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e-Lodgement

FOR PUBLIC RELEASE

Manager - ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

ACQUISITION OF HAPPY VALLEY MILK LIMITED

Longreach Oil Limited ("LGO") is pleased to announce that it has entered into a conditional Share Purchase Agreement ("SPA") to acquire 100% of the issued share capital of Happy Valley Milk Limited ("HVM"). ("Transaction")

About Happy Valley Milk Limited.

HVM is a New Zealand based company that has land use consents from the Otorohanga District Council to establish and operate a fully integrated milk processing, blending and packaging plant on a site near Hamilton. Once built, HVM intends to specialize in consumer ready Infant Milk Formula ("IMF") and other nutritional milk powder formulas using A2 and Organic milk. HVM's site is located in one of New Zealand's largest catchment areas of A2, organic, and pasture fed milk herds. The next step in the project development is to obtain Waikato Regional Council ("WRC") water use and water discharge consents (which is a condition precedent to the Transaction).

Happy Valley Milk: Site Schematic

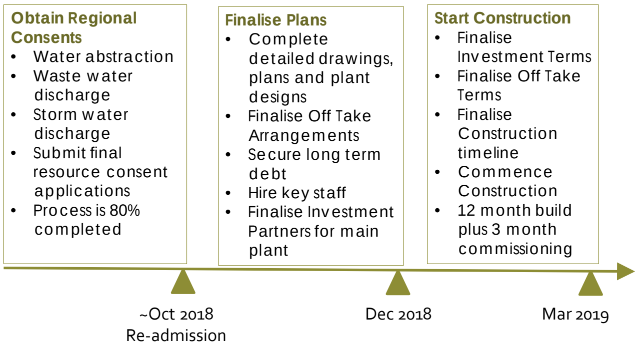
HVM Project Overview: Building an Integrated Dryer, Blending & Canning Facility

Location	HVM has an unconditional contract to acquire the project site which is located in Otorohanga, King County two hours south of Auckland (settlement is subject to issuance of title).
Milk Supply	HVM's site is situated in one of New Zealand's largest A2, Organic, Pasture Fed catchment areas which includes Waikato and King County.
Products	Once constructed, HVM's plant will specialise in processing A2 milk and organic milk into consumer ready IMF and other nutritional milk powder products. The plant will also produce Anhydrous Milk Fat (“**AMF**”).
Dryer	Land use consent for a plant containing 2x Tetra Pak Tall Wide Body 8t/hr dryers has been granted. However, construction will be staged with the facility operating initially with one dryer, adding the second dryer when capacity is utilised.
Blending and Canning	Consented design includes an integrated high speed blending and canning plant capable of 120 can/ minute (900g can size).
Off-Take	HVM is in discussions with several global IMF product companies though presently no offtake contracts have been entered into and there is no guarantee that such contracts will be entered into. HVM has also developed its own branded IMF products.
Construction, Cost & Financing	• Capital cost of facility with 1x 8t/hr dryer is approximately NZ$230 million. • Expected that circa 50% will be debt financed. • It is proposed that major off-take partners for the China market will be both customers and shareholders. HVM believes that vertically integrated brand owners will be best positioned to navigate future Chinese brand licencing requirement). • 12-month build + 3-month commissioning (construction targeted to commence March 2019).

Project Highlights

- HVM is building a facility to produce premium milk powder products for sale into China and elsewhere where demand continues to soar.
- Bringing together farmer suppliers, strategic local shareholders, off-take partners and key personnel to deliver a sustainable and differentiated independent milk processor.
- Project is designed ‘bottom up & 360 degrees’ to be compliant with current and anticipated Chinese licence requirements i.e. a pharmaceutical grade integrated plant with appropriate corporate/ investment relationships with brand owning off-takers.
- Optimum milk processing sites are scarce. (i.e. those located within A2, Organic and Pasture Fed milk catchments and near infrastructure and essential services such as water abstraction and discharge).
- Land use consents have been granted. Work on the application for the remaining WRC consents is well advanced.
- Local indigenous Iwi support the project.

Project Timeline



Key Transaction Terms

Conditions Precedent

The Transaction is subject to a number of conditions precedent including:

- LGO shareholder approval for the Transaction including the issue of securities, the appointment of three of HVM's nominees as directors and likely change of name.
- HVM obtaining WRC consents as mentioned above.
- LGO issuing a prospectus and satisfying the Australian Securities Exchange (“ASX”) with regards to its re-compliance of ASX's requirements for admission and quotation.
- Subject to the receipt of ASX approval LGO's securities resuming trade on the official list of the ASX.
- Voluntary escrow terms being agreed with up to 70% of LGOs current shareholder base.
- HVM raising $2.5 million to fund its development in the period to re-admission, including the WRC consent process, whilst the above conditions are completed via the issue of convertible notes which are to be converted prior to completion.
- LGO raising a minimum of $3 million under the prospectus at the time of re-admission to be used to complete the detailed design phase of the projects development.
- The appointment of a new CEO, nominated by HVM with appropriate experience.
- If required, the receipt of all consents under the Overseas Investment Act 2005 (NZ) for the project.

The boards of LGO and HVM are confident that all the conditions precedent can be satisfied and completed within 6 months although the Share Purchase Agreement contemplates that the parties will have up to 18 months from the date of the Share Purchase Agreement to fulfil these conditions precedent . Subject to the receipt of shareholder approval, three nominees from HVM will be appointed to LGO's board, with effect on and from Completion.

Consideration

Per the SPA, LGO is acquiring the equity of HVM from its current shareholders and will issue LGO shares as consideration.

The number of LGO Shares to be issued to HVM Shareholders (excluding those persons who will become HVM Shareholders on conversion of the Convertible Notes ("Noteholders")) on completion of the Transaction will be calculated in accordance with the following formula:

Number of Shares = (Y x 2.66667)

The number of LGO Shares to be issued to the Noteholders on Completion will be calculated in accordance with the following formula:

Number of Shares = (Y x 0.83333)

In both of the above formulas Y means the total number of LGO Shares on issue immediately prior to Completion (excluding any LGO Shares issued under the public offer in the Prospectus).

On completion of the acquisition, and excluding the required capital raising under the prospectus, HVM shareholders (including the Noteholders) will hold 77.8% of LGO, with current shareholders of LGO retaining 22.2% ownership.

In addition, at completion, LGO will issue 82 million options to its existing shareholders under the prospectus with an exercise price equal to the offer price under the prospectus and an expiry of 2 years from the date of issue (**LGO Options**). A further 41 million LGO Options will also be issued to key employees of HVM.

Termination, Exclusivity and Break Fees

In addition to the usual rights of termination the SPA may also be terminated by a party where the valuation of the consolidated (LGO and HVM) entity's market capitalisation (based on an institutional roadshow and book build) is less than $15 million.

In addition, break fees of $250,000 are payable by the party terminating the SPA, where the SPA is terminated without cause.

Exclusivity arrangements are also in place between LGO, HVM's key shareholders and HVM so that if a party pursues an alternative transaction they must pay part of the proceeds from the alternative transaction as well as the other party's costs.

Next Steps

As an immediate next step, LGO will submit an "Application for In-principle Advice" to the ASX in relation to the Transaction.

LGO notes and confirms that:

- the Transaction requires security holder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming;
- it is required to re-comply with ASX's requirements for admission and quotation and therefore the Transaction may not proceed if those requirements are not met;
- ASX has an absolute discretion in deciding whether or not to re-admit LGO to the official list and to quote its securities and therefore the Transaction may not proceed if ASX exercises that discretion;
- investors should take account of these uncertainties in deciding whether or not to buy or sell LGO's securities;
- the ASX takes no responsibility for the contents of this announcement; and
- it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

For further information please contact us on lgo@longreachoil.com or (02) 8277 6683.

For and on behalf of

Longreach Oil Limited

J Rosenberg

Managing Director