

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016

Commenting on key areas of focus, Executive Chairman and Chief Executive Officer, J. Michael Yeager said:

“After two long years of the worst oil and gas industry conditions in decades, the fourth quarter of 2016 will hopefully be remembered as a key period in our Company’s history and the start of a journey to grow significant shareholder value. The major events of this quarter that are enabling this new course are as follows.

- The sale of the Blue Ridge Field for US\$9 million.
- The successful share raise of US\$11 million.
- The combination of these proceeds being utilized to capture our new Eagle Ford acreage position at over 8,000 acres today, and fund the expectation of being over 10,000 acres in the first quarter of 2017.
- The remainder of the proceeds being used for the drilling of our first two Eagle Ford wells.
- The changing of the Company name to reflect our new future as a pure independent oil and gas company, and no longer owning drilling rigs or equipment.
- The commencement of full time focus on our Eagle Ford acreage by every single employee in preparation to drill.
- The general improvement in oil and gas prices that allows the best acreage to have attractive economic returns.

Based on these significant changes to our Company, let me update you on our key areas of progress. First our new acreage continues to look increasingly attractive as we prepare to drill. We have purchased the core information from five wells that surround our acreage. We already knew the area was highly developable from the results of over 300 wells that have already been drilled adjacent to it. Now this core information allows us to see the Eagle Ford reservoir characteristics foot by foot to the north, south, east and west of our position. We are delighted to see the reservoir is very homogeneous, the oil in place is higher than we had anticipated, the pressures in the reservoir are slightly higher and the brittleness of the rock should allow it to be fraced very effectively. Lastly these excellent characteristics appear to be consistent across the entire 400 feet of Eagle Ford thickness. This gives further indications that horizontal drilling of the reservoir is possible at three separate vertical intervals. So technically our position looks very strong.

The strength of our acreage is further evidenced by the strong commercial activity that has taken place immediately adjacent to us. Two large assets sales, Newfield to Protégé and Anadarko to Sanchez have been transacted at levels that indicate our acreage to be highly valuable on a comparable per acre basis. The Sanchez announcement talks about the confidence in drilling at three separate vertical intervals exactly as our plans are today. Both of these acquiring companies have large drilling programs planned for 2017 that surround our acreage position. So overall any way you look at our position we are very encouraged.

Now we need to drill. We are preparing multiple well plans for our first wells and are finalizing the land title work for the multiple owners in the path of our horizontal wells. We are working with drilling contractors to finalize a rig contract and we are signing up all of the other services needed to drill and complete the wells. We are pleased to see that the costs are firming up for us to drill and frac the wells at service costs significantly below prior rates of two years ago. We are also ensuring that we work only with experienced crews and equipment that are already in service prior to coming to work for us. By waiting on an experienced crew and a rig already working, we add some time to our start date but we allow the drilling of these first two wells to be much lower risk.

We expect to have several announcements over the next few weeks as we finalize our drilling rig plans and increase our leased acreage. We are grateful for your continual support and look forward to a very active and valuable year.”

HIGHLIGHTS

- On 23 September 2016 the Company completed a A\$15 million (US\$11 million) share placement, representing a total of 250 million new shares. The new shares have been issued in two tranches. The first tranche closed on 27 September 2016 consisting of 81.8 million shares and the second tranche closed on 7 November 2016 immediately following the EGM, and consisted of the remaining 168.2 million shares.
- A Purchase and Sale Agreement was signed on 18 October 2016 divesting the Company of the Blue Ridge Field. The sale closed on 31 October 2016.
- Production during the quarter ended 31 December 2016 was for only one month, as the Blue Ridge Field was sold effective 31 October 2016. The field averaged 450 barrels of oil per day for the month of October. The production for the quarter ended 30 September 2016 was 494 barrels of oil per day for the full quarter.
- With one workover rig in operation for only the month of October during the quarter, 3 wells were recompleted to new pay zones.
- No wells were drilled in the current or the prior quarter.
- Oil and gas capital expenditures of US\$2.8 were spent in the current quarter versus US\$0.6 million in the prior quarter. We had no capital expenditures for drilling activities in the current quarter or in the prior quarter. On the announced Eagle Ford acreage leasing program, we increased our leasing activities by spending US\$2.3 million during the current quarter compared to US\$0.4 million made in the prior quarter. We spent US\$0.4 million on seismic and core data in support of our upcoming drilling activities. Capital expenditures for final Blue Ridge production activities during the current quarter were US\$0.1 million versus US\$0.2 million in the prior quarter.
- Gross oil price realized during the quarter averaged US\$51.40 per barrel compared to US\$46.39 realized in the prior quarter. Cash received from oil sales for the quarter totalled US\$1.0 million versus US\$1.4 million in the previous quarter. Cash at 31 December 2016 totalled US\$18.5.



SUMMARY OF EXPLORATION ACTIVITIES

- There are no exploration activities to report for the quarter ended 31 December 2016.

BOARD INFORMATION

Current board members are:

J. Michael Yeager	Executive Chairman and Chief Executive Officer
Roger Clarke	Vice Chairman and Non-executive Director
Lee Clarke	Non-executive Director
Joseph Camuglia	Non-executive Director
Nigel Smith	Non-executive Director

CONTACT

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About Freedom Oil and Gas Ltd, ACN 128 429 158 (ASX: FDM, OTCQX: FDMQF)

Freedom Oil and Gas Ltd is a development stage company striving to build a growing, investment grade oil and gas company. The Company continues to acquire undeveloped acreage in the liquids rich area of the Eagle Ford Shale in South Texas, in the United States.