Freedom Oil and Gas Ltd
(Subject to Deed of Company Arrangement)

ABN 48 128 429 158

Interim report for the half-year ended 30 June 2019

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(Subject to Deed of Company Arrangement)
Interim report – 30 June 2019

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2018 and any public announcements made by Freedom Oil and Gas Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DEED ADMINISTRATOR'S REPORT

The Deed Administrator of Freedom Oil and Gas Ltd (Subject to Deed of Company Arrangement) presents his report and the financial report on the consolidated entity (referred to hereafter as "Freedom," or "the Company" or "Consolidated Entity") consisting of Freedom Oil and Gas Ltd and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

DIRECTORS

Directors who held office at any time during the half year ended 30 June 2019 were as follows. Directors were in office from 1 January 2019 unless otherwise noted.

J M Yeager (retired 29 May 2019)
N H Smith (retired 29 May 2019)
L A Clarke
J C Camuglia (retired 1 April 2019)
W M Talbert
J R Porter (appointed 15 January 2019)
D Casey (appointed 1 April 2019)
H Sumrow (appointed 1 April 2019)

Following the appointment of the Administrator on 21 March 2020, the directors' powers were suspended and the Administrator assumed control of the Company's affairs.

PRESENTATION CURRENCY

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

REVIEW OF OPERATIONS

The Company operated in oil and gas in the United States of America.

Refer to subsequent events for significant after balance date events.

SUBSEQUENT EVENTS

From 1 July 2019 through to 23 March 2020 the Company worked closely with its primary lender Wells Fargo and preferred equity holder Ramas Capital Management, however, the oil price environment combined with COVID-19's impact on the global equity markets impacted the Company's opportunities to recapitalise and led to the Directors decision to put the Company into voluntary administration appointing Mr Steven Nicols of Nicols + Brien as Administrator pursuant to Part 5.3A of the Corporations Act 2001 on 21 March 2020.

On 25 June 2020, the Creditors of the Company resolved to place the Company into a Deed of Company Arrangement ("DOCA") with the purpose being to explore the possibility of recapitalizing the ASX listed Company, vie the DOCA and Creditors Trust Mechanism. A copy of the Holding Deed of Company Arrangement was lodged with ASIC on 25 June 2020.

The DOCA proposal contains the following key terms:

- The objective of the DOCA is to provide sufficient time for the Deed Administrator to explore the possibility of a restructure and/or recapitalization of the Company in order to sell the ASX listed shell and maximise the likely outcome to Creditors.
- During the Term of the Deed, the Deed Administrator will have control of, and will be responsible for the day to day management, control, supervision and administration of the Company's business, property and affairs and the administration and implementation of the DOCA.

On 11 May 2020, the Company entered into Chapter 11 Bankruptcy proceedings in relation to its subsidiary companies in the USA. The proceedings were filed in the Southern District of Texas, Houston Division, and were substantially entered into to finalise steps for sale of the business assets of the US subsidiaries. The sale of the assets was settled on 10 September 2020 for a total sale price of $7,049,335.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the Company's operations, results, or financial position or may do so in future years.

AUDITORS 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 4.

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 directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed by Steven Nicols in his capacity as Deed Administrator.

Nicols

Sydney, Australia
22 September 2020

Stantons International Audit and Consulting Pty Ltd
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22 September 2020

Freedom Oil and Gas Limited (Subject to a Deed of Company Arrangement)
c/o Nicols and Brien Business Recovery Pty Ltd
Level 2, 350 Kent Street
Sydney NSW 2000

Dear Sirs

RE: FREEDOM OIL AND GAS LIMITED (Subject to a Deed of Company Arrangement)

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Freedom Oil and Gas Limited (Subject to a Deed of Company Arrangement).

As Audit Director for the review of the financial statements of Freedom Oil and Gas Limited (Subject to a Deed of Company Arrangement) for the half year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED

Martin Michalik

Martin Michalik
Director

	Notes	Half-year 30 Jun 2019 $'000	Half-year 30 Jun 2018 $'000
Revenue from continuing operations	3	**16,436**	3,552
Expenses			
Cost of sales	3, 4	**(11,980)**	(1,855)
Impairment of oil and gas assets	6	**(86,417)**	-
Gross profit		**(81,961)**	1,697
Other income		**1**	1
General and administrative expense		**(3,634)**	(5,513)
Impairment of other assets		**(6,045)**	-
Depreciation and amortization expense		**(151)**	(71)
Other gains / (losses) — net		**487**	9
Share based payments expense		**(65)**	-
Finance costs		**(3,077)**	(1,733)
Loss before income tax		**(94,445)**	(5,610)
Income tax (expense) benefit		**(392)**	(1)
Loss from continuing operations		**(94,837)**	(5,611)
Loss is attributable to:			
Owners of Freedom Oil and Gas Ltd		**(94,837)**	(5,611)
		(94,837)	(5,611)
		Cents	Cents
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share		**(8.8)**	(0.6)
Diluted loss per share		**(8.8)**	(0.6)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share		**(8.8)**	(0.6)
Diluted loss per share		**(8.8)**	(0.6)

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2019

	Half-year 30 Jun 2019 $'000	Half-year 30 Jun 2018 $'000
Loss for the half-year	**(94,837)**	(5,611)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of derivative contracts (net of deferred tax)	**(1,477)**	-
Total comprehensive income / (loss) for the half-year	**(96,314)**	(5,611)
Total comprehensive income / (loss) for the year is attributable to:		
Owners of Freedom Oil and Gas Ltd	**(96,314)**	(5,611)
Non-controlling interests	**-**	-
	(96,314)	(5,611)

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

	Notes	30 Jun 2019 $'000	31 Dec 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		1,530	13,570
Trade and other receivables		3,744	2,387
Inventory		7	10
Derivative financial instruments		-	2,004
Total current assets		5,281	17,971
Non-current assets			
Oil and gas assets	6	7,049	68,880
Undeveloped leasehold	6	-	12,305
Property, plant and equipment		-	363
Right-of-use assets	2	-	-
Intangible assets		-	66
Derivative financial instruments		-	1,116
Deferred tax assets		-	39
Other non-current assets		-	220
Total non-current assets		7,049	82,989
Total assets		12,330	100,960
LIABILITIES			
Current liabilities			
Trade and other payables		4,690	20,088
Borrowings	7	39,295	-
Lease liabilities	2	876	-
Restoration provision		1,704	
Total current liabilities		46,565	20,088
Non-current liabilities			
Borrowings	7	-	17,407
Lease liabilities	2	-	-
Restoration provision		-	1,451
Total non-current liabilities		-	18,858
Total liabilities		46,565	38,946
Net liabilities		(34,235)	62,014
EQUITY			
Contributed equity	8	177,451	177,451
Other equity reserves	9	11,249	12,927
Accumulated loss		(222,935)	(128,364)
Capital and reserves attributable to owners of Freedom Oil and Gas Ltd		(34,235)	62,014
Total deficit		(34,235)	62,014

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

Attributable to the owners of Freedom Oil and Gas Ltd

Balance, 1 January 2018	159,146	7,764	(127,442)	39,468
Total comprehensive loss for the half-year ended 30 Jun 2018	-	-	(5,611)	(5,611)
Transactions with owners in their capacity as owners:				
Shares issued				
– value of employee services,	693	-	-	693
net of transaction costs				-
Warrants issued	-	2,698	-	2,698
Balance, 30 June 2018	159,839	10,462	(133,053)	37,248
Balance, 1 Jan 2019	177,451	12,927	(128,364)	62,014
Total loss for the half-year ended 30 June 2019	-	-	(94,837)	(94,837)
Other comprehensive income (loss)				
Hedging gain, net of reclassifications to profit / (loss)	-	(1,477)	-	(1,477)
Transactions with owners in their capacity as owners:				
Performance rights issued	-	65	-	65
Transfer of reserves				
Transfer reserves related to expired unexercised options to Accumulated loss		(266)	266	-
Balance, 30 June 2019	177,451	11,249	(222,935)	(34,235)

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

	Half-year 30 Jun 2019 $'000	Half-year 30 Jun 2018 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**21,903**	6,092
Payments to suppliers and employees (inclusive of goods and services tax)	**(13,460)**	(5,552)
	8,443	540
Taxes paid	**(373)**	-
Interest received	**-**	6
Interest paid	**(535)**	(143)
Net cash inflow from operating activities	**7,535**	403
Cash flows from investing activities		
Payments for property, plant and equipment	**(11)**	-
Payments for oil and gas assets	**(38,946)**	(22,254)
Proceeds from the sale of property, plant and equipment	**36**	-
Net cash (outflow) inflow from investing activities	**(38,921)**	(22,254)
Cash flows from financing activities		
Proceeds from borrowings	**20,000**	10,000
Debt issue costs	**(65)**	(501)
Repayment of borrowings	**(500)**	(3,778)
Lease repayments	**(89)**	-
Net cash inflow from financing activities	**19,346**	5,721
Net decrease in cash and cash equivalents	**(12,040)**	(16,130)
Cash and cash equivalents at the beginning of the financial year	**13,570**	25,971
Effects of exchange rate on cash and cash equivalents	**-**	6
Cash and cash equivalents at end of year	**1,530**	9,847

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

1 Basis of preparation of half-year report

Statement of Compliance

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001,* subject to the Incomplete Records paragraph outlined below.

This condensed consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Freedom Oil and Gas Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

It is also recommended that the condensed consolidated interim financial report be considered together with any public announcements made by the Company during the half year ended 30 June 2019 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

This half year report was authorised for issue on 22 September 2020.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below in Note 2, and is set out below.

Going Concern

The Administrator has prepared the financial report of the consolidated entity on the going concern basis.

On 21 March 2020 Mr Steven Nicols of Nicols + Brien Chartered Accountants was appointed as Administrator pursuant to Part 5.3A of the Corporations Act 2001.

On 25 June 2020, the Creditors of the Company resolved to place the Company into a Deed of Company Arrangement ("DOCA") with the purpose being to explore the possibility of recapitalizing the ASX listed Company, via the DOCA and Creditors Trust Mechanism. A copy of the Holding Deed of Company Arrangement was lodged with ASIC on 25 June 2020.

Since the recapitalization is incomplete, there is significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

As the Company is in voluntary administration, the financial statements have been prepared on a liquidation basis.

The financial report contains adjustments relating to the recoverability and classification of recorded assets to the amounts or classification of recorded assets or liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

Incomplete Records

The management and affairs of the Company and all its controlled entities have not been under the control of the Directors of the Company since it entered voluntary administration on 21 March 2020.

To prepare the financial report, the Administrator has reconstructed the financial records of Freedom Oil and Gas Ltd (subject to Deed of Company Arrangement) using data extracted from the Consolidated Entity's accounting systems and the record of receipts and payments during the Administration of the Company and relied on information provide by in-country management of the subsidiaries for the period from the Administrator's appointment.

Although due care has been taken in preparing the financial statements, based on the information available, it is not possible to state that the financial information is complete or accurate. Neither is it possible to state that the financial information was subject to the accounting and internal control processes that are relevant to the preparation and presentation of the financial report.

Although the Administrator has prepared the financial report to the best of his knowledge based on the information made available to him, he is of the opinion that it is not possible to state that the financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the Consolidated Entity's financial position.

2 New standard adopted

As of 1 January 2019 the Company adopted the provisions of AASB 16 *Leases*. The Company chose the modified retrospective method of adoption. Prior year balances are not restated. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6%. The Company had no leases classified as finance leases prior to 1 January 2019.

Reconciliation of future lease payments as at 31 December 2018 to adjusted opening lease liability amount as at 1 January 2019:

	2019 $'000
Operating lease commitments disclosed as at 31 December 2018	**1,221**
Discounted using the lessee's incremental borrowing rate of 6% at the date of initial application	**1,193**
Less: short term leases recognised on a straight line basis as expense	**(128)**
Less: short term leases recognised on a straight line basis as additions to oil and gas properties	**(1,065)**
Add: contract reassessed as a lease	**141**
Lease liability recognised as at 1 Jan 2019	**141**
Current lease liabilities	**2**
Non-current lease liabilities	**139**
	141

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	30 Jun 2019 $'000	1 Jan 2019 $'000	31 Dec 2018 $'000
Oil and gas assets	**158**	141	-
Property, plant and equipment	**664**	-	-
Less: impairment expense	**(822)**	-	-
	-	141	-

2 New standard adopted (continued)

	30 Jun 2019 $'000	1 Jan 2019 $'000	31 Dec 2018 $'000
Lease liabilities, current	**876**	2	-
Lease liabilities, non-current	**-**	139	-
	876	141	-

The effect of adoption on the balance sheet at 1 January 2019 was to increase both assets (right-of-use assets) and liabilities (lease liabilities) by approximately $141,000. There was no material effect on retained earnings and none was recognised.

Lease liabilities and right-of-use assets at 30 June 2019 would have been $nil had the adoption not occurred. Had the adoption not occurred, the Company would have recorded a liability of approximately $52,000 in deferred rent as at 30 June 2019 ($28,000 current liability, $24,000 non-current liability).

Net loss at 30 June 2019 would have been lowered by approximately $11,000 had the adoption not occurred.

(b) Practical expedients applied

In applying AASB 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

(c) Leasing activities and how they are accounted for

Lease payments are discounted using the rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets are comprised of computer and copying equipment.

3 Segment information

(a) Description of segments

The Administrator has identified the Company's operating segments based on the reports reviewed by the previous Board to make strategic decisions. Operations consist of one segment, oil and gas exploration and production.

(b) Segment information

The segment information provided to the board for the reportable segments for the half-year ended 30 June 2019 is as follows:

3 Segment information (continued)

	30 Jun 2019 $'000	30 Jun 2018 $'000
Oil and gas exploration and production		
Total segment revenue	**16,436**	3,552
Revenue from external customers	**16,436**	3,552
Loss for the half-year	**(94,837)**	(5,611)
Impairment of oil and gas assets	**(86,417)**	-
Impairment of other assets	**(6,045)**	-
Finance costs	**(3,077)**	(1,733)
Income tax (expense)/benefit	**(392)**	(1)

	30 Jun 2019 $'000	31 Dec 2018 $'000
Total segment assets	**12,330**	100,960
Total assets includes:		
Additions to / (reduction of) non-current assets (other than financial assets, right-of-use assets and deferred tax)	**(74,785)**	63,205
Total segment liabilities	**46,568**	38,946

All revenue was recognised at a point in time.

The Company recognised a $86.4 million impairment of oil and gas assets based on the reduction in estimated value of proved reserves and sale price for the asserts achieved by the Chapter 11 sale process approved by the Texan Bankruptcy Court in May 2020.

4 Breakdown of Cost of Sales

	Half-year 30 Jun 2019 $'000	Half-year 30 Jun 2018 $'000
Lease operating expenses	**4,000**	386
Taxes other than income	**774**	147
Transportation expense	**-**	83
Oil and gas processing	**-**	81
Depletion, depreciation, and amortisation	**7,206**	1,158
Relinquishment of leases	**-**	-
Total cost of sales	**11,980**	1,855

5 Fair value measurement

(a) Fair value hierarchy

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

Level 2: 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 1H 2019 or 1H 2018.

		$000's		
30 Jun 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Derivative commodity contracts	-	-	-	-
Liabilities measured at fair value	-	-	-	-
Total net fair value	-	-	-	-

		$000's		
	Level 1	**Level 2**	**Level 3**	**Total**
31 Dec 2018				
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

(b) Valuation techniques of derivative instruments

Freedom's commodity derivative contracts consist of oil price swaps and basis differential swaps. 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. The carrying value of the derivative commodity contracts have been fully impaired as at 30 June 2019.

(c) Fair value of non-financial assets

Impairment of non-financial assets occurs periodically, when circumstances indicate the historic cost carrying value of such assets is less than their fair value. Fair values of such non-financial assets as oil and gas assets are estimated using unobservable inputs and are Level 3 valuations. See Note 6 regarding impairment.

(d) Fair values of other financial instruments (unrecognised)

The Company has a number of financial instruments which are not measured at fair value in the balance sheet, such as operational and at-call accounts, and accounts receivable and payable. The fair values of these instruments are not materially different to their carrying amounts, since either the interest receivable/payable is close to current market rates or the instruments are short-term in nature. There were no significant differences noted between the carrying amount and fair value of these instruments at 30 June 2019 or 31 December 2018.

5 Fair value measurement (continued)

The fair value of financial liabilities carried at amortised cost is estimated for disclosure purposes (Note 7, non-current borrowings in the form of mandatorily redeemable preferred stock, estimated fair value of $19.7 million, and current borrowings in the form of debt under the revolving credit facility, estimated fair value of $19.5 million). The fair value of the 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 30 June 2019. This is a level 3 valuation. The fair value of the debt under the revolving credit agreement was estimated as equivalent to the historical carrying value ($19.5 million) based on the floating interest rate terms and collateral. This is a Level 3 valuation. See Note 7 for further information.

6 Oil and gas / Undeveloped leasehold assets

	30 Jun 2019 $'000	31 Dec 2018 $'000
Oil and gas assets	**7,049**	68,880
Undeveloped leasehold assets	**-**	12,305
Total	**7,049**	81,185

Depletion

Oil and gas assets in production are amortised on a production output basis via a depletion charge. Production-based depletion of $7,206,000 was charged in the half-year ended 30 June 2019 (1H 2018: $1,158,000).

The Company recognised an impairment of $86.4 million of proved developed oil and gas assets in the half-year ended 30 June 2019 (1H 2018: $nil) and recognised an impairment of $3.3 million in relation to the undeveloped leasehold assets in the half-year ended 30 June 2019 (1H 2018: $nil).

Oil and gas properties and undeveloped leasehold assets are impaired (impairment of $86,417,000) to the expected recoverable amount for the sale of the assets less selling costs.

7 Borrowings

	30 Jun 2019 $'000	31 Dec 2018 $'000
Current borrowings		
Credit facility	**19,500**	-
Mandatorily redeemable preferred stock	**19,795**	-
Total current borrowings	**39,295**	-
Non-current borrowings		
Mandatorily redeemable preferred stock	**-**	17,407
Total non-current borrowings	**-**	17,407

(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 reserves-based facility is subject to a borrowing base determined at least semi-annually by reference to the Company's proved reserves. Under Australian accounting standards due to the determination of the borrowing base including some measure of discretion on the part of the lender, Freedom Eagle Ford only maintains the ability to defer settlement of the facility until the next determination date. This results in the facility being classified as a current liability despite the fact that the facility has a maturity date of 1 September 2021. On 8 January 2019, the Company drew down $20 million under the credit facility.

7 Borrowings (continued)

During June 2019, the borrowing base was revised from $20 million to $18.5 million based on a reduction in the estimated present value of the Company's proved reserves. The Company agreed to repay the $1.5 million in excess of the borrowings over a period of three months. The Company repaid $500,000 of this excess in June 2019, and made additional payments of $500,000 in each of July and August 2019. On 2 September 2019, The Company and Wells Fargo agreed to a variation to the credit facility, including a repayment of $8 million to be made by 7 October 2019. Further details are set out in Note 10 (Events occurring after the reporting period).

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

- A minimum current ratio, consisting of consolidated current assets including undrawn borrowing capacity and excluding financial derivative assets to current liabilities excluding financial derivative liabilities and current maturities under the credit facility itself, of not less than 1.0 to 1.0 as of the last day of any fiscal quarter.

- A total leverage ratio, consisting of consolidated total indebtedness (excluding the mandatorily redeemable preferred stock) 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.

(b) Mandatorily redeemable preferred stock

Freedom Eagle Ford, Inc. (a wholly owned subsidiary of the Company) issued 20,000 shares of mandatorily redeemable Series A Preferred stock for $1,000 per share for a total of $20 million. The shares were 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 capitalization or ownership of Freedom Eagle Ford. On 20 August 2019, Freedom Eagle Ford, Inc., the Company, and Ramas Energy Capital I, LP agreed to certain amendments to the Series A Preferred Stock, including to extend the redemption date for half the Series A Preferred Stock to 31 December 2022 with the balance to be redeemed on 31 December 2023. The amendments also permit the second tranche of Series A Preferred Stock to be redeemed by issue of shares in the Company, subject to the Company satisfying a consolidated EBITDAX hurdle. Further details are set out in Note 10 (Events subsequent to the reporting period). The shares are not secured by Company assets.

Because the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

8 Contributed Equity

Share capital

	30 Jun 2019 shares	31 Dec 2018 shares	30 Jun 2019 $'000	31 Dec 2018 $'000
Ordinary shares				
Fully paid	1,077,022,552	1,077,022,552	177,451	177,451
	1,077,022,552	1,077,022,552	177,451	177,451

9 Other equity reserves

	Notes	Other Compre-hensive Income $'000	Warrants and Rights $'000	Total Other Reserves $'000
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
Balance, 1 January 2019		2,465	10,462	12,927
Accumulated other comprehensive income, unrealised hedging gain	(a)	(1,408)	-	(1,408)
Accumulated other comprehensive income, hedging gains reclassified to profit and loss	(a)	(461)	-	(461)
Deferred tax, other comprehensive income	(a)	392	-	392
Transactions with owners in their capacity as owners				
Employee performance rights, at fair value	(b)	-	65	65
Transfer of reserves				
Transfer reserves related to expired unexercised options to Accumulated loss	(c)		(266)	(266)
Balance, 30 June 2019		988	10,261	11,249

(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 and performance rights

In April 2018 the company issued 16,481,696 warrants in connection with the second tranche of mandatorily redeemable preferred stock (Note 7 above). The fair value of the warrants at date of issue was recognised in other equity reserves.

Similar warrants were issued in 2017 in connection with the first tranche of preferred stock. The total number of warrants outstanding is 63,259,430 as at 30 June 2019.

(c) Expired options

On 30 June 2019, 25,000,000 options expired unexercised. The value was transferred to accumulated loss.

10 Events occurring after the reporting period

From 1 July 2019 through to 23 March 2020 the Company worked closely with its primary lender Wells Fargo and preferred equity holder Ramas Capital Management, however, the oil price environment combined with COVID-19's impact on the global equity markets impacted the Company's opportunities to recapitalise and led to the Directors decision to put the Company into voluntary administration appointing Mr Steven Nicols of Nicols + Brien as Administrator pursuant to Part 5.3A of the Corporations Act 2001 on 21 March 2020.

On 25 June 2020, the Creditors of the Company resolved to place the Company into a Deed of Company Arrangement ("DOCA") with the purpose being to explore the possibility of recapitalizing the ASX listed Company, vie the DOCA and Creditors Trust Mechanism. A copy of the Holding Deed of Company Arrangement was lodged with ASIC on 25 June 2020.

The DOCA proposal contains the following key terms:

- The objective of the DOCA is to provide sufficient time for the Deed Administrator to explore the possibility of a restructure and/or recapitalization of the Company in order to sell the ASX listed shell and maximise the likely outcome to Creditors.
- During the Term of the Deed, the Deed Administrator will have control of, and will be responsible for the day to day management, control, supervision and administration of the Company's business, property and affairs and the administration and implementation of the DOCA.

On 11 May 2020, the Company entered into Chapter 11 Bankruptcy proceedings in relation to its subsidiary companies in the USA. The proceedings were filed in the Southern District of Texas, Houston Division, and were substantially entered into to finalise steps for sale of the business assets of the US subsidiaries. The sale of the assets was settled on 10 September 2020 for a total sale price of $7,049,335.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the Company's operations, results, or financial position or may do so in future years.

11 Commitments and Contingencies

The Company does not have any commitments or contingencies as at 30 June 2019.

DEED ADMINISTRATORS' DECLARATION

The Administrator has had to rely upon the books and records of Freedom Oil and Gas Ltd (Subject to Deed of Company Arrangement) and its subsidiaries, its staff and external service providers in this report and the financial accounts. All due care has been taken in preparing the Report and financial information, however, the Administrator cannot give warranties in relation to the information in this report.

The administrator further notes that the Company's auditor makes clear that they cannot vouch for the correctness or completeness of any of the information used in preparing this report. This report should not be relied on in making decisions about the Company.

Incomplete Records

The management and affairs of the Company and all its controlled entities have not been under the control of the Directors of the Company since it entered voluntary administration on 21 March 2020.

To prepare the financial report, the Administrator has reconstructed the financial records of Freedom Oil and Gas Ltd (subject to Deed of Company Arrangement) using data extracted from the Consolidated Entity's accounting systems and the record of receipts and payments during the Administration of the Company and relied on information provide by in-country management of the subsidiaries for the period from the Administrator's appointment.

Although due care has been taken in preparing the financial statements, based on the information available, it is not possible to state that the financial information is complete or accurate. Neither is it possible to state that the financial information was subject to the accounting and internal control processes that are relevant to the preparation and presentation of the financial report.

Subject to the previous paragraph and set out in Note 1 to the Consolidated Financial Statements, in the opinion of the Administrator of Freedom Oil and Gas Ltd (Subject to Deed of Company Arrangement):

(a) Although the Administrator has taken all due care in preparing the Report and the financial statements to the best of his knowledge based on the information given to him, he is of the opinion that it is not possible to state that the Consolidated Financial Statements and Notes of Freedom Oil and Gas Ltd (Subject to Deed of Company Arrangement) for the half-year ended 30 June 2019 are in accordance with the Corporations Act, including:

- (i) giving a true and fair view of the financial position as at 30 June 2019 and the performance for the half-year ended on that date of the consolidated entity; and

- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) As at the date of this Report, the Administrator does not have reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, unless there is a successful implementation of the Deed of Company Arrangement. That is, if the Deed of Company Arrangement is not effectuated, then the Company is not in a position to pay its debts as and when they become due and payable.

This report is made with the resolution of the Administrator of Freedom Oil and Gas Ltd (Subject to Deed of Company Arrangement).

Signed by Steven Nicols in his capacity as Deed Administrator.

Nicols

Sydney, Australia
22 September 2020

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QUALIFIED INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FREEDOM OIL AND GAS LIMITED (SUBJECT TO A DEED OF COMPANY ARRANEMENT)

Report on the Half-Year Financial Report

Disclaimer of Auditor's Review Conclusion

We have reviewed the report of Freedom Oil and Gas Limited (Subject to a Deed of Company Arrangement) for the half year ended 30 June 2019, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of financial performance And other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half year ended on that date, a summary of significant accounting policies and other explanatory information, and the declaration of those charged with governance.

Based on our review, which is not an audit, and because of the existence of the limitation on the scope of our work, as described in the Basis for Disclaimer of Auditor's Review Conclusion paragraph noted below, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to, and do not express, a conclusion as to whether the financial report of Freedom Oil and Gas Limited (subject to a Deed of Company Arrangement) is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

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

Basis for Disclaimer of Auditor's Review Conclusion

The company was placed into voluntary administration on 21 March 2020. Consequently, as the former management and former directors of the Company were not present when compiling the financial report, the collation of the financial information relating to the period under review was not subject to the same accounting and internal controls processes, which includes the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report. Whilst the books and records of the company have been reconstructed to the maximum extent possible, we were unable to satisfy ourselves as to the completeness of the general ledger and financial records as well as the relevant disclosures in the financial report.

The financial statements of Freedom Oil and Gas Limited (subject to a Deed of Company Arrangement) for the year ended 31 December 2018 and period ended 30 June 2018, were audited and reviewed by another auditor who expressed an unmodified opinion on those statements on 28 February 2019. We were unable to obtain access to the predecessor's audit and review files to ensure these opening balances were stated fairly.

As stated in Note 1, the deed administrators are unable to state that the financial report is in accordance with all the requirements of the *Corporations Act 2001* and the Australian Accounting Standards.

Deed Administrators' Responsibility for the Half-Year Financial Report

The Deed Administrators of Freedom Oil and Gas Limited (Subject to a Deed of Company Arrangement) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the deed administrators determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Consolidated entity's financial position as at 30 June 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the financial report.

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

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
22 September 2020