



LONGREACH OIL LIMITED

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26 October 2016

ASX Compliance Pty Ltd
20 Bridge Street
Sydney NSW 2000

Attention: Ms Andia Petropoulos
Adviser, Listings Compliance (Sydney)
email: Andia.Petropoulos@asx.com.au

Dear Ms Petropoulos

Re: Financial Report Queries

Reference is made to your letter of 20 October 2016 in respect of the 30 June 2016 Financial Report.

Our response to your queries are as follows:

1. As previously announced, Starlogik LLC is in discussions and trials with telecommunications carriers. We expect to obtain an unqualified audit once Starlogik closes its first commercial agreement with a telecommunication carrier.
2. The Directors of Longreach are satisfied that the valuation of Starlogik LLC is true and fair based on:
 - progress of Starlogik's discussions with telecommunications carriers.
 - increasing value of Starlogik's growing IP portfolio.
 - current investment interest in Starlogik and its subsidiaries at higher valuations than our investment. Overseas investors invested in Starlogik in 2014 at the same valuation and there has not been an investment since our investment in February 2015.
3. The Company is of the view that its level of operations is sufficient to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.1.



4. The Company's basis for that view is that as announced on 26 February 2016 we have entered into an agreement to acquire the rest of Starlogik. In the event that we are unable to conclude this transaction, we are examining alternative acquisitions and investments. Since oil prices have bottomed, assets have become more attractively valued, presenting several opportunities for Longreach.

Regarding our existing assets, the sale of BPL's interest to Chelsea Oil Australia Pty Ltd has not yet been settled and the transfer application in respect of BPL's interest is still pending.

5. Not applicable.
6. The Company is of the view that its financial condition (including operating results and excess of current liabilities over current assets) are sufficient to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2.
7. The basis for this view is that as previously announced, Gleneagle Securities (Aust) Pty Ltd has provided a Letter of Support up to \$400,000. In addition we are confident that we will be able to raise capital, as we have in the past, to fund any proposed acquisitions.
8. Not applicable.
9. The Company confirms that it is in compliance with listing rule 3.1 and all other listing rules.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Justin Rosenberg'.

Justin Rosenberg
Managing Director

Longreach Oil Ltd



20 October 2016

Mr Justin Rosenberg
Longreach Oil Limited
Level 27, 25 Bligh Street
Sydney NSW 2000

By email: justin@longreachoil.com

Dear Mr Rosenberg,

Longreach Oil Limited (the “Company”)

ASX Limited (“ASX”) refers to the following;

1. The Company’s annual report for the period ended 30 June 2015 lodged on the ASX Market Announcements Platform on 30 October 2015 (“2015 Annual Report”);
2. The Company’s quarterly activities reports for the quarters ended 30 September 2015, 31 December 2015, 31 March 2016 and 30 June 2016 lodged on the ASX Market Announcements Platform on 30 October 2015, 29 January 2016, 29 April 2016 and 29 July 2016 respectively stating that there was no expenditure on oil and gas exploration during the quarter nor any acquisition or disposals of any interests in any exploration projects (“Quarterly Activities Reports”);
3. The Company’s Appendix 5B for the quarter ended 30 June 2016 lodged on the ASX Market Announcements Platform on 29 July 2016 (“Appendix 5B”) stating that no revenue was generated in the quarter ended 30 June 2016 or year to date;
4. The Company’s statutory accounts for the financial year ended 30 June 2016, lodged on the ASX Market Announcements Platform on 30 September 2016 (“Financial Report”); and
5. The Independent Auditor’s Report set out on pages 30 to 31 of the Financial Report (the “Auditor’s Report”) which contained a qualified opinion (the “Qualified Opinion”) and material uncertainty related to going concern (the “Material Uncertainty Related to Going Concern”), stating the following:

Basis for Qualified Opinion

The consolidated entity’s investment in Starlogik LLC (“Starlogik”), a private limited liability company located in the USA, was acquired during the year ended 30 June 2015 and is accounted for as an available for sale financial asset at fair value with a carrying value of \$2,093,787 at 30 June 2016, as disclosed in note 8 to the financial statements. Given that Starlogik has not yet generated any revenue, and it has been over twelve months since any shareholders other than Longreach Oil Limited have purchased shares in the company, we consider that we were unable to obtain sufficient appropriate

audit evidence for the fair value of this investment as at 30 June 2016. Consequently, we were unable to determine whether any adjustments to the investment were necessary.

Material Uncertainty Related to Going Concern

Without further modifying our opinion, we draw attention to Note 1.2 Going Concern in the financial report, which indicates that the consolidated entity incurred a loss of \$677,466 after providing for income tax for the year ended 30 June 2016, and had an excess of current liabilities over current assets of \$461,723. As stated in Note 1.2, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

6. Note 1.2 to the Financial Statements in the Financial Report which states, in relation to Material Uncertainty Related Going Concern:

The Balance Sheet of the Group at 30 June 2016 showed Total Current Assets of \$89,306 and Total Current Liabilities of \$551,029 and therefore Net Current Liabilities of \$461,723. The Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2016 shows a total comprehensive loss of \$677,466.

The financial statements have been prepared on a going concern basis as the directors consider that the Group will be able to raise additional debt or equity funding, as the Group has done in prior years. The ability of the Group to continue as a going concern depends on the Group generating additional cash inflows from the receipt of debt or equity funding.

Accordingly, there is a material uncertainty that may cast doubt on the Group's ability to continue as a going concern. No adjustments have been made in relation to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Relevant listing rules and guidance

ASX also refers to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- Listing rule 12.1, which states that the level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.
- Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
- Listing rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity, the accounts may be prepared to other standards agreed by ASX.

- Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A.1 A reasonable person would not expect the information to be disclosed.

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.

3.1A.3 One or more of the following applies.

- *It would be a breach of a law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
- *The information is generated for the internal management purposes of the entity.*
- *The information is a trade secret.”*

Questions for response

In light of the information contained in the Financial Report, and referring to the listing rules above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Given that the Qualified Opinion relates to the Auditor’s inability to obtain sufficient appropriate audit evidence to determine the fair value of the Company’s investment in Starlogik LLC (“Starlogik”) and whether any adjustments are necessary to the carrying amount of this investment, what steps does the Company intend to take to obtain an unqualified audit/review report for future financial periods?
2. How has the Company satisfied itself that the carrying value in Starlogik is true and fair?
3. Is the Company of the view that its level of operations is sufficient to warrant continued quotation of the Company’s securities and its continued listing on ASX in accordance with the requirements of listing rule 12.1?
4. If the answer to question 3 is “Yes”, please explain the Company’s basis for this view, having regard to the Company’s passive interest in Starlogik and lack of activity over its exploration assets as evidenced in the 2015 Annual Report, Quarterly Activities Reports and Financial Report.
5. If the answer to question 3 is “No”, please explain what steps the Company has taken, or proposed to take, to warrant the continued quotation of the Company’s securities and its continued listing on ASX in accordance with the requirements of listing rule 12.1.

6. Is the Company of the view that its financial condition (including its operating results and net asset deficiency) are sufficient to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2?
7. If the answer to question 6 is "Yes", please explain the basis for this view. Specifically, the Company should submit the reasons (including any previous disclosures made to the market) it considers relevant, given the matters outlined in the Qualified Opinion and the Material Uncertainty Related to Going Concern.
8. If the answer to question 6 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2.
9. Please confirm that the Company is in compliance with listing rules and, in particular, listing rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 5.00 pm. AEST on Wednesday, 26 October 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3. Your response should be sent to me by return e-mail. It should not be sent to the Market Announcements Office.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, please prepare your response in a form suitable for release to the market.

If you have any queries regarding any of the above, please call me.

Yours sincerely,

[sent electronically without signature]

Andia Petropoulos

Adviser, Listings Compliance (Sydney)