Company's size and the nature of its operations, the board believes that a remuneration committee is not warranted.

The remuneration of the Company's executive directors will be reviewed by the non-executive directors on an annual basis. The board will take into consideration the consequences of Freedom's performance on shareholder wealth.

However, in practice all directors approve all changes in senior management remuneration and are made aware of all staff remuneration actions. There is not a policy in place to prevent participants in the equity-based remuneration scheme from entering into transactions which limit the economic risk of participating in the scheme.

Remuneration of directors and executives is fully disclosed in the Company's annual report.

OPERATING AND FINANCIAL REVIEW

The directors present their report on the consolidated entity (referred to hereafter as “Freedom,” or “the Company”) consisting of Freedom Oil and Gas Ltd and the entities it controlled at the end of, or during, the year ended 31 December 2018.

The consolidated financial statements comprise the financial statements of Freedom Oil and Gas Ltd and its subsidiaries as at 31 December 2018 and for the fiscal year then ended. The comparative period is for the year ended 31 December 2017.

Loss from continuing operations

Freedom reported a consolidated loss from continuing operations before income tax for the year ended 31 December 2018 of $1.6 million (2017: loss before tax of $11.7 million). The improvement was primarily due to the continued increase in production. Revenues increased $17.7 million, from $4.1 million to $21.8 million, as the Company placed four more wells online. Costs of sales also increased in line with the increases in production, with the largest impacts in lease operating expenses (increased $2.0 million), taxes other than income (increased $0.9 million), and depreciation, depletion and amortisation (increased $4.1 million).

General and administrative expenses increased $2.3 million (from $7.6 million to $9.9 million), primarily due to increased headcount and increased operational activity.

Finance expenses increased in 2018 to $3.9 million (2017: $1.5 million), due to increased borrowings and a full-year effect of borrowing costs on debt incurred in late 2017.

Other gains and losses decreased in 2018 by $4.7 million due to the 2017 occurrence of non-cash costs related to the revaluation of certain warrants for fully paid ordinary shares issued with long-term financing.

Financial position

Freedom’s working capital position at 31 December 2018 has decreased $24.3 million since 31 December 2017. Current assets total $18.0 million (31 December 2017: $27.9 million). Current liabilities totalled $20.1 million (31 December 2017: $5.7 million). The decrease in working capital is due to investment in oil and gas properties.

In April 2018 Freedom Eagle Ford, Inc., a wholly-owned subsidiary of the Company (“Freedom Eagle Ford”), issued 10,000 shares of mandatorily redeemable preferred stock. In 2017 Freedom Eagle Ford had issued an initial 10,000 shares of this stock. The total outstanding as at 31 December 2018 is $20 million, with a redemption value of $40 million due in 2022. The stock is reported as long-term debt in the consolidated balance sheet of the accompanying financial statements.

Current borrowings decreased from $3.8 million at 31 December 2017 to $nil in 2018, as the Company repaid a short-term loan.

The Company issued 166,666,667 million new shares of ordinary stock in 2018 at A$0.15 per share. Net proceeds were $17.6 million.

For further information on debt and equity, see notes 17, 20, and 22 in the attached financial statements.

Investment in oil and gas properties

During the period, Freedom’s oil and gas asset balance increased by $57.0 million to $81.2 million (2017 balance: $24.2 million). This increase is primarily due to the drilling and completion of four new wells, the drilling of nine additional wells that are in various stages of completion at 31 December 2018, and the related facilities required to produce them.

Shares on issue

Freedom Oil and Gas Ltd had 1,077,022,552 shares on issue at 31 December 2018 (31 December 2017: 907,500,115). Shares issued during the year ended 31 December 2018 totalled 166,666,667 in new shares issued on 10 August 2018 and 25 September 2018. During the year ended 31 December 2017, 112,500,000 new shares were issued.

Lease holdings

The Company’s acreage in the Eagle Ford Shale declined slightly from approximately 9,400 acres at 31 December 2017 to approximately 9,300 acres at 31 December 2018. Certain non-core leases were allowed to expire.

Reserves

The most recent reported reserves, as prepared by Netherland, Sewell & Associates, Inc. in accordance with the Society of Petroleum Engineers Petroleum Resource Management System (SPE-PRMS) 2018 are summarised by classification and product below:

	31 December 2018		
	Oil MMBBL	**Natural Gas Liquids MMBBL**	**Natural Gas BCF**
Proved developed	1.5	0.7	4.1
Proved undeveloped	7.2	3.6	20.8
Total 1P	8.7	4.3	24.9
Total probable undeveloped	9.6	3.9	22.5
Total proved and probable (2P)	18.3	8.2	47.4

Proved 1P + Probable 2P reserve movement

	Oil MMBBL	**Natural Gas Liquids MMBBL**	**Natural Gas BCF**
Balance at 31 December 2017	17.1	9.2	51.4
Net production for the year ended 31 Dec 2018	(0.2)	(0.1)	(0.6)
Revision	1.4	(0.9)	(3.4)
Balance at 31 December 2018	18.3	8.2	47.4

Totals may not match due to rounding

All reserves are located in the United States. “MMBBL” stands for millions of barrels. “BCF” stands for billions of cubic feet. “MMCF” stands for millions of cubic feet.

Additional data from the performance of the Eagle Ford horizontal wells completed in 2018 resulted in an increase in the number of undeveloped locations from 55 proved locations in 2017 to 60 proved locations in 2018. For all 60 proved undeveloped locations, a portion of their reserves were assigned to the probable category. Revisions included an increase in oil reserves of 1.4 MMBBL and slight downward revisions to total natural gas and natural gas liquids reserves.

Reserve estimates for developed and undeveloped locations were based primarily on production data from wells located in the immediate area offsetting Freedom’s acreage and the Company’s six initial producing wells.

No material concentrations of proved undeveloped reserves have remained undeveloped for more than five years from the date they were initially reported.

Freedom’s reserve reports are prepared by Netherland, Sewell & Associates, Inc. (“NSAI”), a worldwide leader of petroleum property analysis for industry and financial organisations and government agencies. Further information about NSAI can be found on page 26 of this report. NSAI relies on both externally sourced information and data provided by Company personnel to estimate reserve quantities. The Company has in place various review controls to assure the accuracy and completeness of data provided to NSAI. Company personnel calculate a mid-year reserve estimate in addition to the year-end estimate provided by NSAI and compare each new reserve estimate to previous reports for consistency and material changes. No employee’s compensation is tied to the amount of reserves booked.

Production

Freedom's net production and revenues are presented below:

	31 December 2018			
	Oil MBBL	**Natural Gas MMCF**	**Natural Gas Liquids MBBL**	**MBOE**
Volume	244.9	578.5	107.4	448.8
Average price	$68.92	$3.13	$25.21	$47.69

	Year Ended 31 Dec 2018 $	Year Ended 31 Dec 2017 $
Revenues		
Oil sales	**16,882**	3,601
Natural gas sales	**1,811**	205
Sales of natural gas liquids	**2,707**	303
	21,400	4,109
Realised gains on commodity derivatives	**386**	-
Total product revenue	**21,786**	4,109
Net sales volumes		
Oil (BBL)	**244,944**	64,196
Natural gas (MCF)	**578,497**	74,958
Natural gas liquids (BBL)	**107,394**	13,457
Oil equivalent (BOE)	**448,755**	90,146

Drilling and development

Freedom drilled and completed four successful wells in the Eagle Ford acreage in 2018 and drilled another nine wells that are in various stages of completion at 31 December 2018. Production facilities were built or expanded to accommodate the new and future production. A total of $63.2 million was added to oil and gas properties primarily for wells and facilities.

Employees

Freedom employed 17 people at 31 December 2018 (2017: 11 people). Staff are concentrated in drilling and development as well as land services.

Strategy and Outlook

During the year ended 31 December 2018 Freedom moved forward with drilling and development of its Eagle Ford acreage, drilling a total of 13 wells and building out production facility infrastructure. The Company also entered into new crude oil and natural gas marketing and transportation contracts that will result in better realisations for its produced hydrocarbons.

The Company enhanced its liquidity by entering into a new reserves-based credit facility with Wells Fargo Bank, NA, and qualifying for an initial borrowing base of $20 million. On 8 January 2019 Freedom drew down the full $20 million. Together with the increase in cash flows from the Company's wells, these funds will be deployed in further development of the Eagle Ford acreage in 2019. The Company's strategy is to create shareholder value by growing the value of its Eagle Ford acreage through drilling and development of the acreage, and/or to seek new strategic opportunities with equal or more attractive projected returns.

COMPETENT PERSON STATEMENT

The evaluation of reserves referred to in the operating and financial review are based on, and fairly represent, information and supporting documentation prepared by Richard B Talley, Jr., a qualified petroleum reserves and resources evaluator. Mr. Talley is a Senior Vice President at Netherland, Sewell & Associates, Inc. ("NSAI"), a worldwide leader of petroleum property analysis for industry and financial organisations and government agencies. NSAI was founded in 1961 and performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. Mr. Talley is a registered professional engineer licensed in the State of Texas, Registration No. 102425 and is a qualified petroleum reserves and resources evaluator. The reserves estimates are consistent with the definitions of proved reserves defined in the ASX Listing Rules. Compensation for the required investigations and preparation of third party reserve reports are not contingent upon the results obtained and reported, and the third party reserve engineers have not performed other work for us that would affect their objectivity. NSAI has consented to the use of the reserves figures in this report in the form and context in which they appear.

Contents

These financial statements cover the consolidated entity consisting of Freedom Oil and Gas Ltd and its subsidiaries. The financial statements are presented in US dollars.

Freedom Oil and Gas Ltd is a company limited by its shares, incorporated and domiciled in Australia. Its registered office and principal place of business in Australia is:

Suite 2
24 Bolton Street
Newcastle NSW 2300

Its principal office in the United States is:

5151 San Felipe, Suite 800
Houston Texas 77056

A description of the nature of the consolidated entity's operations and its principal activities is included in the operating and financial review on pages 24 to 26 and in the directors' report on pages 5 to 17, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 25 February 2019. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, Freedom has insured that its corporate reporting is timely and complete. All press releases, financial reports and other information are available on the Freedom website at www.freedomog.com.

	Notes	**Year ended 31 Dec 2018 $'000**	Year ended 31 Dec 2017 $'000
Revenue from continuing operations	5	**21,786**	4,109
EXPENSES			
Cost of sales	6	**(9,667)**	(1,909)
Gross profit		**12,119**	2,200
Other income	5	**5**	8
General and administrative expense	4	**(9,869)**	(7,569)
Transaction expense	4	**-**	(122)
Other gains / (losses) — net	4, 22	**20**	(4,705)
Finance costs	4	**(3,852)**	(1,475)
Loss before income tax		**(1,577)**	(11,663)
Income tax (expense) benefit	7	**655**	75
Loss from continuing operations		**(922)**	(11,588)
Gain / (loss) from discontinued operation		**-**	142
Loss for the year		**(922)**	(11,446)
Loss is attributable to:			
Owners of Freedom Oil and Gas Ltd		**(922)**	(11,446)
Non-controlling interests		**-**	-
		(922)	(11,446)
		Cents	Cents
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share	33	**(0.1)**	(1.4)
Diluted loss per share	33	**(0.1)**	(1.4)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share	33	**(0.1)**	(1.4)
Diluted loss per share	33	**(0.1)**	(1.4)

The above consolidated income statement should be read in conjunction with the accompanying notes.

	Notes	**Year ended 31 Dec 2018 $'000**	Year ended 31 Dec 2017 $'000
Loss for the year		**(922)**	(11,446)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of derivative contracts (net of deferred tax)	10, 22, 7	**2,465**	-
Total comprehensive income / (loss) for the year		**1,543**	(11,446)
Total comprehensive income / (loss) for the year is attributable to:			
Owners of Freedom Oil and Gas Ltd		**1,543**	(11,446)
Non-controlling interests		**-**	-
		1,543	(11,446)

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

	Notes	31 Dec 2018 $'000	31 Dec 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**13,570**	25,971
Trade and other receivables	9	**2,387**	1,903
Inventory		**10**	3
Derivative financial instruments	10	**2,004**	-
Total current assets		**17,971**	27,877
Non-current assets			
Oil and gas assets	12	**68,880**	13,740
Undeveloped leasehold	13	**12,305**	10,478
Property, plant and equipment	14	**363**	137
Intangible assets		**66**	103
Derivative financial instruments	10	**1,116**	-
Deferred tax assets	15	**39**	79
Other non-current assets		**220**	-
Total non-current assets		**82,989**	24,537
Total assets		**100,960**	52,414
LIABILITIES			
Current liabilities			
Trade and other payables	16	**20,088**	1,875
Borrowings	17	**-**	3,778
Total current liabilities		**20,088**	5,653
Non-current liabilities			
Borrowings	17	**17,407**	6,966
Restoration provision	18	**1,451**	327
Total non-current liabilities		**18,858**	7,293
Total liabilities		**38,946**	12,946
Net assets		**62,014**	39,468
EQUITY			
Contributed equity	20	**177,451**	159,146
Other equity reserves	22	**12,927**	7,764
Accumulated loss	21	**(128,364)**	(127,442)
Capital and reserves attributable to owners of Freedom Oil and Gas Ltd		**62,014**	39,468
Non-controlling interests		**-**	-
Total equity		**62,014**	39,468

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

		Attributable to the owners of Freedom Oil and Gas Ltd			
		Contributed equity	**Other equity reserves**	**Accumulated loss**	**Total equity**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Balance, 31 December 2016		143,035	-	(115,996)	27,039
Total comprehensive loss for the year ended 31 December 2017		-	-	(11,446)	(11,446)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	20	16,111	-	-	16,111
Options issued	22	-	266	-	266
Warrants issued	22	-	7,498	-	7,498
Balance, 31 December 2017		159,146	7,764	(127,442)	39,468
Total loss for the year ended 31 December 2018		-	-	(922)	(922)
Other comprehensive income (loss)					
Hedging gain, net of reclassifications to profit / (loss)	22	-	2,465	-	2,465
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	20	18,305	-	-	18,305
Warrants issued	22	-	2,698	-	2,698
Balance, 31 December 2018		177,451	12,927	(128,364)	62,014

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

	Notes	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**27,620**	3,826
Payments to suppliers and employees (inclusive of goods and services tax)		**(17,626)**	(8,839)
		9,994	(5,013)
Taxes other than income tax		**(969)**	(141)
Interest paid		**(60)**	(136)
Settlements of commodity derivative contracts		**149**	-
Net cash (outflow) from operating activities	30	**9,114**	(5,290)
Cash flows from investing activities			
Payments for property, plant and equipment		**(41)**	(174)
Payments for oil and gas assets		**(44,540)**	(16,147)
Proceeds from the sale of property, plant and equipment		**-**	77
Interest received		**-**	8
Net cash (outflow) inflow from investing activities		**(44,581)**	(16,236)
Cash flows from financing activities			
Proceeds from issues of shares	20	**18,503**	16,922
Proceeds from borrowings		**10,000**	13,804
Share issue transaction costs	20	**(895)**	(779)
Debt issue costs		**(615)**	(988)
Repayment of borrowings		**(3,983)**	(21)
Net cash inflow from financing activities		**23,010**	28,938
Net increase in cash and cash equivalents		**(12,457)**	7,412
Cash and cash equivalents at the beginning of the financial year		**25,971**	18,454
Effects of exchange rate on cash and cash equivalents		**56**	105
Cash and cash equivalents at end of year	8	**13,570**	25,971

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Freedom Oil and Gas Ltd is a for-profit listed public company. The financial statements are for the consolidated entity consisting of Freedom Oil and Gas Ltd and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS
The consolidated financial statements of Freedom Oil and Gas Ltd and its subsidiaries also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention, except for the following:

- Derivative financial instruments measured at fair value.

New and amended standards adopted by the Company
The Company adopted new standards with regard to revenue recognition (AASB 15) and to financial assets and liabilities (AASB 9) beginning 1 January 2018. The new standards did not impact any amounts recognised in prior periods and are did not significantly affect current amounts. See note 3 for further discussion.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 – Leases–in January 2016, the IASB issued IFRS 16 Leases, replacing the existing IAS 17 (effective from 1 January 2019). The standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the Company's operating leases. Mineral leases are exempt. As at 31 December 2018, the Company has one significant non-cancellable operating lease commitment of $0.1 million for its main office (see note 25), continuing until February 2019. Conversion of that commitment to a financial liability in accordance with IFRS 16 would not have a material impact on results of operations or financial position. The Company did not adopt AASB 16 early.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Freedom Oil and Gas Ltd ("Company" or "parent entity") as at 31 December 2018 and the results of all subsidiaries for the year then ended. Freedom Oil and Gas Ltd and its subsidiaries together are referred to in this financial report as the Company, the consolidated entity or Freedom.

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Company.

Intercompany transactions, balances and unrealised gains on transactions between Company subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(b) Principles of consolidation (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive income and balance sheets respectively.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is Freedom Oil and Gas Ltd's functional and presentation currency.

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

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Company subsidiaries
The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of
such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

(i) Accounting policies applied from 1 January 2018

Revenue recognition

Revenue is recognised for the major business activities as follows:

Sale of oil

The company produces oil and recognises revenue when the crude oil buyer collects the oil from the field. This is the point in time when control of the product passes to the customer and the risk of loss passes to the customer. The transaction price is recognised based on the contract price agreed multiplied by the volume collected. Production tax paid to state jurisdictions is recorded as a cost of sale.

Sale of natural gas and natural gas liquids

Revenues from the sales of natural gas and natural gas liquids are recognised when the buyer purchases the hydrocarbons at the tailgate of the gas processing plant, or earlier if purchased in the field or upstream of the gas processing plant.

These are considered to be the points in time when control of the product passes to the customer and the risk of loss passes to the customer. For both natural gas and natural gas liquids, the transaction price is recognised on the agreed contract price multiplied by the volume collected. Production tax paid to state jurisdictions, the cost of transporting the gas to the plant and the cost of processing the natural gas liquids out of the raw gas stream at the plant are all included in cost of sales.

(f) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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. 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 by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised 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 foreign operations 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 is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Income tax (continued)

(i) Investment allowance
Companies within the consolidated entity may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Company accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(ii) Tax consolidation registration
Freedom Oil and Gas, Inc. is the head entity for United States tax consolidation purposes. The United States entities included in this tax consolidated group are all the subsidiaries of Freedom Oil and Gas, Inc.

(g) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are measured at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(h) Intangible assets

Intangible assets generally consist of purchased software and costs of installation. The Company amortises such software licenses over a life of 3 years. Costs associated with maintaining software programs are expensed as incurred.

Impairment
Intangible assets are tested 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(j) Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method.

Policies for impairment of trade receivables are described at note 1(l)(iv).

(k) Inventories

Crude oil
Crude oil inventories are stated at the lower of cost or net realisable value.

(l) Investments and other financial assets

(i) Classification

From 1 January 2018, the Company classifies its financial assets in the follow measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income [OCI], or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI (FVOCI). For investments in debt instruments, this will depend on the business model in which the investment is held.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the condensed consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses). Impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Commodity derivative contracts
For accounting policy for commodity derivative contracts, see note 10.

(iv) Impairment of financial assets

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(l) Investments and other financial assets (continued)

For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company bases expected losses on historical credit losses experienced. The Company currently has two customers, and a history of approximately one year or less with each of them. The Company has experienced no losses with these customers and has not observed other indicators of impairment to the receivables. Accordingly, credit losses are estimated to be immaterial and there has been no recorded provision for credit loss.

Commodity derivative contracts are assessed for impairment using the same process as for trade receivables. The Company has one counterparty, Wells Fargo, N. A. The Company has experienced no losses with this counterparty and has not observed other indicators of impairment to the asset. Accordingly, credit losses are estimated to be immaterial and there has been no recorded provision for credit loss.

(v) Accounting policies applied until 31 December 2017

The Company has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Classification

Until 31 December 2017, the Company classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Subsequent measurement
The measurement at initial recognition did not change on adoption of AASB 9, see description above.

Loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Impairment
The Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses are incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets were impaired.

Assets carried at amortised cost
For loans, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the consolidated income statement. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Company could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the consolidated income statement.

Impairment testing of trade receivables was assessed on the incurred loss model. Debts which were known to be uncollectible were written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) was used when there was objective evidence that the Company would not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) were considered indicators that the trade receivable was impaired.

The impairment loss was recognised in profit or loss within other expenses. Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditure that is directly attributable to the acquisition of the items.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated using the straight line method over their useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates are as follows:

Asset	Useful life
- Motor vehicles	5 years
- Furniture, fittings and office equipment	3-7 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Impairment of property, plant and equipment

The carrying amount of buildings, plant and equipment is reviewed annually by management to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

(n) Undeveloped leasehold

Undeveloped leasehold represents the carrying value of mineral leases acquired for development but which have not yet been drilled. Capitalised costs include leasehold acquisition and further title or curative work to necessary to perfect the lease. Costs are grouped by area of interest. An area of interest is a geographic area in which proved reserves have been discovered.

Capitalised costs remain in undeveloped leasehold so long as the related acreage has not been developed through drilling and production. When an area or portion thereof undergoes development drilling, the costs related to that acreage are transferred to 'Oil and gas assets' as assets under development.

Impairment of undeveloped leasehold

Undeveloped leasehold assets are tested for impairment semi-annually or whenever facts and circumstances indicate impairment. Impairment indicators for undeveloped leasehold assets could include: 1) upcoming expiration of mineral lease(s) with no intent to renew; 2) discontinuation of development activities in the area, typically evidenced by capital budget and expenditure plans. An impairment loss, or relinquishment of lease expense, is recognised for the amount by which the undeveloped leasehold assets' carrying amount exceeds their estimated recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and their value in use.

Undeveloped leasehold assets are presented on the Consolidated balance sheet net of any impairment.

(o) Oil and gas assets

(i) Assets in development
The costs of oil and gas assets in development are separately accounted for and include past leasehold development costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When the committed development expenditure programs are completed and production commences, these costs are transferred to producing assets.

(ii) Producing assets
The costs of oil and gas assets in production are separately accounted for and include past exploration and evaluation costs, past development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to amortisation.

(iii) Restoration costs
Site restoration costs are capitalised with the cost of the associated assets and included in the balance sheet based upon estimated present values. The estimated costs to abandon wells and facilities and restore locations is based on judgements and assumptions regarding removal dates and future costs, discounted to present value. The unwinding of discount is included within finance expenses on the Consolidated income statement. Restoration costs are included in capitalised costs when computing depletion. Restoration provisions are presented as current assets or liabilities to the extent they are expected to be settled within twelve months after the end of the reporting period.

(iv) Amortisation of oil and gas assets
Oil and gas assets in production are presented on the Consolidated balance sheet net of any accumulated depreciation, depletion, amortisation or impairment.

Costs of oil and gas assets in production are amortised on a units-of-production basis, applied at the well level. Costs of producing assets are amortised over the remaining estimated units of the wells. The remaining estimated units of the wells are based on the Company's estimated proved developed and probable reserves at the balance sheet date.

Facilities that serve multiple wells and are expected to serve additional future wells are depreciated on a straight-line basis over 20 years. This time frame is expected to approximate the life of the group of wells served.

Restoration costs are depreciated on a straight-line basis over 20 years.

No depletion is charged while assets are still in development and sales have not commenced.

(v) Impairment of oil and gas assets in production

Oil and gas assets in production are reviewed for impairment semi-annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Oil and gas properties are impaired when the carrying value of the properties exceeds the recoverable amount as estimated in the current reserve report. The reserve report provides the present value of estimated cash flows of proved oil and natural gas reserves expected to arise from the continued use of the asset. For purposes of assessing impairment, assets are grouped at the field level.

An impairment loss is recognised if the production assets' carrying amount exceeds their estimated recoverable amount, as evidenced by the reserve report. Any excess carrying value is written off to profit and loss.

(vi) Reserves
The estimated reserves are management assessments and take into consideration assumptions regarding commodity prices, discount rates, future production and transportation costs, and interpretations of geological and geophysical models to make assessments of the quality of reservoirs and their anticipated recoveries.

The 31 December 2018 evaluation of reserves referred to in the operating and financial review was undertaken by Netherland, Sewell & Associates, Inc. ("NSAI"), a worldwide leader of petroleum property analysis for industry and financial organisations and government agencies. NSAI was founded in 1961 and performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. NSAI's technical principals meet or exceed the education, training, and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers; both are proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying United States Security and Exchange and other industry reserves definitions and guidelines. NSAI's technical principals are qualified persons as defined in ASX Listing Rule

(o) Oil and gas assets (continued)

5.22. The reserves estimates are consistent with the definitions of Proved and Probable hydrocarbon reserves defined in the Australian Stock Exchange (ASX) Listing Rules. Compensation for the required investigations and preparation of third party reserve reports are not contingent upon the results obtained and reported, and the third party reserve engineers have not performed other work for the Company that would affect their objectivity.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. The fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The accrual of dividends on these preference shares are recognised in profit or loss as finance costs.

Borrowings are removed from the balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they occur.

(s) Provisions

Provisions for legal claims, service warranties and make-good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Restoration provision
See o(iii) above for policy regarding restoration provision.

(t) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current obligations in the Consolidated balance sheet.

(ii) Employment relationships
For the year ended 31 December 2018, the Company does not have any liabilities for accumulating sick leave or long service leave in respect of any of its employees. The Australian parent entity directors and Company secretary do not accrue any such benefits for their roles. All United States employees are employed under the laws of Texas. Under these laws the Company does not have any long service leave pension or health care obligations in relation to any of its Texas employees. For the years ended 31 December 2018 and 2017, the Company has a liability for annual leave and this liability accrues according to individual employment agreements or Company policy.

(iii) Share-based payments

Employee shares

The Company may elect to award ordinary shares to employees on an individual basis, for no cash consideration, and vesting immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

Deferred shares

The fair value of deferred shares granted to employees for nil consideration is recognised as an expense over the relevant service period, being the year to which the award relates (if for prior performance) and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

(u) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preferred shares are classified as borrowings (see note 17).

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

(v) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners 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 (note 33).

(ii) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

In periods of loss, diluted loss per share is typically the same as basic loss per share as the effects of potential ordinary shares outstanding would be anti-dilutive.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheets.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(y) Parent entity financial information

The financial information for the parent entity, Freedom Oil and Gas Ltd, disclosed in note 32, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost in the financial statements of Freedom Oil and Gas Ltd.

2 Critical accounting estimates and judgements

(a) Significant estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Freedom makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Assumptions regarding liquidity
For the year ended 31 December 2018, the Company recorded a loss after tax of $0.9 million (2017: loss of $11.4 million) and a net decrease in cash of $12.4 million (2017: increase of $7.5 million). As at 31 December 2018, the Company had net current assets of negative $2.1 million (2017: positive $22.2 million).

The Company expects to have available the necessary cash to fund its operational plans for the next 12 -18 months, taking into account the following:

- cash balance of $13.6 million at 31 December 2018;
- drawdown in January 2019 of reserves-based financing of $20 million
- cash flow from six producing wells online by end of 2018, and from nine additional wells for which completion operations are expected to be completed in the first half of 2019;
- cash flow from four additional wells expected to be drilled, completed and online late in the second quarter or early in the third quarter of 2019.

(ii) Estimates of reserve quantities
The estimated quantities of hydrocarbon reserves reported by Freedom are integral to the calculation of depletion and depreciation expense and to assessments of impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared annually in accordance with Freedom's policies and procedures for reserves estimation which conform to guidelines prepared by the Society of Petroleum Engineers. Reserves estimates are updated semi-annually and whenever events or circumstances indicate a significant change.

(a) Significant estimates and judgments (continued)

If reserves are adjusted downward, earnings could be affected by higher depreciation expense or an immediate write-down of the asset's carrying value.

(iii) Impairment of oil and gas assets in production
Freedom assesses whether oil and gas assets in production are impaired at least semi-annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This requires an estimation of the recoverable amount of the cash-generating unit to which the assets belong (fields or basins). The Company produces a reserve report of cash flow projections by field, based on reserve estimate volumes. The reserve report is based on the reserve quantities described in (ii) above. Financial estimates, such as future prices and costs to develop, are applied to these estimated product quantities. See note 12 for further detail regarding estimations and assumptions used in the reserve report.

The carrying value of the assets are compared to the reserve report estimation of value of cash flows. If the carrying value exceeds the reserve report valuation, the difference is written off to profit and loss.

(iv) Impairment of undeveloped leasehold assets

Freedom assesses whether undeveloped leasehold assets are impaired at least semi-annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the assets have not been developed, the assessment relies upon estimates and judgements about future activities to assess the recoverability of the assets. Significant judgements include forecasted capital spending plans supporting the continued potential for recovery of past expenditures.

Such estimations may change as new information becomes available. If the Company concludes that it is unlikely to recover the expenditure by future exploitation or sale of the asset to a third party, then the relevant capitalised amount will be written off to profit and loss.

(b) Changes in key estimates

As detailed in accounting policy note 1(o)(iv) costs of producing assets are amortised on a units of production basis via a depletion charge. Exploration and development costs are amortised over the remaining estimated units of the wells. The remaining estimated units of the wells are based on Freedom's estimated quantities of proved developed and probable reserves for each well.

Reserve estimates and cash flow projections for oil and gas assets are also critical to determination of impairment.

For the year ended 31 December 2018, depletion calculations utilised estimated remaining units of the Eagle Ford field based on reserve balances as prepared by NSAI as described in note 1(o) above. Depletion expense for 2018 was $5.4 million (2017: $1.2 million).

3 New standards adopted

The company adopted the following standards as at 1 January 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*.

(a) AASB 9 Financial Instruments
AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new policies are set out in note 2(l) above.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of AASB 9), the Company's management assessed which business models apply to the financial assets held by the Company, as required by AASB 9, and classified them into the appropriate categories.

The Company's financial assets at 31 December 2017 consisted solely of cash in cash accounts, and trade receivables resulting from the sale of oil, natural gas, and natural gas products. Management determined that cash and trade receivables meet the criteria for the category "Amortised cost." This represents no change in categorisation from prior periods.

3 New standards adopted (continued)

The Company's financial assets at 31 December 2018 also included derivative financial assets and liabilities recognised at fair value on the consolidated balance sheet. AASB 9 was already in place when the first of these transactions occurred, in 2018.

Accordingly, there was no impact on classification or measurement of financial assets from 31 December 2017 to 1 January 2018 from the adoption of AASB 9.

(ii) Derivatives and hedging activities

The Company had no derivative financial assets or liabilities at 31 December 2017. The Company's financial assets at 31 December 2018 included derivative financial assets and liabilities recognised at fair value on the consolidated balance sheet. AASB 9 was already in place when the first of these transactions occurred, in 2018.

Accordingly, there was no impact on classification or measurement of commodity derivative contracts from adoption of AASB 9.

(iii) Impairment of financial assets

The Company has three types of financial assets subject to AASB 9's new expected credit loss mode for determining impairment in the value of financial assets: trade receivables, cash accounts, and commodity derivative contracts. While cash accounts are subject to the impairment requirements of AASB 9, the identified loss was immaterial.

The Company revised its impairment methodology for trade receivables, applying the "simplified approach" described by AASB 9, which uses a lifetime expected credit loss allowance.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The estimated credit loss as at both 1 January 2018 and 31 December 2018 were expected to be immaterial; the provision for loss at 31 December 2018 was therefore set at $nil. The oil and gas revenues in the Eagle Ford commenced in October 2017 and through December 2018, sales were limited to three customers. Based on the limited billing and collection history incurred since the Company's restart of oil and gas production activities, and on the high credit standing of the customers with outstanding balances at both those dates, management determined that the expected loss rate for current trade receivables is immaterial. All trade receivables at both dates were current.

The provision for expected credit losses for trade receivables was also $nil at 31 December 2017. Commodity derivative contracts were acquired initially in 2018, after AASB 9 had already been adopted.

Therefore there the adoption of the new impairment standard in AASB 9 had no impact on the financial positon or operations of the Company.

(b) AASB 15 Revenue from Contracts with Customers

AASB 15 has been applied by the Company in accounting and recognising revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new policies are set out in note 2(e) above.

The standard permits either a full retrospective or a modified retrospective approach for adoption. The Company employed the modified retrospective approach for adoption as at 1 January 2018.

Impact of adoption

The Company reviewed sales contracts and concluded that AASB 15 required no change in the method of accounting for sales of oil, natural gas, and natural gas liquids. Sales are made at a point in time as the products are delivered on a daily basis, with no contingent features to the price or volumes delivered.

The retrospective method of adoption would have required restatement of contract assets and liabilities, if any, as at 31 December 2017. The Company's sales contracts do not give rise to contract assets or liabilities, either before or after the adoption of AASB 15. Therefore there was no impact on the Company's financial positon or operations. There was no impact on presentation of the financial statements.

4 Segment information

(a) Description of segments

Management has determined Freedom's operating segments based on the reports reviewed by the Chief Executive Officer to make strategic decisions. Management reports the business as one segment, oil and gas exploration and production.

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer for the reportable segments for the years ended 31 December 2018 and the 31 December 2017 is as follows:

Oil and gas exploration and production	31 Dec 2018 $'000	31 Dec 2017 $'000
Total segment revenue	**21,786**	**4,109**
Revenue from external customers	**21,786**	4,109
Loss for the year	**(922)**	(11,446)
General and administrative expense	**(9,869)**	(7,569)
Transaction expense	**-**	(122)
Other gains / (losses) - net	**20**	(4,705)
Finance costs	**(3,852)**	(1,475)
Income tax (expense)/benefit	**655**	75
Total segment assets	**100,960**	52,414
Total assets includes:		
Additions to non-current assets (other than financial assets and deferred tax)	**63,205**	16,532
Total segment liabilities	**38,946**	12,946

(c) Other segment information

(i) Segment revenue

The revenue from external parties reported to the board is measured in a manner consistent with that in the Consolidated income statement.

Revenues from external customers are derived from the sale of oil, natural gas, and natural gas liquids to third parties and are presented before production taxes.

(ii) Segment expense

In 2017, Other gains/(losses) – net relates to the revaluation of certain warrants for Company stock issued in conjunction with the 2017 issuance of mandatorily redeemable preferred stock. The warrants were subsequently modified such that they meet the definition of an equity instrument, and revaluation recognition is no longer required.

See further information at note 17 and note 22.

Transaction expenses in 2017 related to a significant transaction that management ultimately determined would not be pursued.

Finance costs include cash and accrued costs of $0.2 million (2017: $0.6 million) to obtain and service debt, and $3.7 million (2017: $0.9 million) in non-cash amortisation of other costs of debt. Other debt costs subject to amortisation include both cash costs and non-cash equity items (such as the warrants described above) incurred with the origination of new debt in 2017 and 2018. Non-cash finance costs also include accretion of discount on preferred stock, and accretion of discount on restoration provision.

4 Segment information (continued)

Segment revenue reconciles to total revenue from continuing operations as follows:

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Total segment revenue from continuing operations	**21,786**	4,109

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Revenue from continuing operations	**21,786**	4,109
Other revenue from continuing operations		
Interest from financial assets not at fair value through profit or loss	**5**	8
	5	8

The parent entity is domiciled in Australia. No sales revenue is generated from customers in Australia. Freedom generates all of its sales revenue from external customers in the United States.

(iii) Segment assets

The amounts provided to the board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Segment assets	**100,960**	52,414
Total assets as per the balance sheet	**100,960**	52,414

All of Freedom's non-current assets are located in the United States.

4 Segment information (continued)

(iv) *Segment liabilities*
The amounts provided to the board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Segment liabilities	**38,946**	12,946
Total liabilities as per the balance sheet	**38,946**	12,946

5 Revenue and other income

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Oil sales	**16,882**	3,601
Realised gains from oil derivative contracts	**386**	-
	17,268	3,601
Natural gas sales	**1,811**	205
Sales of natural gas liquids	**2,707**	303
Revenue from continuing operations	**21,786**	4,109
Other revenue from continuing operations		
Interest from financial assets not at fair value through profit or loss	**5**	8
	5	8

6 Breakdown of expenses

Expenses by nature

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Consumables and external services used	**4,420**	2,665
Employee benefits expense	**6,017**	3,347
Depletion, depreciation, and amortisation included in costs of sales	**5,368**	1,245
Depreciation and amortisation expense included in general and administrative expense	**127**	681
Relinquishment of leases	**555**	-
Transaction expense	**-**	122
Professional fees	**1,043**	792
Insurance expense	**448**	246
State and local tax expense	**1,161**	229
Net foreign exchange losses	**6**	(116)
Listing and registration costs	**124**	102
Other (gain) / loss - warrant expense	**-**	4,789
Other	**247**	61
Finance costs	**3,852**	1,475
Total all costs of sales and other expenses	**23,368**	15,638

Costs of sales

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Lease operating expenses	**2,276**	291
Taxes other than income	**1,076**	225
Transportation expense	**234**	123
Oil and gas processing	**158**	25
Depletion, depreciation, and amortisation	**5,368**	1,245
Relinquishment of leases	**555**	-
Total cost of sales	**9,667**	1,909

7 Income tax expense (benefit)

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
(a) Income tax expense (benefit)		
Current tax	**(40)**	-
Deferred tax	**40**	(79)
	-	(79)
Income tax is attributable to:		
(Loss) Profit from continuing operations	**-**	(79)
Aggregate income tax expense (benefit)	**-**	(79)
Deferred income tax expense (benefit) included in income tax expense (benefit) is comprised of:		
Decrease (increase) in deferred tax assets (note 15)	**436**	(1,953)
(Decrease) increase in deferred tax liabilities (note 19)	**(396)**	1,874
	40	(79)
(b) Numerical reconciliation of income tax expense (benefit) to prima facie tax payable		
(Loss) from continuing operations before income tax	**(1,577)**	(11,663)
Profit from discontinued operations before income tax	**-**	142
Tax at the Australian tax rate of 27.5% (December 2017 - 27.5%)	**(434)**	(3,168)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
40-880 deductions	**-**	(24)
Non-deductible expenses -— Australian parent	**229**	1,467
Non-deductible expenses — United States subsidiaries	**802**	15
	597	(1,710)
Difference in overseas tax rates	**44**	(412)
Previously unrecognised tax losses used to reduce deferred tax expense	**(1,316)**	(18)
Net deferred tax asset not brought to account--Australian parent	**20**	-
Net deferred tax asset not brought to account, United States subsidiaries	**-**	2,061
Income tax expense (benefit) recognised in profit and loss	**(655)**	(79)
Income tax expense (benefit) recognised in Other comprehensive income see note (c) below	**655**	-
Total income tax expense (benefit)	-	(79)

The income tax expense presented above for the year ended 31 December 2018 and 31 December 2017 relates solely to the United States entities.

The United States tax benefit of $655,304 recognised in profit and loss is derived from the accounting loss of the United States incorporated entities adjusted for non-deductible United States-based expenditures, state taxes and credits, and deferred tax asset previously not brought to account, at the prevailing United States corporate tax rate of 21%. In 2018, a deferred tax liability was recorded for the unrealised hedge gain in Other comprehensive income (see note (c) below). A portion of the Company's previously unrecognised tax losses can be utilised to reduce the deferred tax liability. Accordingly, the increase in carrying value of the deferred tax asset derived from previously unrecognised tax losses was recognised in profit and loss as a tax benefit in 2018 of $655,304.

Due to the intangible drilling cost deductions available under United States tax legislation, no amount of United States tax is payable in the current period. The current tax benefit of $79,000 in 2017 related to a refundable credit available to the Company due to changes in United States tax law in 2017. There is no Australian component of income tax benefit or expense, due to the application of previous losses not brought to account against deferred tax.

7 Income tax expense (benefit) (continued)

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
(c) Income tax expense (benefit) recognised in Other comprehensive income		
Other comprehensive income before income tax expense (benefit)	**3,120**	-
Tax at the Australian tax rate of 27.5% (December 2017 - 27.5%)	**858**	**-**
Difference in overseas tax rates	**(203)**	**-**
Income tax expense (benefit) recognised in Other comprehensive income	**655**	**-**
(d) Tax losses		
Unused income tax losses for which no deferred tax asset has been recognised	**90,925**	93,221
Unrecognised net deferred tax asset relating to the above tax losses at 21%	**19,094**	19,576
(e) Unrecognised temporary differences		
Temporary difference relating to net foreign exchange losses	**-**	(23)
Unrecognised net deferred tax asset relating to the above temporary difference at 27.5%	**-**	(6)

The tax losses incurred before 2018 expire at various dates from 2031 to 2037. The tax losses incurred from 2018 forward can be carried forward indefinitely.

8 Current assets - Cash and cash equivalents

Reconciliation to cash at the end of the year:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash at bank and in hand	**13,570**	25,971
	13,570	25,971

Risk exposure

Information about Freedom's exposure to credit risk, interest rate risk and foreign currency risk in relation to cash and cash equivalents is provided in note 28.

9 Current assets - Trade and other receivables

	31 Dec 2018 $'000	31 Dec 2017 $'000
Trade receivables	**1,714**	1,613
Prepayments	**396**	219
Other receivables	**277**	71
Total trade receivables and other current assets	**2,387**	1,903

(a) Trade receivables

Trade receivables include receivables for sales of oil, natural gas, and natural gas liquids of $1.7 million as at 31 December 2018 (31 December 2017: $1.6 million).

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of Freedom. Receivables for settlements of derivative contracts are also included (2018: $0.2 million; 2017: $nil). All other receivables are current as at 31 December 2018 and 31 December 2017.

(c) Foreign exchange and interest rate risk

Information about Freedom's exposure to credit risk, interest rate risk and foreign currency risk in relation to trade and other receivables is provided in note 28.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. Freedom does not hold any significant collateral in relation to any of these receivables.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 28 for more information on the risk management policy of Freedom and the credit quality of the entity's trade receivables.

10 Derivative financial instruments

Freedom's revenue is exposed to commodity price fluctuations, in particular oil prices. The Company's oil revenues are based on short term contracts that reference the benchmark West Texas Intermediate ("WTI") oil price, plus or minus a location differential between the Company's point of sale and the point of sale assumed in the benchmark WTI. Beginning in the fourth quarter of 2018, the Company put in place a hedging program to fix the prices it will receive for certain quantities of oil over the next several years. The program includes swap contracts to fix the WTI benchmark, and additional swap contracts to fix the differential between WTI and another benchmark, Argus WTI Houston. The Company's policy is to hedge at least 50%, and no more than 80%, of forecasted future production from proved reserves in accordance with the terms of the Company's credit facility (note 17).

See note 28 for a listing of the contracts and nominal values.

The Company's natural gas and natural gas liquids revenue streams are also subject to commodity price fluctuations. The Company has not elected to hedge these revenue streams.

Accounting for cash flow hedging contracts
The Company has designated these contracts as cash flow hedges, based on the high correlation between the benchmark reference prices and the Company's actual sales contract. The Company documents the economic relationship between the hedging instruments and hedged items (oil sales), including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. Hedging ineffectiveness is recognised in profit or loss. Hedging ineffectiveness may arise from divergence, over time, of the timing and volume of hedged sales of oil and the maturation of the related derivative contracts. The Company recognised no profit or loss due to hedging ineffectiveness in 2018.

The derivative instruments are carried on the Consolidated balance sheet at fair value. See note 11 for a discussion of how fair values are determined. Derivative contracts are presented as current assets or liabilities to the extent they are expected to be settled within twelve months after the end of the reporting period.

Changes in the fair value of the contracts are recognised in Other comprehensive Income (FVOCI), net of tax effect, and on the Consolidated balance sheet in Other equity reserves (Accumulated other comprehensive income). When a contract month is closed, the net gain or loss is reclassified from accumulated other comprehensive income to profit and loss, and included as revenues from operations in the Consolidated income statement. See note 22 for movements in the equity reserve Accumulated other comprehensive Income.

The Company did not discontinue hedge accounting for any of the derivative financial instruments during 2018.

Fair values of derivative contracts
The table below summarises the fair value and classification of derivative instruments.

	31 Dec 2018 $'000	31 Dec 2017 $'000
Financial assets at fair value through Other Comprehensive Income		
Current		
Derivative financial instruments - commodity contracts	**2,004**	-
Non-current		
Derivative financial instruments - commodity contracts	**1,116**	-
Total financial assets at fair value through Other Comprehensive Income	**3,120**	-

The Company had no financial liabilities at fair value at either 31 December 2018 or 31 December 2017.

11 Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

Level 2: Fair value is based on inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The fair value of financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There were no transfers of financial assets or liabilities between levels during either 2018 or 2017.

		$000's		
31 Dec 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Derivative commodity contracts	-	3,120	-	3,120
Liabilities measured at fair value	-	-	-	-
Total net fair value	-	3,120	-	3,120

The Company had no financial liabilities carried at fair value on the Consolidated balance sheet at 31 December 2018. The Company had no financial assets or liabilities carried at fair value on the Consolidated balance sheet at 31 December 2017.

Valuation techniques
Specific valuation techniques used to value financial instruments may include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The present value of the estimated future cash flows based on observable yield curves
- Other techniques, such as discounted cash flow analysis, may be used to determine fair value for some financial instruments.

(i) Valuation of derivative instruments
Freedom's commodity derivative contracts consist of oil price swaps and basis differential swaps. See note 28 for a listing. The Company calculates the value of its commodity derivative contracts using the present value of the estimated future cash flows based on observable yield curves for the quoted oil price (West Texas Intermediate, for oil swaps) and for the two prices in the basis differential swaps (West Texas Intermediate and Argus WTI Houston). These are Level 2 valuations. Cash flows are discounted to present using an interest rate curve based on LIBOR.

(ii) Valuation of receivables and payables
The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(iii) Valuation of current borrowings
The fair value of current borrowings as at 31 December 2017 approximated the carrying amount, as the impact of discounting was not significant and the interest rate was floating. There were no current borrowings as at 31 December 2018.

(iv) Valuation of non-current borrowings
The fair value of financial liabilities carried at amortised cost is estimated for disclosure purposes (note 17, non-current borrowings from Ramas, estimated fair value of $24.1 million). The fair value of the Ramas mandatorily redeemable preferred stock was calculated by discounting the future contractual cash flows at an estimated market interest rate available to Freedom for similar financial instruments as at 31 December 2018. This is a level 3 valuation.

12 Non-current assets - Oil and gas assets

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cost		
Opening balance	**14,985**	-
Additions	**60,197**	14,765
Transfer from undeveloped leasehold	**311**	220
Closing balance at period end	**75,493**	14,985
Accumulated depletion		
Opening balance	**1,245**	-
Depletion expense	**5,368**	1,245
Closing balance at period end	**6,613**	1,245
Net book amount		
At beginning of period	**13,740**	-
At period end	**68,880**	13,740

Depletion expense

As detailed in accounting policy note 1(o)(iv) costs of producing assets are amortised on a production output basis via a depletion charge. Exploration and development costs are amortised over the remaining estimated units of the wells. The remaining estimated units of the wells are based on Freedom's proved developed and probable reserves.

For the year ended 31 December 2018 the estimated remaining units of the wells were based on the Eagle Ford reserve report balances as at 31 December 2018. Current reserve report balances are presented in the Operating and Financial Review on pages 24-26.

Impairment

The Company performed impairment testing of the Eagle Ford acreage as at 31 December 2018. Oil and gas properties are impaired when the carrying value of the properties exceeds the recoverable amount as estimated in the current reserve report. The reserve report represents the present value of estimated cash flows of proved oil reserves (including both developed and undeveloped proved reserves), expected to arise from the continued use of the asset as at 31 December 2018 (Level 3 on the fair value hierarchy). The estimated recoverable value for the Company's Eagle Ford proved reserves as at 31 December 2018 was $158.0 million. No impairment was recognised as a result of this review. Significant assumptions and key estimates included in the cash flow model are:

- Volume of proved oil reserves are based on deterministic methods including performance and volumetric analysis, relying on various forms of well and geologic data such as well logs, geologic maps, seismic data, well test data and production data;
- Timing of future production is based on estimated production decline curves and the Company's plans and expectations regarding future development;
- Future expenses of operation, future capital expenditures to develop undeveloped proved reserves, and the timing of these expenditures is based on the Company's historical and projected costs and on its development plans;
- A standard discount rate of 10% was used; and
- Projected prices of products were based on an average of projections by industry analysts in December 2018, adjusted for location and quality differentials.

			Estimated future prices		
	2019	**2020**	**2021**	**2022**	**thereafter**
Oil price, per BBL	$64.07	$65.85	$66.48	$67.52	$67.52
Natural gas price, per MCF	$3.03	$3.01	$2.90	$2.88	$2.88
Avg price of natural gas liquids, per BBL	$22.27	$22.91	$23.13	$23.50	$23.50

12 Non-current assets - Oil and gas assets (continued)

Further information about the reserve report can be found in the operating and financial review on pages 24-26 of this annual report.

13 Non-current assets – Undeveloped leasehold

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cost		
Opening balance	**10,478**	8,992
Additions	**2,967**	1,706
Transfer to oil and gas assets	**(311)**	(220)
Transfers to Property, Plant, and Equipment	**(274)**	-
Relinquishment of leases	**(555)**	-
Closing balance at period end	**12,305**	10,478

Relinquishment of leases

During 2018 certain oil and gas mineral leases lapsed and were not renewed. Management did not consider the acreage strategically located for future development. The value of the assets was written off. The total expense for relinquishment of leases was $0.6 million (2017: $nil).

14 Non-current assets - Property, plant and equipment

	Land $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
At 31 December 2016				
Cost	-	56	826	882
Accumulated depreciation	-	(35)	(455)	(490)
Net book amount	-	21	371	392
Year ended 31 December 2017				
Opening net book amount	-	21	371	392
Additions	-	61	-	61
Dispositions and transfers, net of accumulated depreciation	-	(7)	2	(5)
Depreciation charge	-	(9)	(302)	(311)
Closing net book amount	-	66	71	137
At 31 December 2017				
Cost	-	84	826	910
Accumulated depreciation	-	(18)	(755)	(773)
Net book amount	-	66	71	137
Year ended 31 December 2018				
Opening net book amount	-	66	71	137
Additions	-	41	-	41
Transfer from Undeveloped Leasehold Assets	274			274
Depreciation charge		(18)	(71)	(89)
Closing net book amount	274	89	-	363
At 31 December 2018				
Cost	274	125	832	1,231
Accumulated depreciation		(36)	(832)	(868)
Net book amount	274	89	-	363

(a) Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the Company.

15 Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Tax losses	**1,419**	1,464
Tax credit	**39**	79
Property, plant and equipment	**32**	
Trade and other payables	**145**	528
Total deferred tax assets	**1,635**	2,071
Set-off of deferred tax liabilities pursuant to set-off provisions	**(1,596)**	(1,992)
Net deferred tax assets	**39**	79
Deferred tax assets expected to be recovered within 12 months	**-**	-
Deferred tax assets expected to be recovered after more than 12 months	**1,635**	2,071
	1,635	2,071

Movements	Tax Credit $'000	Tax Losses $'000	Trade and other Payables $'000	Property, plant and equip-ment $'000	Total $'000
At 31 December 2016	85	-	33	-	118
(Charged) / credited to income statement	(6)	1,464	495	-	1,953
At 31 December 2017	79	1,464	528	-	2,071
(Charged) / credited to income statement	**(40)**	**(45)**	**(383)**	**32**	**(436)**
At 31 December 2018	**39**	**1,419**	**145**	**32**	**1,635**

16 Current liabilities - Trade and other payables

	31 Dec 2018 $'000	31 Dec 2017 $'000
Trade payables	**1,782**	770
Other payables	**18,306**	1,105
	20,088	1,875

(a) Risk exposure

Due to the short-term nature of these payables, their carrying amount is assumed to approximate their fair value.

17 Borrowings

	31 Dec 2018			31 Dec 2017		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured borrowings						
Short-term financing	**-**	**-**	**-**	3,778	-	3,778
Total secured borrowings	**-**	**-**	**-**	3,778	-	3,778
Unsecured borrowings						
Mandatorily redeemable preferred stock	**-**	**17,407**	**17,407**	-	6,966	6,966
Total unsecured borrowings	**-**	**17,407**	**17,407**	-	6,966	6,966
Total borrowings	**-**	**17,407**	**17,407**	3,778	6,966	10,744

(a) Credit facility

On 11 October 2018 a 100%-owned Company subsidiary, Freedom Eagle Ford, Inc. (Freedom Eagle Ford) executed a three year, $500 million lending facility ("credit facility") with Wells Fargo Bank, N.A (Wells Fargo). The Company and each of its other subsidiaries are parties to the agreement as guarantors. The reserves-based facility is subject to a borrowing base determined at least semi-annually by reference to the Company's proved reserves. The credit facility provides the lender a secured interest in substantially all of the Company's assets, including oil and gas properties representing at least 85% of the proved reserves value of the Company's total holdings. As at 31 December 2018 the borrowing base was $20 million and there were no outstanding borrowings. On 8 January 2019, the Company drew down $20 million.

If upon a downward adjustment to the borrowing base, the outstanding borrowings are greater than the revised borrowing base, the Company is required to repay borrowings in excess of the borrowing base immediately or over a period of six months.

The credit facility bears interest at LIBOR plus applicable margins between 2.25% and 3.25%, depending on the utilisation of the borrowing base. The initial rate for the borrowing made 8 January 2019 was 5.77% based on a LIBOR rate that resets monthly.

The credit facility will terminate 1 September 2021.

The credit facility requires the Company to maintain the following financial ratios:

- A minimum current ratio, consisting of consolidated current assets including undrawn borrowing capacity to current liabilities, of not less than 1.0 to 1.0 as of the last day of any fiscal quarter; and
- A total leverage ratio, consisting of consolidated total indebtedness to twelve months' consolidated earnings before interest, income taxes, depreciation, depletion, amortisation, and exploration expenses ("EBITDAX") of not greater than 3.0 to 1.0 as of the last day of any fiscal quarter. EBITDAX for twelve months is computed based on the most recent consolidated quarterly data, times four.

As at 31 December 2018 the Company was in compliance with all covenants.

17 Borrowings (continued)

(b) Current borrowings

	31 Dec 2018 $'000	31 Dec 2017 $'000
Current borrowings		
Short-term financing	**-**	3,778
Total short-term financing	**-**	3,778

Short-term financing facility
On 4 July 2017 Freedom Eagle Ford entered into an A$5 million term note repayable 28 February 2018. The interest rate was based on LIBOR plus 12%. The note was secured by a general security charge over all assets of the Company and by a charge over all assets of Freedom Eagle Ford.

The Company also issued 25,000,000 options to the lender. See note 22 for further information. The table above reflects the face value of the debt, less cash financing costs and the $0.2 million non-cash cost to the Company of the options, all of which were amortised over the life of the debt using the effective interest rate method.

The face value of the debt in US$ as at 31 December 2017 was $3.9 million. The note was repaid 5 February 2018.

(c) Non-current borrowings

	31 Dec 2018 $'000	31 Dec 2017 $'000
Non-current borrowings		
Mandatorily redeemable preferred stock	**17,407**	6,966
Total redeemable preferred stock	**17,407**	6,966

Mandatorily redeemable preferred stock
On 19 September 2017 Freedom Eagle Ford authorised 20,000 shares of $.001 par value mandatorily redeemable Series A Preferred stock, of which 10,000 shares were then sold to Ramas Energy Capital, Inc. (Ramas) for $1,000 per share for a total of $10 million. The remaining 10,000 authorised shares were issued to Ramas on 3 April 2018. The shares are redeemable at $2,000 per share (for a total of $40 million) on the earlier of 18 March 2022, the date the Company becomes listed on a United States exchange, or the date of any fundamental change to the capitalisation or ownership of Freedom Eagle Ford. The shares are not secured. The Company has guaranteed the redemption payment. Early redemption is permitted at $2,000 per share. Because the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

The agreement with Ramas limits further borrowing by Freedom Eagle Ford such that additional debt cannot be incurred if it would result in a consolidated leverage ratio of 3.0 or greater.

The funds from sale of the preferred stock were used primarily for drilling and development of the Company's Eagle Ford acreage.

The Company issued 16,481,696 warrants for ordinary shares to Ramas on 3 April 2018. The Company issued 46,777,734 warrants in 2017 with the same terms. See note 22 for further information. The 2018 warrants' value was calculated at $2.7 million. The 2017 warrants' value was calculated at $2.8 million.

The table above reflects the face value of the debt, less cash financing costs and the non-cash cost to the Company of the warrants, all of which are amortised over the life of the debt using the effective interest rate method. Also included is the accretion of the discount of $20 million (2017: $10 million), which is the difference between the sales price of the shares ($20 million) and their redemption value ($40 million). Accretion is calculated using the effective interest rate method.

17 Borrowings (continued)

(c) Non-current borrowings (continued)

The fair value of the redeemable preferred stock at 31 December 2018 is $24.1 million. See note 11 for further information on the calculation of this fair value.

(d) Assets pledged as security

As noted in (a) above, all significant assets of the Company are securitised as collateral for the Wells Fargo facility. There were no borrowings under the Wells Fargo facility at either 31 December 2018 or 31 December 2017. The carrying amounts of assets pledged as security for borrowings are:

	31 Dec 2018 $'000	31 Dec 2017 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**13,570**	25,971
Trade and other receivables	**2,387**	1,903
Inventory	**10**	3
Derivative financial instruments	**2,004**	-
Total current assets pledged as security	**17,971**	27,877
Non-current assets		
Property, plant and equipment	**363**	137
Oil and gas assets	**68,880**	13,740
Undeveloped leasehold	**12,305**	10,478
Derivative financial instruments	**1,116**	-
Total non-current assets pledged as security	**82,664**	24,355
Total assets pledged as security	**100,635**	52,232

(e) Risk exposures

Details of Freedom's exposure to risks arising from current and non-current borrowings are set out in note 28.

18 Non-current liabilities – Restoration provision

	31 Dec 2018 $'000	31 Dec 2017 $'000
At beginning of period	**327**	-
Additional provision recognised	**1,111**	325
Discount on unwind of provision	**13**	2
At end of period	**1,451**	327

A total provision of $1.5 million was recognised for restoration of wells related to the Eagle Ford field, all of it considered non-current. The provision was estimated based on existing technology and procedures, current prices, and discounted using a discount rate of 3%.

19 Non-current liabilities - Deferred tax liabilities

The balance comprises temporary differences attributable to:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Unrealised hedge gain	**655**	**-**
Property, plant and equipment	**-**	29
Oil and gas assets	**941**	1,963
Total deferred tax liabilities	**1,596**	1,992
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	**(1,596)**	(1,992)
Net deferred tax liabilities	**-**	-
Deferred tax liabilities expected to be settled within 12 months	**-**	-
Deferred tax liabilities expected to be settled after more than 12 months	**1,596**	1,992
	1,596	1,992

Movements	Property, plant and equipment $'000	Unrealised hedge gains $'000	Oil and gas assets $'000	Total $'000
At 31 December 2016	81	-	37	118
Charged/(credited)				
-to income statement	(52)	-	1,926	1,874
At 31 December 2017	29	-	1,963	1,992
Charged/(credited)				
-to income statement	**(29)**		**(1,022)**	**(1,051)**
-to Other comprehensive income		**655**		**655**
At 31 December 2018	**-**	**655**	**941**	**1,596**

20 Equity

(a) Share capital

	Notes	**31 Dec 2018 shares**	31 Dec 2017 shares	**31 Dec 2018 $'000**	31 Dec 2017 $'000
Ordinary shares					
Fully paid	(b)	1,077,022,552	907,500,115	177,451	159,146
		1,077,022,552	907,500,115	177,451	159,146

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue Price	$'000
31 Dec 2016	Balance		795,000,115		143,035
13 Dec 2017	Institutional and sophisticated investor placement	(d)	112,500,000	$0.15	16,922
	Less: Transaction costs arising on shares issued				(811)
31 Dec 2017	Balance		907,500,115		159,146
14 Feb 2018	Employee stock award		2,855,770	$0.24	697
	Less: Transaction costs arising on shares issued				(4)
10 Aug 2018 and 25 Sep 2018	Institutional and sophisticated investor placement	(d)	166,666,667	$0.11	18,503
	Less: Transaction costs arising on shares issued				(891)
31 Dec 2018	Balance		1,077,022,552		177,451

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

20 Equity (continued)

(d) Institutional and sophisticated investor placements

The Company issued 166,666,667 shares in 2018 at A$0.15 per share, raising $18.5 million (A$25 million) which netted $17.6 million after related costs.

The Company issued 112,500,000 shares in 2017 at A$0.20 per share, raising $16.9 million (A$22.5 million) which netted $16.1 million after related costs.

All capital was raised principally to fund additional investment in the Eagle Ford property.

(e) Options

On 4 July 2017, the Company issued 25,000,000 options to the lender under the short-term financing term loan at no cost to the option holder. The options are immediately exercisable with an exercise price of A$0.20 and expire 30 June 2019. As at 31 December 2018 all 25,000,000 options are outstanding. See note 22 for additional information.

(f) Warrants

During 2017 the Company issued 46,777,734 warrants for its fully paid ordinary shares to Ramas, the holder of the mandatorily redeemable preferred shares in Freedom Eagle Ford described in note 17. The Company issued 16,481,696 additional warrants to Ramas in 2018. The warrants were issued at no cost to Ramas and become exercisable on the earlier of 18 March 2022 or such date as Freedom's ordinary shares become listed on a United States exchange.

See notes 17 and 22 for additional information regarding the 63,259,430 outstanding warrants.

(g) Capital risk management

Management controls the capital of Freedom with the goal of maintaining a good debt to equity ratio, providing the shareholders with adequate return, and ensuring that Freedom can fund its operations and continue as a going concern.

Freedom's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages Freedom's capital by assessing Freedom's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

During the years ended 31 December 2018 and 31 December 2017, Freedom did not have any specific strategy in respect of gearing ratios. The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	Notes	**31 Dec 2018 $'000**	31 Dec 2017 $'000
Total borrowings	17	**17,407**	10,744
Less: cash and cash equivalents	8	**(13,570)**	(25,971)
Net debt		**3,837**	(15,227)
Total equity		**62,014**	39,468
Total capital		**65,851**	24,241
Gearing ratio		**6%**	(63)%

The change in gearing ratio as at 31 December 2018 is the result of increased borrowings as described in note 17.

21 Retained earnings

Movements in Retained earnings were as follows:

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Balance beginning of year	**(127,442)**	(115,996)
Net (loss) for the year	**(922)**	(11,446)
Balance end of year	**(128,364)**	(127,442)

22 Other equity reserves

Movements in Other equity reserves were as follows:

	Notes	**Other Compre-hensive Income $'000**	**Warrants and Options $'000**	**Total Other Reserves $'000**
Balance, 1 January 2017		-	-	-
Transactions with owners in their capacity as owners				
Options issued, at fair value	(c)	-	266	266
Warrants, transfer of initial fair value from derivative liabilities	(b)	-	2,770	2,770
Remeasure of fair value on modification	(b)	-	4,728	4,728
Balance, 31 December 2017		-	7,764	7,764
Balance, 1 January 2018		-	7,764	7,764
Accumulated other comprehensive income, unrealised hedging gain	(a)	3,506	-	3,506
Accumulated other comprehensive income, hedging gains reclassified to profit and loss	(a)	(386)	-	(386)
Deferred tax, other comprehensive income	(a)	(655)	-	(655)
Transactions with owners in their capacity as owners				
Warrants issued, at fair value	(b)	-	2,698	2,698
Balance, 31 December 2018		2,465	10,462	12,927

22 Other equity reserves (continued)

(a) Accumulated other comprehensive income

Other reserves includes items in accumulated other comprehensive income that have not been recognised in profit or loss. Derivative financial instruments designated as hedges are carried at fair value on the balance sheet. Movements in the fair value of these instruments are recorded as unrealised gains or losses, net of deferred tax effect, in other comprehensive income until they are cash settled. Cash settlements are reclassified from accumulated other comprehensive income to profit and loss.

(b) Warrants

On 19 September 2017 the Company issued 46,777,734 warrants for its ordinary shares to Ramas, the holder of the mandatorily redeemable preferred shares in Freedom Eagle Ford described in note 17. The warrants were issued at no cost to Ramas and become exercisable on the earlier of 18 March 2022 or such date as Freedom's ordinary shares become listed on a United States exchange.

On 3 April 2018 the Company issued additional mandatorily redeemable shares to Ramas (see note 17) and an additional 16,481,696 warrants with the same terms as those issued to Ramas in 2017.

The Company calculated the value of the warrants upon issue using an arithmetic approach with the following inputs:

	Grant Date	Expiry Date	Share Price at Grant Date A$ per share	Share Price Discount Factor	Exercise Price A$ per share	Fair Value per warrant US$
Warrants	3 Apr 2018	none	$0.285	25%	$0.001	$0.1637
Warrants	19 Sep 2017	none	$0.100	25%	$0.001	$0.0592

A share price discount factor was used to reflect the estimated market discount from the closing price on the grant date that would have been required for a successful equity raise of new shares at the time. The computed fair value of the 2018 warrants was $2.7 million. The computed fair value of the 2017 warrants was $2.8 million.

The 2017 warrants were determined to be derivative liability instruments carried at fair value. Agreement was reached with the warrant holder on 29 December 2017 that the warrant terms be varied to have the warrants meet the definition of an equity instrument from 29 December 2017 onward. Accordingly, the warrants were revalued as at 29 December 2017, using the same methodology and an updated share price of A$0.275. The fair value of the warrants was then transferred to Other equity reserves. The increase in fair value through 29 December 2017 was $4.7 million, recorded as a non-cash expense in Other (gains)/losses – net. Foreign exchange gain of $61,000 was also recorded. After the modification in terms the warrants did not require periodic revaluation, and are carried in equity at their 29 December 2017 value.

As at 31 December 2018 no warrants had been exercised and all 63,259,430 remained outstanding but not exercisable.

(c) Options

On 4 July 2017, the Company issued 25,000,000 options to the lender under the short-term financing term loan at no cost to the option holder. The options are immediately exercisable with an exercise price of A$0.20 and expiration date of 30 June 2019. The Company calculated the value of the options upon issue using the Black Scholes model. The inputs to the model were:

	Grant Date	Expiry Date	Share Price at Grant Date A$ per share	Share Price Discount Factor	Exercise Price A$ per share	Expected Volatility	Risk-free interest rate	Fair Value per option US$
Stock options	4 Jul 2017	30 Jun 2019	$0.105	25%	$0.20	75%	1.69%	$0.0107

A share price discount factor was used to reflect the estimated market discount from the closing price on the grant date that would have been required for a successful equity raise of new shares at the time. The computed fair value of the options was $266,000 and was recorded to Other equity reserves.

As at 31 December 2018 no options had been exercised and all 25,000,000 remained outstanding and exercisable.

23 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2018 **$**	2017 $
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	**156,530**	126,724
Total remuneration for audit and other assurance services	**156,530**	126,724

24 Contingencies

(a) Contingent liabilities

The Company had no contingent liabilities at 31 December 2018 or 31 December 2017.

(b) Contingent assets

The Company had no contingent assets at 31 December 2018 or 31 December 2017.

25 Commitments

(a) Capital commitments

The Company had no capital commitments at 31 December 2018 or 31 December 2017.

(b) Other commitments

Commitments for minimum lease payments and other short-term contractual commitments in relation to non-cancellable operating leases include primarily office rent and an agreement for drilling services.

	31 Dec 2018 $'000	31 Dec 2017 $'000
Within one year		
Office rent	**129**	492
Drilling services	**1,092**	-
Later than one year but not later than five years	**-**	82
Total operating lease commitments	**1,221**	574

The current office lease expires in February 2019. The Company signed a new lease for office space in early 2019, extending until 30 April 2021 at a cost of approximately $48,000 per month.

The drilling rig is committed to drill for a specific number of days in 2019 in the Company's Eagle Ford acreage.

26 Related party transactions

(a) Parent entities

The parent entity within the consolidated entity is Freedom Oil and Gas Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Key management personnel

	Year ended 31 Dec 2018 $	Year ended 31 Dec 2017 $
Short-term employee benefits	**1,342,602**	1,197,339
Post-employee benefits	**13,095**	13,509
	1,355,697	1,210,848

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 16.

(d) Transactions with related parties

A director, R B Clarke, is a shareholder of Morgans Financial Limited. R B Clarke's shareholding in Morgans Financial Limited is less than 1%. Morgans Financial Limited acted as lead manager and underwriter of the entity's institutional and sophisticated investor placement in September 2018 and December 2017 and was paid fees of $831,899 and $778,838 for these services, respectively. The contract for these services was based on normal commercial terms and conditions.

A director, L A Clarke, is the director of Lee Clarke & Co Pty Ltd. In July 2017 Lee Clarke & Co was paid a fee of $190,200 in connection with provision of the A$5 million debt facility. The contract for these services was based on normal commercial terms and conditions. In December 2017 and in September 2018 Lee Clarke & Co Pty Ltd took a firm allocation of stock from the lead manager of the December 2017 and September 2018 capital raises. The agreement between the lead managers and Lee Clarke & Co Pty Ltd and the fees paid by the lead manager to Lee Clarke & Co Pty Ltd were based on normal commercial terms and conditions.

A J A Crawford is the Director of Box One Corporate Pty Ltd. Box One Corporate Pty Ltd charges Freedom entities for A J A Crawford's services to the Company, a total of $50,016 for 2018. The agreement for these services was based on normal commercial terms and conditions.

	Year Ended 31 Dec 2018 $	Year Ended 31 Dec 2017 $
Amounts recognised directly in equity		
Transaction costs arising on share issue	**831,899**	778,838
	831,899	778,838
Amounts recognised directly in short-term financing		
Transaction costs arising on short-term financing	**-**	190,200
	-	190,200
Amounts recognised as expense		
General and administrative expense	**2,511**	35,634
Professional fees	**50,016**	45,384
	52,527	81,018

26 Related party transactions (continued)

(d) Transactions with related parties (continued)

Aggregate amounts payable to key management personnel of the Company and other related parties at the end of the reporting period relating to the above types of other transactions:

	Year Ended 31 Dec 2018 $	Year Ended 31 Dec 2017 $
Current liabilities	**12,587**	6,406

All other related parties of the Company are wholly owned subsidiaries of the parent. As a result there are no additional transactions to be disclosed as all transactions between subsidiaries and the parent have been eliminated on consolidation.

(e) Outstanding balances arising from sales/purchases of goods and services

All other related parties of the Company are wholly owned subsidiaries of the parent. As a result there are no additional balances outstanding to be disclosed as all balances between subsidiaries and the parent have been eliminated on consolidation.

(f) Loans from related parties

There are no loans from related parties as at 31 December 2018 nor 31 December 2017, and no related party interest income or expense.

All subsidiaries are wholly owned subsidiaries of the parent. As a result there are no additional loans to be disclosed as all loans between subsidiaries and the parent have been eliminated on consolidation.

(g) Guarantees

The consolidated entity has not provided any guarantees in respect of any related parties.

(h) Terms and conditions

Terms and conditions in relation to key management personnel transactions are provided in the remuneration report on pages 10 to 16.

All other related parties of the Company are wholly owned subsidiaries of the parent. As a result there are no additional terms to be disclosed as all transactions between subsidiaries and the parent have been eliminated on consolidation.

27 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity Holding * 31 Dec 2018 %	31 Dec 2017 %
Freedom Oil & Gas, Inc.	United States	Ordinary	100	100
Freedom Oil & Gas USA, Inc.	United States	Ordinary	100	100
Freedom Eagle Ford, Inc.	United States	Ordinary	100	100
Freedom Production, Inc.	United States	Ordinary	100	100
Maverick Production Company, Inc.	United States	Ordinary	100	100
Maverick Drilling Company	United States	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

28 Financial risk management

Freedom's activities expose it to a variety of financial risks: commodity price risk, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Freedom'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 Company. Risk management is carried out by executive directors and management. Freedom does not hedge any risk exposures other than commodity oil prices with derivative financial instruments. Freedom uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Freedom holds the following financial instruments:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Financial assets		
Cash and cash equivalents	**13,570**	25,971
Trade and other receivables	**1,991**	1,684
Derivative financial instruments, current	**2,004**	-
Derivative financial instruments, non-current	**1,116**	-
	18,681	27,655
Financial liabilities		
Trade and other payables	**20,088**	1,875
Borrowings	**17,407**	10,744
	37,495	12,619

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

28 Financial risk management (continued)

(a) Market risk

(i) Commodity price risk

Freedom's revenue is exposed to commodity price fluctuations, in particular oil prices.

The Company's policy, beginning in the fourth quarter of 2018, is to hedge at least 50%, and no more than 80%, of forecasted future production from proved reserves in accordance with the terms of the Company's credit facility (note 17), using forward swap contracts. See note 10 for further details about the hedging program.

The Company's natural gas and natural gas liquids revenue streams are also subject to commodity price fluctuations. Contracts for sale of these commodities reference a natural gas pricing publication. As of 31 December 2018 the Company has not elected to hedge these revenue streams.

The Company had the following derivative contracts for oil, as at 31 December 2018:

Price swap contracts	Volume in BBL	Weighted Average Price	Range High	Range Low
2019	101,882	66.40	66.40	66.40
2020	58,889	64.00	64.00	64.00
2021	26,160	61.50	61.50	61.50

The Company had the following basis swap contracts as at 31 December 2018:

Basis swap contracts [(a)]	Volume in BBL	Reference Price 1 [(a)]	Reference Price 2 [(a)]	Weighted Avg Spread ($ per BBL)
2019	101,882	WTI	Argus WTI, at Houston	(5.10)
2020	58,889	WTI	Argus WTI, at Houston	(3.65)
2021	26,160	WTI	Argus WTI, at Houston	(3.00)

[(a)] Represents short swaps that fix the basis differential between West Texas Intermediate and Argus WTI at Houston. The negative values indicates the differential that WTI bears in relation to Argus WTI Houston.

Sensitivity
Based on the derivative financial instruments held at 31 December 2018 (there were none at 31 December 2017), had the oil benchmark futures prices for West Texas Intermediate been higher or lower by 10%, with all other variables held constant, the impact on profit or loss would be nil, as all derivative contracts are FVOCI. Movements in fair value are not reflected in profit or loss until realised and cash settled. The table below reflects the impact on the values of the derivative assets and related equity reserves of a hypothetical 10% increase/decrease in WTI futures.

31 December 2018 Derivative financial instruments	Assets $'000	Liabilities $'000	Accumulated OCI
West Texas Intermediate Oil			
Increase / Decrease:			
increase 10%	(947)	-	(947)
decrease 10%	947	-	947

28 Financial risk management (continued)

(ii) Foreign exchange risk

Freedom operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar / Australian dollar exchange rate.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. All operations are carried out in the functional currency which results in minimal exposure to foreign exchange risk.

The risk is measured using sensitivity analysis and cash flow forecasting. As the functional and presentation currency of all entities within the Company is US dollars, the foreign exchange risk relates to assets and liabilities denominated in Australian dollars.

Freedom had no foreign currency hedges at either 31 December 2018 or 31 December 2017.

Freedom's exposure to Australian dollar foreign currency risk at the end of the reporting period, expressed in US dollars, was as follows:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash and cash equivalents	**83**	**4,425**
Trade and other payables	**(116)**	**(149)**
Short-term financing	**-**	**(3,778)**

Sensitivity
Based on the financial instruments held at 31 December 2018 and 31 December 2017, had the US dollar weakened/ strengthened by 10% against the Australian dollar with all other variables held constant there would have been no material impact on Freedom's pre-tax loss for the year ended 31 December 2018 or the year ended 31 December 2017. Freedom did not have exposure to any other foreign currencies in the years ended 31 December 2018 or 31 December 2017.

(iii) Cash flow and fair value interest rate risk
As at 31 December 2018, Freedom had no borrowings subject to interest rate risk as defined in AASB 7 (31 December 2017: $3.8 million). All borrowings and receivables are fixed rate and are carried at amortised cost.

Subsequent to 31 December 2018 the Company drew down $20 million under its credit facility. Such borrowings carry a floating rate and are subject to interest rate risk. See note 17 for further information.

Freedom does not currently use any derivatives to manage cash flow interest rate risk.

28 Financial risk management (continued)

(b) Credit risk

Credit risk is managed on a consolidated basis. Credit risk arises from cash and cash equivalents, credit exposures to customers including outstanding receivables and committed transactions, as well as from other receivables outside the normal course of operations. Credit risk is assessed by executive directors and management based on past experience and other factors.

Details on cash and cash equivalents subject to credit risk is included below:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash at bank and cash equivalents		
National Australia Bank	**16**	468
Wells Fargo	**13,554**	25,503
Total	**13,570**	25,971

The directors are comfortable with the credit quality of the above financial institutions, based on their past dealings with these parties.

	31 Dec 2018 $'000	31 Dec 2017 $'000
Trade receivables and accrued income		
Existing customers with no past defaults	**1,714**	1,613
Total trade receivables and accrued income	**1,714**	1,613
Other items disclosed as part of trade and other receivables		
Other receivables and other financial assets	**277**	71
Total trade and other receivables	**1,991**	1,684

All trade receivables as at 31 December 2018 were aged one month and no impairments against them had been recorded through profit and loss. The Company has two customers as at 31 December 2018. One is a Fortune 500 company subsidiary. The other is a regional natural gas pipeline and processing company. The Company has experienced no losses with these customers. Management is comfortable with the credit quality of these customers.

The amount disclosed as "other" totalling $277,000 as at 31 December 2018 primarily relates to realised gains on derivative contracts. Freedom is comfortable with the credit quality of these receivables based on their past dealings with these parties.

28 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At 31 December 2018 the Company held cash and cash equivalents of $13.6 million (31 December 2017: $26.0 million) that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors the Company's cash and cash equivalents (note 8) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

Financing arrangements
On 11 October 2018 the Company executed a new five year, $500 million lending agreement with Wells Fargo Bank, N.A. The facility provides Freedom with a further instrument to pursue its development strategy to grow into a multi-asset exploration and production company. As at 31 December 2018 there were no outstanding borrowings against the facility. The borrowing base was $20 million. On 8 January 2019, the Company drew down $20 million. See note 17 for further information.

Maturities of financial liabilities
The tables below analyse Freedom's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

28 Financial risk management (continued)

Contractual maturities of financial liabilities:

At 31 December 2018	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contract-ual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Trade payables and other commitments	20,037	27	-	-	-	20,064	20,064
Borrowings	-	-	-	40,000	-	40,000	17,407
Total	20,037	27	-	40,000	-	60,064	37,471

At 31 December 2017	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables and other commitments	1,678	27	-	-	-	1,705	1,705
Borrowings	3,903	-	-	20,000	-	23,903	10,744
Total	5,581	27	-	20,000	-	25,608	12,449

29 Events occurring after the reporting period

On 8 January 2019, the Company drew down the full amount of the borrowing base under the credit facility with Wells Fargo. Borrowings are $20 million, structured as a single tranche. The initial interest rate was 5.77%, based on one-month LIBOR and redetermined monthly.

On 14 January 2019, the Company employed J Russell Porter as Executive Director, President and Chief Executive Officer. J Michael Yeager stepped down as Chief Executive Officer and will continue to serve as Non-Executive Chairman of the Board. Details of Mr. Porter's remuneration are included on page 14 of the Remuneration report.

30 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Loss for the year	**(922)**	(11,446)
Depletion, depreciation, and amortisation included in costs of sales	**5,368**	1,245
Depreciation and amortisation expense included in general and administrative expense	**127**	681
Relinquishment of leases	**555**	-
Amortisation of debt costs	**3,647**	870
Other (gain) / loss - warrant expense	**-**	4,789
Share-based compensation	**697**	-
Interest income	**(5)**	(8)
Net exchange differences	**6**	(21)
Change in operating assets and liabilities		
(Increase) Decrease in trade debtors and other receivables	**(268)**	(1,514)
(Increase) in inventory	**(7)**	(3)
Increase (Decrease) in other assets	**(147)**	152
Increase (Decrease) in trade and other payables	**705**	210
Increase (Decrease) in other liabilities	**-**	(168)
Deferred tax benefit	**(655)**	(79)
Increase in provisions	**13**	2
Net cash (outflow) from operating activities	**9,114**	(5,290)

(b) Reconciliation of net debt

	Assets	**Liabilities**		**Net**
	Cash $'000	**Borrowings due within one year $'000**	**Borrowings due after one year $'000**	**Total $'000**
Net debt as at 1 Jan 2018	25,971	(3,778)	(6,966)	15,227
Cash flows	(12,457)	3,983	(9,634)	(18,108)
Non-cash adjustments:				
Foreign exchange adjustments	56	(62)	-	(6)
Non-cash deferred debt costs	-	-	2,698	2,698
Amortisation of deferred debt costs	-	(143)	(3,505)	(3,648)
Net debt as at 31 Dec 2018	13,570	-	(17,407)	(3,837)
Net debt as at 1 Jan 2017	18,454	(21)	-	18,433
Cash flows	7,412	(3,527)	(9,267)	(5,382)
Non-cash adjustments:				
Foreign exchange adjustments	105	(99)	-	6
Non-cash deferred debt costs	-	266	2,774	3,040
Amortisation of deferred debt costs	-	(397)	(473)	(870)
Net debt as at 31 Dec 2017	25,971	(3,778)	(6,966)	15,227

Net debt was positive in 2017, as cash on hand exceeded debt obligations.

31 Share-based compensation

The Company issued 2,855,770 shares of ordinary common stock to employees on 14 February 2018 as performance awards. The non-cash compensation expense recognised was $0.7 million. The stock was valued at $0.24 per share (A$0.31 per share), the closing price on date of issuance, 14 February 2018. All the shares were unrestricted and fully vested upon issuance.

32 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity, Freedom Oil and Gas Ltd, show the following aggregate amounts:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Balance sheet		
Current assets	**106**	533
Total assets	**70,491**	50,426
Current liabilities	**116**	149
Total liabilities	**116**	149
Shareholders' equity		
Issued capital	**187,913**	166,910
Retained earnings	**(117,538)**	(116,633)
	70,375	50,277
(Loss) for the year	**(905)**	(5,137)
Total comprehensive loss	**(905)**	(5,137)

Assets and retained earnings in the table above have been retrospectively adjusted for an impairment of investment in United States subsidiaries in 2016 based on the sale of the Company's oil and gas assets other than its Eagle Ford acreage.

(b) Guarantees entered into by the parent entity

As at 31 December 2018 the parent entity had guaranteed the borrowings under the credit facility and the mandatorily redeemable preferred stock (redemption price $40 million). The shares and any borrowings under the credit facility are liabilities of Freedom Eagle Ford, as described in note 17.

As at 31 December 2017 the parent entity had guaranteed the short-term financing (A$5 million) and the mandatorily redeemable preferred stock (redemption price as at 31 December 2017: $20 million). Both these instruments were liabilities of Freedom Eagle Ford, as described in note 17.

(c) Contingent liabilities of the parent entity

As at 31 December 2018 and 31 December 2017 the parent entity had no contingent liabilities.

(d) Contractual commitments

As at 31 December 2018 and 31 December 2017 the parent entity had no contractual commitments.

33 Loss per share

(a) Basic loss per share

	2018 Cents	2017 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(0.1)**	(1.4)
From discontinued operations	**0.0**	0.0
Total basic loss per share attributable to the ordinary equity holders of the Company	**(0.1)**	(1.4)

(b) Diluted loss per share

	2018 Cents	2017 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(0.1)**	(1.4)
From discontinued operations	**0.0**	0.0
Total diluted loss per share attributable to the ordinary equity holders of the Company	**(0.1)**	(1.4)

(c) Reconciliations of loss used in calculating loss per share

	2018 $'000	2017 $'000
Basic loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share:		
From continuing operations	**(922)**	(11,588)
From discontinued operations	**-**	142
	(922)	(11,446)
Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating diluted loss per share:		
From continuing operations	**(922)**	(11,588)
From discontinued operations	**-**	142
	(922)	(11,446)

(d) Weighted average number of shares used as the denominator

	2018 Number of shares	2017 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**971,505,509**	800,548,060
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**971,505,509**	800,548,060

The Company has 25,000,000 outstanding options and 63,259,430 warrants that are not included in the calculation of diluted earnings per share because they are antidilutive for each of the years ended 31 December 2018 and 31 December 2017. The options and warrants are antidilutive by definition when the Consolidated income statement reflects a loss for the period.

The options and warrants could potentially dilute basic and/or diluted earnings per share in the future.

In the directors' opinion:

(a) the financial statements and notes set out on pages 27 to 81 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 Company's and consolidated entity's financial position as at 31 December 2018 and of their performance for the financial year ended on that date; and

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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

J Michael Yeager

J M Yeager
Non-executive Chairman

Houston, Texas
28 February 2019

Independent auditor's report

To the members of Freedom Oil and Gas Ltd

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Freedom Oil and Gas Ltd (the Company) and its controlled entities (together, Freedom) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of Freedom's financial position as at 31 December 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Freedom financial report comprises:

- the consolidated balance sheet as at 31 December 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

We are independent of Freedom in accordance with the auditor independence requirements of 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* (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.

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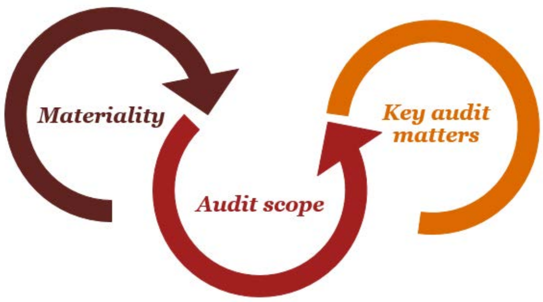
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Freedom, its accounting processes and controls and the industry in which it operates.

Freedom currently holds oil and gas assets in the Eagle Ford region in South Texas. These are producing assets at 31 December 2018. The accounting and finance functions reside in the USA.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall materiality of $0.19 million, which represents approximately 2.5% of the Freedom's EBITDA. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose the consolidated EBITDA of Freedom because, in our view, it is the benchmark against which the performance of the Freedom is most commonly measured and a generally accepted benchmark in the oil and gas industry. • We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where Freedom made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Our audit procedures are performed by engaging directly with the US finance team, the Board and Executive Team as necessary. • Our team included valuation experts and accounting technical specialists.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: -Assessment of the recoverable amount of Oil and Gas and undeveloped leasehold assets -Financing arrangements • These are further described in the *Key audit matters* section of our report.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Assessment of recoverable amount of Oil and Gas and undeveloped leasehold assets *(Refer to note 12, $68.9m and note 13, $12.3m)* As at 31 December 2018, Freedom held $68.9m of Oil and Gas assets and $12.3m in undeveloped leasehold assets. Freedom engages an independent reserve engineering expert who issues an Oil & Gas Reserve Report ('Reserve Report'). This report estimates the discounted cash flows associated with proven and probable Oil and Gas reserves controlled by Freedom. Freedom carries undeveloped leasehold assets for future development and production, which are held at cost and assessed annually for impairment, based on the current plans for future development and production. This was a key audit matter as the oil and gas and undeveloped leasehold assets are material assets on the balance sheet, are the primary source of future revenue and there is judgement used in assessing the discounted future cash flows and in deriving the key assumptions.	Assisted by PwC valuation experts, we assessed the reasonableness of key assumptions within the discounted cash flow model, including: • Comparing oil prices to market data • Performing a recalculation of the discount rate • Performing a sensitivity analysis over the cash flows • Reading the report of the independent reserve engineering expert to ensure their findings were consistent with Freedom's conclusion. In addition, for undeveloped leasehold assets, we compared the discounted cash flow model calculated by the independent engineering expert for probable reserves with the carrying value of undeveloped leasehold assets. We reviewed managements' production plans across the undeveloped leasehold asset portfolio to determine if indicators of impairment existed.
Financing arrangements *(Refer to note 10 and note 17)* In order to continue financing Freedom's planned drilling program, Freedom raised various funds during the year ended 31 December 2018: • US$10m of funds were obtained through the issuance of preference shares and financial warrants, and	We read through the financing agreements and agreed the funds borrowed to the final agreements and the net proceeds to the bank accounts. We tested the recognition and classification of the financial instruments. We agreed the shares and options issued as part of the

Key audit matter	How our audit addressed the key audit matter
• AU$25m was raised through a private placement of shares. Freedom also obtained formal approval for $US20m of funding under the newly executed reserve based lending (RBL) facility. The maximum facility commitment is US$500m however the available facility is based on oil and gas reserves. The initial US$20m was drawn down subsequent to year end. Under a revised risk management policy, beginning in the fourth quarter of the financial year, Freedom entered into arrangements to hedge at least 50% and no more than 80% of its borrowing base oil reserves. This was a key audit matter due to the financial significance of the financing arrangements, including financial instruments, on the balance sheet.	capital raise to regulatory records. With assistance from our technical accounting specialists we assessed the appropriateness of the initial recognition and subsequent measurement of financial instruments in accordance with the accounting standards. Together with valuation experts, we assessed the key inputs and assumptions in determining the fair value of the financial instruments. We evaluated the adequacy of disclosures made by Freedom in the financial report in view of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in Freedom's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 on the other information that we obtained prior to the date of this auditor's report, 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 Freedom 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 Freedom or to cease operations, or have 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 the 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.

This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 10 to 16 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Freedom Oil and Gas Ltd for the year ended 31 December 2018 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

C. Mara

Caroline Mara
Partner

Newcastle
28 February 2019

The shareholder information set out below was applicable as at 15 February 2019.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding

Holding	Class of equity security		
	Ordinary shares	Options	Warrants
1 - 1,000	433	-	-
1,001 - 5,000	838	-	-
5,001 - 10,000	603	-	-
10,001 - 50,000	1,398	-	-
50,001 - 100,000	572	-	-
100,001 and over	1,027	17	1
	4,871	**17**	**1**

There were 1,082 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	67,701,371	6.29%
LEXBAND PTY LTD	35,000,001	3.25%
J. MICHAEL YEAGER	28,920,935	2.69%
SMP DAWSON PTY LTD	24,015,723	2.23%
UBS NOMINEES PTY LTD	19,344,577	1.80%
MR ANTHONY CAMUGLIA & MRS ROSEMARIE CAMUGLIA	19,339,922	1.80%
BRISPOT NOMINEES PTY LTD	19,325,775	1.79%
OH BOSS PTY LTD	16,900,000	1.57%
S M PROVIDENT PTY LTD	15,517,490	1.44%
MR PETER MURRAY JACKSON	15,400,000	1.43%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	15,006,917	1.39%
MR JOHN CAMUGLIA & MRS NATASHA CAMUGLIA	13,500,000	1.25%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	13,170,068	1.22%
MR JOSEPH CAMUGLIA & MRS KIRSTEN CAMUGLIA	11,315,064	1.05%
CITICORP NOMINEES PTY LIMITED	11,091,575	1.03%
KOALA SUPER FUND PTY LIMITED	10,958,598	1.02%
CLERICUS PTY LTD	8,500,000	0.79%
GEORGIA HENRICH	8,431,002	0.78%
MR DUNCAN FRASER FORREST & MRS JUDY MARIE FORREST	7,800,000	0.72%
LUCALI PTY LIMITED	7,730,000	0.72%
TOTAL	368,969,018	34.26%

Shareholder information (continued)

Unquoted equity securities

All of the 63,259,430 warrants for ordinary shares are held by Ramas Energy Capital I, L.P.

Of the 25,000,000 ordinary share options, there are two parties owning 20% or more of the outstanding options:

	Number Held
BRANTAZ PTY LIMITED ACN 003 811 916	5,000,000
J&J PENSIONS PTY LTD ACN 617 346 577 ATF ABLE PENSION FUND	6,000,000

C. Substantial holders

There were no substantial holders in the Company as at 15 February 2019.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(a) Options

No voting rights.

(b) Warrants
No voting rights.

(c) Redeemable preferred shares in 100% owned subsidiary Freedom Eagle Ford, Inc.
No voting rights. The owner of the redeemable preferred shares, Ramas Energy Capital I, L.P has the right to appoint a non-voting observer to the board of directors of the Company, and has done so.

E. Stock exchanges on which the Company's securities are quoted

The Company's listed equity securities are quoted on the Australian Securities Exchange under the ticker "FDM."

F. Petroleum Exploration Licences

Below is a list of the Company's interest in petroleum exploration licences granted, where the licences are situated, and the percentage held.

	Acreage		
U. S. Leases	Gross	Net	Ownership percentage
Dimmitt County, Texas (Eagle Ford)	10,103	9,337	100%

G. On-market buy-back

There is currently no on-market buy-back.