



Longreach Oil Limited
A.C.N. 000 131 797

Financial Report

For the year ended 30 June 2018



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Corporate Governance Statement

The Company's Corporate Governance Statement can be found on the Company's website:
www.longreachoil.com



Corporate Directory

Directors

Drew KELTON (Chairman)
Justin ROSENBERG (Managing Director)
Andrew PHILLIPS
Quintus ROUX

Company Secretary

Justin ROSENBERG

Registered and Principal Office

Level 27
25 Bligh St,
Sydney NSW 2000
Australia
Telephone: 61 2 8277 6683
Email: lgo@longreachoil.com
Website: www.longreachoil.com

Share Registry

Boardroom Limited
Level 12
225 George Street
Sydney NSW 2000
Australia
Website: www.boardroomlimited.com.au

Auditors

HLB Mann Judd
19/207 Kent Street
Sydney NSW Australia

Principal Bankers

Commonwealth Bank of Australia

Securities Exchange

Australian Securities Exchange Limited
("ASX")
Home exchange - Sydney
ASX code is: LGO



Directors' Report

Your Directors present their report on Longreach Oil Ltd ("the Company") for the financial year ended 30 June 2018.

Longreach Oil has been a Stock Exchange listed Oil and Gas exploration company for more than 50 years (originally on the Sydney Stock Exchange). This will be its 65th year since incorporation.

1. Review of operations

The operations of the Company for the year were managing the Company's existing exploration projects and investment in Starlogik, and examining new investment opportunities. On 10 April 2018, LGO announced that it has entered into a conditional Share Purchase Agreement to acquire 100% of the issued share capital of Happy Valley Milk Limited (HVM).

2. Results of operations

The operations of the Company during the year resulted in a loss after income tax of \$487,851 (2017: Profit \$48,951).

3. Significant changes in the State of Affairs

The significant change to the State of Affairs was the conditional agreement to acquire Happy Valley Milk Limited.

4. Principal activities

The Company holds the following oil & gas assets:

- 50% interest in Petroleum Lease 280 in the Surat Basin, Queensland
- 20% interest in Brisbane Petroleum Limited which in turn owns petroleum leases in the Surat Basin in Queensland.

LGO owns 4.81% of Starlogik IP LLC ("Starlogik"), a US company specialising in advanced telecommunications.

5. Significant matters after balance date

There have been no matter or circumstances that has arisen since the end of the year that has significantly affected, or may significantly the operations, the results of those operations or the state of affairs of the Company in future financial years.



Directors' Report *(cont'd)*

6. Environmental regulations

The Company is not aware of any particular environmental regulations in respect of which it would have to report on its performance.

7. Dividends

No dividends have been paid or declared since the commencement of the financial year and no dividends have been recommended.

10. Options granted over shares

No options were granted during the year and no shares were issued as a result of exercise of options. The total outstanding options, 76,666,667, expired during the period. This included:

- 60,000,000 options issued to LGO's corporate advisers, Gleneagle Securities, expired on 25 February 2018; and
- 16,666,667 which was balance of 50,000,000 unlisted options issued in 2016 as part of remuneration to the Chairman Drew Kelton at exercise price of \$0.012 expired on 1 March 2018.

10. Information on Directors

The name of each person who has been a Director of the Company at any time during or since the end of the year is as follows:

Drew Kelton - Non-Executive Chairman. Mr Kelton is a global business leader with over 30 years' experience in the information, communications, technology and telecommunications industries. He is currently the Managing Director for Docusign Inc. in the Asia-Pacific, the Non-Executive Chairman of Mobile Embrace Ltd (ASX: MBE) and First Wave Technology Ltd and a Non-Executive Director at Enice Ltd (ASX: ENC) & Megaport Ltd (ASX:MP1). Previous to Docusign, Mr Kelton was the Executive Vice-President of business markets at T-Mobile USA, responsible for developing and executing their latest operational strategies in a \$7 billion dollar division. Prior to that, he was the President of Bharti Airtel Business in India and SE Asia, as well as Managing Director of Telstra International. Appointed on 1 March 2016.

Justin Rosenberg - Managing Director. Chartered Accountant, Bachelor of Commerce (Accounting & Finance Majors). Over 15 years' corporate advisory experience after 5 years in audit and risk management. Company Secretary since 17 September 2014. Executive Chairman of Longreach Oil from 8 July 2015 till 1 March 2016.

Andrew Phillips - Non-Executive Director. Director also of other listed companies: Richfield International Ltd and Southern Cross Exploration NL; Company Secretary of listed company - MDS Financial Services Ltd; Director of a number of proprietary companies. Appointed on 2 April 2013.

Quintus Roux - Non-Executive Director. Bachelor of Engineering and MBA. Retired from BHP Billiton Leadership Team and as Non-Executive Director of FeOre Ltd and SynnTech Project Solutions. Appointed on 14 October 2014.



Directors' Report (cont'd)

Details of Directors' interests in the securities of the Company are set out in Note 16.2 to the Financial Report.

11. Directors' meetings

The following table sets out the number of meetings of Directors held during the year ended 30 June 2018 and the number of meetings attended by each Director:

	Meetings eligible to attend	Meetings attended
D Kelton	4	4
A Phillips	4	4
J Rosenberg	4	4
Q Roux	4	4

12. Remuneration Report - Audited

Disclosure of Remuneration Policy - Longreach Oil Ltd

The Board of Longreach Oil Ltd is responsible for determining and reviewing the remuneration of the Directors of the Company, within parameters approved by shareholders. No performance hurdles have been imposed so far, due to the size of the Company and the structure of the remuneration in respect of the non-executive Directors.

Administration services were provided by Directors and consultants at reasonable commercial rates.

The Company's Key Management Personnel ("KMP") comprise all of the Directors.

Remuneration of executives and consultants, whenever appointed, is determined by market conditions and is not linked to the Company's performance. There are no service agreements in place relating to Directors' fees paid. No equity based payments or other benefits were paid to Directors or consultants during the year under review; no shares or options were issued by way of remuneration.

Details of remuneration of the KMP of Longreach Oil are shown below. Note this table shows remuneration from Longreach Oil Limited for the year ended 30 June 2018.

Director	Position	2018 \$	2017 \$
D Kelton	Consultant	-	(66,677)*
D Kelton	Director	10,000	-
J Rosenberg	Managing Director and Company Secretary (Salary - \$120,000 + superannuation \$9,510)	129,510	131,400
Q Roux	Director	10,000	-
A Phillips	Director	10,000	-
Total		159,510	64,723

* During the year ended 30 June 2017, the options vesting on 1 March 2017 and 1 March 2018 were cancelled (a total of 33,333,333 options), resulting in a credit to profit of loss of \$46,677 for the expense that had been recognised during the year ended 30 June 2016 in relation to these options. During the year ended 30 June 2017, D Kelton waived \$20,000 of fees charged in the year ended 30 June 2016.



Directors' Report *(cont'd)*

Results - last five financial years

The following table shows the results of Longreach Oil Ltd for the last five financial years:

	2014*	2015*	2016*	2017	2018
	\$	\$	\$	\$	\$
Revenue from continuing operations	557,019	215,120	9,700	1,530	853
Total comprehensive income/(loss)	(1,798,226)	(1,440,283)	(677,466)	48,951	(416,561)
Net assets	5,474,239	2,061,341	1,675,476	1,677,750	1,261,189
Share price at year end	\$0.002	\$0.003	\$0.008	suspended	suspended

* **Note** Results for 2014 and 2015 take into account the former minority subsidiary, Southern Cross Exploration NL on a consolidated basis.

End of Remuneration Report

13. Non-Audit Services

No non-audit services were provided to the Company during the year by HLB Mann Judd (NSW Partnership).

14. 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 6.

15. Indemnification of Officers and Auditors

During the financial year no premium was paid to insure Directors against claims while acting as a Director. No indemnity has been granted to the Auditor of the Company.

This Report is made and signed in accordance with a Resolution of the Directors.

D Kelton
Chairman

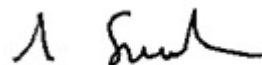
J Rosenberg
Managing Director

28 September 2018

**LONGREACH OIL LIMITED
ACN 000 131 797****AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Longreach Oil Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.



**Sydney, NSW
28 September 2018**

**A G Smith
Partner**



Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	<u>Note</u>	30 June 2018 \$	30 June 2017 \$
Revenue from continuing operations	2	853	1,530
Other revenue	2	-	167,000
Administration expenses		(420,250)	(133,218)
Finance costs	3	(480)	(532)
Consultant and Legal expenses written back		-	32,650
Other expenses		(67,974)	(18,479)
Profit /(loss) from continuing operations before income tax		(487,851)	48,951
Income tax expense	22	-	-
Profit /(loss) from continuing operations		(487,851)	48,951
Other comprehensive income	14	71,290	-
Total comprehensive loss for the year attributable to parent entity shareholders		(416,561)	48,951
Basic and diluted earnings/ (loss) per share	19	(0.000034)	0.00004

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes.



Balance Sheet as at 30 June 2018

	<u>Note</u>	2018 \$	2017 \$
Current Assets			
Cash and cash equivalents	4	737	1,051
Available for sale financial assets	5	3,268	3,057
Receivables	6	26,579	11,457
Total Current Assets		30,584	15,565
Non-Current Assets			
Available for sale financial assets	7	2,164,795	2,093,787
Receivables	8	33,413	33,413
Total Non-current Assets		2,198,208	2,127,200
Total Assets		2,228,792	2,142,765
Current Liabilities			
Trade and other payables	11	565,061	199,796
Borrowings	12	402,542	265,219
Total Current Liabilities		967,603	465,015
Net Assets		1,261,189	1,677,750
Equity			
Capital and Reserves attributable to company's equity holders			
Share capital	13	26,830,777	26,830,777
Reserves	14	3,243	247,627
Accumulated losses	15	(25,572,831)	(25,400,654)
Total equity attributable to company's Equity holders		1,261,189	1,677,750
Total Equity		1,261,189	1,677,750

The Balance Sheet
should be read in conjunction with the accompanying Notes



Statement of Changes in Equity for the year ended 30 June 2018

	Share Capital	Other Reserves	Accumulated Losses	Total Equity Interest
	\$	\$	\$	\$
Balance at 1 July 2016	26,830,777	294,304	(25,449,605)	1,675,476
Net profit for the year	-	-	48,951	48,951
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	48,951	48,951
Options cancelled	-	(46,677)	-	(46,677)
Balance at 30 June 2017	26,830,777	247,627	(25,400,654)	1,677,750
Balance at 1 July 2017	26,830,777	247,627	(25,400,654)	1,677,750
Net loss for the year	-	-	(487,851)	(487,851)
Other Comprehensive Income	-	71,290	-	71,290
Total Comprehensive Income/ (Loss)	-	71,290	(487,851)	(416,561)
Options expired	-	(315,674)	315,674	-
Balance at 30 June 2018	26,830,777	3,243	(25,572,831)	1,261,189

The Statement of Changes in Equity
should be read in conjunction with the accompanying Notes



Statement of Cash Flows for the year ended 30 June 2018

		30 June 2018 \$	30 June 2017 \$
Cash flows from operating activities:	<u>Note</u>		
Dividends received		43	498
Interest received		785	1,031
Interest paid		(480)	(532)
Operating expenses		(137,984)	(34,491)
Net cash flows used in operating activities	21	(137,636)	(33,494)
Cash flows from investing activities:			
Proceeds from disposal of available for sale investments		-	12,593
Net cash flows provided by investing activities		-	12,593
Cash flows from financing activities:			
Proceeds from borrowings		137,322	-
Repayment of borrowings		-	(23,000)
Net cash flows provided by/(used in) financing activities		137,322	(23,000)
Net decrease in cash held		(314)	(43,901)
Cash at the beginning of the financial year		1,051	44,952
Cash at the end of the financial year	4	737	1,051

The Statement of Cash Flows
should be read in conjunction with the accompanying Notes



Notes to the financial statements for the year ended 30 June 2018

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board) and the Corporations Act 2001.

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets that have been measured at fair value. Unless otherwise indicated the accounting policies have been applied consistently in all periods presented in these financial statements.

1.2 Going concern

The Balance Sheet of the Company at 30 June 2018 showed total current assets of \$ 30,584 and total current liabilities of \$967,603 and therefore Net Current Liabilities of \$937,019. The Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2018 shows a total comprehensive loss of \$416,561.

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

Accordingly, there is a material uncertainty that may cast doubt on the Company'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 Company not continue as a going concern.

1.3 Statement of compliance

The financial report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and the International Financial Reporting Standards as issued by the International Accounting Standards Board.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.5 Investments and other financial assets

Available-for-sale financial assets

Available-for-sale financial assets comprising holdings in equity securities quoted on Stock Exchanges and non-listed companies are included in non-current assets unless they are intended to be disposed of within 12 months of the balance date.

Listed investments are initially recognised at fair value plus transaction costs. The investments are subsequently measured at their fair values. Unrealised gains and losses arising from changes in the fair value are recognised in equity in the fair value reserve.

Unlisted investments are initially recognised at cost where the fair value cannot be measured reliably. Where unlisted investments are subsequently re-valued, the fair values are determined after considering the underlying net asset values of the companies, price of recent investments and estimated earnings.



Notes to the financial statements for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (cont'd)

1.5 Investments and other financial assets (cont'd)

Considerations such as a significant or prolonged decline in the fair value of investments below their cost are used in determining whether investments are impaired. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities. Impairment losses are recognised as a reduction of the available for sale investments fair value reserve to the extent of any previous revaluation and otherwise in profit or loss.

1.6 Fair value measurements and disclosures

AASB 13: Fair Value Measurement was adopted from 1 July 2013 when it first became applicable to the Company. AASB 13 sets out a framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. AASB 13 does not significantly impact the fair value amounts reported in the financial statements.

Some of assets and liabilities are measured at fair value on either a recurring or non-recurring basis depending on the requirements of the applicable Accounting Standard.

Fair Value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date.

The fair value of financial instruments is measured in accordance with the following levels:

Level 1	Quoted prices (unadjusted) in active markets for identical assets;
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ; and
Level 3	Inputs for the asset that are not based on observable market data (unobservable inputs).

1.7 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are included in current assets, except for maturities greater than 12 months after the balance sheet date which are included in non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment is established for amounts due that are not likely to be collected according to the original terms of the receivables. The amount of the provision is recognised in profit or loss.

1.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss 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 to sell and value in use.

1.9 Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being paid on normal commercial terms.

1.10 Leases

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 these leases are charged to profit or loss.



Notes to the financial statements for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (cont'd)

1.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Borrowings are classified as current liabilities unless the settlement is not required for at least 12 months after the balance sheet date.

1.13 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that it can be reliably measured.

Dividends

Dividends are recognised on receipt.

Interest

Interest is recognised as it accrues.

Sale of Financial Assets

The net gains/(losses) on sales are included as income/(expense) at the date control passes to the buyer, usually when an unconditional contract of sale is signed. The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

1.14 Segment Information

The Company has two reportable segments, namely "Exploration" and "Investment". The "Exploration" segment relates to exploring for metals and other minerals and primarily for oil, gas and other energy resources, either directly and/or through equity investments in exploration companies. The "Investment" segment predominantly relates to an investment in a US based company specializing in advanced telecommunications.

1.15 Accounting estimates and judgement

The Company makes estimates and judgements 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 nature of assets are as follows:

- (i) Estimated fair values of unlisted investments, and investments in mining projects.

The Company carries some unlisted investments at fair value. Cost is sometimes determined by an evaluation of the value of shares issued by the Company to acquire the investments. The Directors update their assessment of the fair value and the recoverable amount of unlisted investments at least annually. The Company carries its investments in mining projects at cost, subject to annual review for impairment.

- (ii) Share-based payments expense

The Company issues options which require estimates to be made in determining the fair value. Refer to note 1.16 and note 14 for details.

1.16 Share-based payments

The fair value of options granted to directors, employees and consultants as remuneration are valued at grant date using the Black Scholes valuation methodology which calculates an implied value for the options based on the Company's share price volatility, the risk free rate of return, the life of the option, the Company's share price at the grant date and the option exercise price. The amount is recognised as an expense with the corresponding entry in the Option Premium Reserve.



Notes to the financial statements for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (cont'd)

1.17 Income tax

Deferred income tax is provided on all 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and the carry forward of unused tax losses can be utilised. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

1.18 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash Flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1.19 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting period. The Company has elected not to early adopt the standards and interpretations. The following standard is the only standard that the Company considers could have a material impact:

AASB 9: Financial Instruments and Associated Amending Standards (effective for annual reporting periods beginning on or after 1 January 2018).

The standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

It is anticipated that the application of this standard will not have a material effect on the Company's results of financial reports in future periods.



Notes to the financial statements for the year ended 30 June 2018

	2018 \$	2017 \$
Note 2. Revenue		
Dividends	43	499
Interest - other	785	1,031
Other revenue	25	-
	<u>853</u>	<u>1,530</u>

The financial statements for the year ended 30 June 2017 included other income – debt forgiveness of \$167,000. This amount should have been classified as revenue from entering into an exclusivity agreement.

The comparative amounts for the year ended 30 June 2017 have been reclassified to show this amount as Other Revenue instead of Other Income – Debt forgiveness.

	2018 \$	2017 \$
Note 3. Finance costs		
Interest expense – other	<u>480</u>	<u>532</u>

	2018 \$	2017 \$
Note 4. Cash and cash equivalents		
Cash at bank	<u>737</u>	<u>1,051</u>

	2018 \$	2017 \$
Note 5. Available for sale financial assets - current		
Listed equity securities (Level 1)	<u>3,268</u>	<u>3,057</u>

	2018 \$	2017 \$
Note 6. Receivables - current		
Goods and Services Tax Debtors	26,508	11,457
	71	-
	<u>26,579</u>	<u>11,457</u>



Notes to the financial statements for the year ended 30 June 2018

	2018 \$	2017 \$
Note 7. Available for sale financial assets - non-current		
Shares in corporations not listed on Stock Exchanges - at fair value (Level 3)	2,164,795	2,093,787
- at cost	110,900	110,900
Provision for Impairment	(110,900)	(110,900)
	<u>2,164,795</u>	<u>2,093,787</u>
Shares in corporations not listed on stock exchanges at fair value (Level 3) relates to the Company's 4.81% (2017: 4.92%) investment in Starlogik IP LLC, a private limited liability company located in the USA.		
During the year, an additional amount was invested by a third party in Starlogik IP LLC, and the Directors have used this to value the Company's investment in Starlogik IP LLC.		
Movement in Shares at fair value		
At beginning of year	2,093,787	2,093,787
Increase due to foreign exchange movements	71,008	-
	<u>2,164,795</u>	<u>2,093,787</u>
At end of year		
Movement in the provision for impairment		
At beginning of year	(110,900)	(70,900)
Additional provision	-	(40,000)
	<u>(110,900)</u>	<u>(110,900)</u>

	2018 \$	2017 \$
Note 8 Receivables - non-current		
Security deposits - mining licences	<u>33,413</u>	<u>33,413</u>
Security deposits earned interest during the year at a rate of 2.3% per annum.		
The fair value of receivables approximates their carrying amounts.		

	2018 \$	2017 \$
Note 9. Exploration & evaluation expenditure		
Carrying amount at beginning of year	-	84,981
Expenditure written off	-	(84,981)
Carrying amount at end of year	<u>-</u>	<u>-</u>

Exploration projects in which the company has an interest have been obtained on conditions that provide for exploration expenditure during the currency of the permits, with the right to withdraw at various stages, with or without retaining the interest earned up to that stage. The ultimate recoupment of costs carried forward in respect of areas of interest still in the exploration or evaluation phases is dependent upon successful development and commercial exploitation, or sale of the respective areas.



Notes to the financial statements for the year ended 30 June 2018

Note 10. Interests in exploration projects

The Company held the following interests in exploration projects:

		30 June 2018	30 June 2017
		% interest	% interest
OIL & GAS			
Onshore Surat Basin - QLD	- PL-280	50	50

Note 11. Trade & other payables	2018 \$	2017 \$
Trade creditors	304,719	111,796
Trade creditors - related parties (see Note 16.3)	<u>260,342</u>	<u>88,000</u>
	<u>565,061</u>	<u>199,796</u>

Note 12. Borrowings (unsecured)	2018 \$	2017 \$
Bank overdraft	5,054	5,490
Loans - other	<u>397,488</u>	<u>259,729</u>
	<u>402,542</u>	<u>265,219</u>

No interest was paid on related party loans.

Loans-other include an amount of \$249,798 (2017 \$249,798) from the Shareholder's Divestment Account. Amounts are paid as and when claimed by shareholders. The balance of \$147,690 (2017: \$9,931) comprises several other loans. The loans are unsecured and non- interest bearing.

Note 13. Share Capital

Issued	2018 \$	2017 \$
1,214,333,333 ordinary shares, fully paid (2017 – 1,214,333,333)	<u>26,830,777</u>	<u>26,830,777</u>

These fully paid ordinary shares were issued for cash. Ordinary shares rank pari passu, have no par value and carry one vote per share.



Notes to the financial statements for the year ended 30 June 2018

Note 14.	Reserves	2018 \$	2017 \$
	Option premium	-	315,674
	Revaluation Reserve	71,290	-
	Share treasury	(68,047)	(68,047)
		<u>3,243</u>	<u>247,627</u>

14.1 Movement in reserves

Option premium

Balance at beginning of year	315,674	362,351
Options cancelled	-	(46,677)
Options expired	(315,674)	-
Balance at end of year	<u>-</u>	<u>315,674</u>

During the year ended 30 June 2016, 50,000,000 unlisted options were issued to the Chairman Drew Kelton at a strike price of \$0.012 vesting in three tranches on 1 March 2016, 1 March 2017 and 1 March 2018, all with an expiry date of 1 March 2018.

The value of these options were calculated using the Black Scholes method assuming a volatility of 100% and risk-free interest rate of 2%, and an amount of \$140,032 was expensed in full in the 30 June 2016 year.

During the year ended 30 June 2017, the options vesting on 1 March 2017 and 1 March 2018 were cancelled (a total of 33,333,333 options), resulting in a credit to profit of loss of \$46,677 for the expense that had been recognised during the year ended 30 June 2016 in relation to these options.

All the options lapsed during the year and have been transferred to Accumulated losses.

Revaluation Reserve

Balance at beginning of year	-	-
Revaluation of Starlogik IP LLC	71,008	-
Revaluation of shares in listed companies	282	-
	<u>71,290</u>	<u>-</u>

14.2 Nature and purpose of reserves

Option Premium Reserve

The Option Premium Reserve resulted from amounts received from the granting of options to subscribe for ordinary shares in the company and is used to record the fair value of the options issued to Directors and Consultants.

Revaluation Reserve

The Revaluation reserve is used to record increments and decrements on the revaluation at fair value of available for sale financial assets.

Share Treasury Reserve

The Share Treasury Reserve resulted from shares issued as payment for services.



Notes to the financial statements for the year ended 30 June 2018

	2018 \$	2017 \$
Note 15. Accumulated losses		
Balance at beginning of year	(25,400,654)	(25,449,605)
Options expired	315,674	-
Net profit/(loss)	(487,851)	48,951
Balance at end of year	<u>(25,572,831)</u>	<u>(25,400,654)</u>

Note 16. Disclosures relating to key management personnel and related parties

The following were key management personnel ("KMP") of the consolidated entity at any time during the financial year: Directors D Kelton (Chairman), A Phillips, J Rosenberg, and Q Roux.

The followings summarise transactions with the KMP of Longreach Oil Ltd while they were KMP of the Company.

16.1	Total Remuneration of Key Management Personnel	KMP	
	2018 \$	2017 \$	
Director's salary & superannuation	129,510	131,400	
Directors' Fees	30,000	-	
Consulting fee charged/(waived)*	-	(66,677)	
	<u>159,510</u>	<u>64,723</u>	

* Regarding the cancellation of D. Kelton options in 2017 (\$46,677) and the waiver of fees (\$20,000) as referred to in the Remuneration Report.

Full details of remuneration of KMP is shown in the Directors' Report.

16.2 Shareholdings of key management personnel in Longreach Oil Ltd

Balance	Balance 30 June 2018 Number	Change Number	30 June 2017 Number
Ordinary Shares			
D Kelton	-	-	-
A Phillips	4,500,000	-	4,500,000
J Rosenberg	12,550,000	-	12,550,000
Q Roux	500,000	-	500,000
	<u>17,550,000</u>	<u>-</u>	<u>17,550,000</u>
Balance	Balance 30 June 2017 Number	Change Number	30 June 2016 Number
Ordinary Shares			
D Kelton	-	-	-
A Phillips	4,500,000	-	4,500,000
J Rosenberg	12,550,000	-	12,550,000
Q Roux	500,000	-	500,000
	<u>17,550,000</u>	<u>-</u>	<u>17,550,000</u>



Notes to the financial statements for the year ended 30 June 2018

16.3	Directors and related party transactions and balances	2018	2017
		\$	\$
	Aggregate payables and borrowings at balance date		
	Accrued Salary & Superannuation		
	J Rosenberg	230,342	88,000
	Accrued Directors Fees		
	D Kelton	10,000	-
	A Phillips	10,000	-
	Q Roux	10,000	-
		<u>260,342</u>	<u>88,000</u>

Note 17.	Remuneration of auditors	2018	2017
		\$	\$
	Audit and review of financial reports		
	HLB Mann Judd (NSW Partnership)	<u>33,200</u>	<u>31,500</u>

Note 18. Contingent Assets and Liabilities

In June 2017, the Company entered into an agreement with Gleneagle Securities Pty Ltd ("Gleneagle") agreeing that for a period of up to 1 June 2019 the following amounts will be payable to Gleneagle:

- 7% of an amounts invested into the Company by any person introduced by Gleneagle;
- 3% of the value of any investments made by the Company introduced by Gleneagle; and
- 20,000,000 options with expiry of 3 years from issue and a price of \$0.008.

In March 2018, the Company entered into a Share Purchase Agreement with Happy Valley Milk Limited which includes an exclusivity period of up to 20 September 2021. If the Company completes an alternative transaction and/or breaches any of its obligations:

- The Company must indemnify Happy Valley Milk Limited of all costs and expenses that Happy Valley Milk has incurred in connection to the potential transaction;
- The Company must pay, an amount equal to 10% of the total purchase price of the alternative transaction.

A third party has made a claim against the Company for amounts owing relating to tenements held. \$64,873 of the amounts claimed has not been provided by the Company as the Directors believe no amounts claimed will be payable.

There we no other contingent assets and liabilities.



Notes to the financial statements for the year ended 30 June 2018

Note 19. Earnings/(Loss) per share	2018	2017
Basic and diluted earnings/(loss) per share	\$(0.000034)	\$0.00004
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	1,214,333,333	1,214,333,333
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	1,214,333,333	1,231,000,000

Note 20. Segment Information

Business Segment

The segments in which the company presently operates predominantly are the exploration industry, exploring for metals and other minerals and primarily for oil, gas and other energy resources, either directly and/or through equity investments in exploration companies, and the investment sector. The "Investment sector" relates to investments made by the Company, including an investment in a US based company specializing in advanced communications.

	Total 2018 \$	Exploration 2018 \$	Investment 2018 \$	Total 2017 \$	Exploration 2017 \$	Investment 2017 \$
<i>Segment Assets</i>						
Australia	63,997	-	63,997	48,978	-	48,978
USA	<u>2,164,795</u>	<u>-</u>	<u>2,164,795</u>	<u>2,093,787</u>	<u>-</u>	<u>2,093,787</u>
	<u>2,228,792</u>	<u>-</u>	<u>2,228,792</u>	<u>2,142,765</u>	<u>-</u>	<u>2,142,765</u>

	Total 2018 \$	Exploration 2018 \$	Investment 2018 \$	Total 2017 \$	Exploration 2017 \$	Investment 2017 \$
<i>Segment Revenues and Other Income</i>						
<i>Geographical</i>						
Australia	853	-	853	168,530	-	168,530
Total	<u>853</u>	<u>-</u>	<u>853</u>	<u>168,530</u>	<u>-</u>	<u>168,530</u>

There were no inter-segment revenues.

Segment Liabilities

Australia	950,403	51,559	898,844	447,815	51,559	396,256
USA	<u>17,200</u>	<u>-</u>	<u>17,200</u>	<u>17,200</u>	<u>-</u>	<u>17,200</u>
	<u>967,603</u>	<u>51,559</u>	<u>916,044</u>	<u>465,015</u>	<u>51,559</u>	<u>413,456</u>



Notes to the financial statements for the year ended 30 June 2018

Note 20. Segment Information (cont'd)

	Total 2018 \$	Exploration 2018 \$	Investment 2018 \$	Total 2017 \$	Exploration 2017 \$	Investment 2017 \$
Segment Results						
Profit/ (Loss)						
Investment - Australia	(487,851)	-	(487,851)	2,274	-	2,274
Investment - USA	-	-	-	46,677	-	46,677
Total Profit/(Loss)	(487,851)	-	(487,851)	48,951	-	48,951
Total Segment Profit/(Loss) included:						
Interest Revenue	785	-	785	1,031	-	1,031
Interest Expense	(480)	-	(480)	(532)	-	(532)

	2018 \$	2017 \$
Note 21. Reconciliation of cash flows from operating activities		
Profit/ (Loss) for the financial year	(487,851)	48,951
Adjustments for:		
Expenses paid by Gleneagle Securities (Aust) Pty Ltd	-	(75,000)
Gain on Share Options cancelled	-	(46,677)
Impairment loss on investments	-	2,607
Loss on disposal of investments	72	-
	(487,779)	(70,119)
Change in trade and other receivables	(15,122)	25,025
Change in trade and other payables	365,265	11,600
Net cash flows used in operating activities	(137,636)	(33,494)



Notes to the financial statements for the year ended 30 June 2018

Note 22. Income Tax

2018
\$

2017
\$

The income tax (expense)/benefit on the pre-tax accounting (loss) reconciles to the income tax expense in the accounts as follows:

Profit/(Loss) before income tax	<u>(487,851)</u>	<u>48,951</u>
Income tax expense/(benefit) calculated at 27.5% (2017: 30%) on the loss from ordinary activities	(134,159)	14,685
Deferred tax assets not brought to account	<u>134,159</u>	<u>(14,685)</u>
Income tax expense	<u>-</u>	<u>-</u>

Deferred tax assets of approximately \$2,000,000 have not been brought to account. The deferred tax assets will only be utilised if:

- (a) the Company derives future assessable income of a nature and of sufficient amount to enable the deferred tax assets to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by law; and
- (c) legislation will not change in a manner which would adversely affect the Company's ability to realise the deferred tax assets.

Note 23. Risk

- (a) Market risk: The Company's investments in available for sale financial assets are subject to fluctuations in market conditions. No material reduction in value is anticipated.
- (b) Interest rate risk: There is no significant exposure to interest rate risk as the Company's borrowings are on fixed rates.
- (c) Credit risk: The carrying amounts of Receivables net of any provisions represent the maximum exposure to credit risk.
- (d) Liquidity risk: The Directors are responsible for management of the short, medium and long term liquidity requirements.
- (e) Exploration risk: The exploration industry is inherently risky. Such risk is carefully assessed on a case by case basis.
- (f) Capital risk: The Directors' objectives when managing capital are to safeguard the Company's ability to continue as a going concern and in due course to increase the value of its shares and returns to its shareholders. Acquisition of exploration projects and other associated expenditure can often be satisfied by the issue of equity securities. The Company's gearing has remained quite low in accordance with the Board's policy and it is not proposed to make any changes in that respect.
- (g) Currency risk: The Company has no payables or receivables in foreign currency.



Notes to the financial statements for the year ended 30 June 2018

Note 24. Events after balance date

No significant events have occurred since 30 June 2018 which would have an impact on the financial position of the Company as at 30 June 2018 or on the results and cash flows of the Company for the year then ended.

Note 25. Fair Value

The following table presents the assets measured and recognised at fair value as at 30 June 2018:

As at 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Recurring fair value measurements</i>				
Listed equity securities	3,268	-	-	3,268
Shares in corporations not listed on Stock Exchange	-	-	2,164,795	2,164,795
As at 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Recurring fair value measurements</i>				
Listed equity securities	3,057	-	-	3,057
Shares in corporations not listed on Stock Exchange	-	-	2,093,787	2,093,787

Valuation process of the Company in determining level 3 fair values

For the purpose of financial reporting the Board performs assessments of individual asset values. The Board discusses the valuation process, results and reasons for the fair value movements, in line with the half-yearly and yearly financial statement reporting timelines.

A description of the key valuation policies and sensitivity of significant unobservable inputs of level 3 fair values is detailed below:

	Valuation policies and relationships of inputs	Sensitivity of fair values to unobservable inputs
Shares in corporations not listed on Stock Exchange	The Company's investment in corporations not listed on stock exchanges valued at fair value relates to an investment made in Starlogik IP LLC, a private research and development company incorporated in the USA specialising in advanced communications. The value of this investment has been based upon investments made by the Company and other parties in Starlogik IP LLP during the past two years, and forecasts prepared by Starlogik IP LLC.	Fair values will be sensitive to the future results of Starlogik IP LLC and other market conditions which may impact the value of shares in this investment. An increase by +10% of the Fair values would increase net assets by \$216,479 and a decrease by -10% would decrease net assets by \$216,479.

N.B. The Financial Report was authorised by the Directors on 28 September 2018.
The Company has the power to amend and re-issue the financial report.



Declaration by Directors for the year ended 30 June 2018

1. In the Directors' opinion:
 - (a) the financial statements and the notes set out on pages to 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 financial position as at 30 June 2018 and its performance.
 - (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.
2. The Notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act, 2001 for the financial year ended 30 June 2018.

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

A handwritten signature in black ink, appearing to be "D Kelton".

D Kelton
Chairman

A handwritten signature in black ink, appearing to be "J Rosenberg".

J Rosenberg
Managing Director

Sydney, NSW
28 September 2018

**LONGREACH OIL LIMITED
ACN 000 131 797**

INDEPENDENT AUDITOR'S REPORT

To the Members of Longreach Oil Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Qualified Audit Opinion

We have audited the financial report of Longreach Oil Limited ("the Company") which comprises the balance sheet as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Audit Opinion* section of our report, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Qualified Opinion

The entity's investment in Starlogik LLC ("Starlogik"), a private limited liability company located in the USA, is accounted for as an available for sale financial asset at fair value with a carrying value of \$2,164,795 at 30 June 2018, as disclosed in Note 7 to the financial statements. We were unable to obtain sufficient appropriate audit evidence for the fair value of this investment as at 30 June 2018. Consequently, we were unable to determine whether any adjustments to the investment were necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company 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.

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

Material Uncertainty Regarding Going Concern

We draw attention to Note 1.2 in the financial report, which indicates that the Company incurred a total loss of \$487,851 during the year ended 30 June 2018 and, as of that date, the Company's current liabilities exceeded its current assets by \$937,019. 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

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

Except for the matters described in the Basis for Qualified Opinion and Material Uncertainty Regarding Going Concern in the Material Uncertainty Related to Going Concern paragraphs above, we have determined there are no other key audit matters to be communicated in our report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

LONGREACH OIL LIMITED
ACN 000 131 797

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 5 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Longreach Oil Limited for the year ended 30 June 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.

HLB Mann Judd
Chartered Accountants

Sydney, NSW
28 September 2018

A G Smith
Partner