Longreach Oil Limited

HALF-YEAR REPORT

for the period ended

31 December 2017

LONGREACH OIL LIMITED

A.C.N. 000 131 797

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Your Directors present the financial statements of Longreach Oil Limited ("the Company").

The half-year consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the consolidated entity").

1. REVIEW AND RESULTS OF OPERATIONS

The operations of the Company for the half-year ended 31 December 2017 were developing the Company's current investments and seeking transactions to further develop shareholder value.

The operations of the Company for the half-year resulted in a loss of $225,735 (December 2016: $55,228). The increase in the loss mainly relates to the:

- $33,158 one-off write-back in the half-year ended 31 December 2016 of consultant and legal expenses; and
- $75,909 charge by Gleneagle Securities (Aust) Pty Ltd in the half-year ended 31 December 2017 for corporate advisory, rent, communications and financing services.

OIL & GAS

Longreach Oil (ASX: LGO) holds a 50% interest in Petroleum Lease 280 in the Surat Basin, Queensland. The Company also has a 20% shareholding in unlisted Brisbane Petroleum Limited (BPL), which in turn holds the other 50% interest in P.L. 280. BPL also holds Petroleum Leases 18 and 40. P.L. 280 - which comprises 90 sq. kms (about 22,000 acres) was granted by the Queensland Government on 1 August 2010 for a period of twenty-one years (21 years).

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.

INVESTMENT - STARLOGIK

LGO owns 4.92% of Starlogik IP LLC ("Starlogik"), a US company specialising in advanced telecommunications. Starlogik is demonstrating its core signalling capabilities to carriers and has successfully completed multiple product and technical due diligence phases at leading carriers across S.E Asian, Indian and African markets. During its highly successful pilots, Starlogik has already serviced over 100 million mobile phone connections.

2. DIRECTORS

The names of the Directors who have been Directors at any time during or since the end of the half-year are:

Drew Kelton	(Non-executive Chairman)
Justin Rosenberg	(Executive Director)
Andrew Phillips	(Non-executive Director)
Quintus Roux	(Non-executive Director)

LONGREACH OIL LIMITED

A.C.N. 000 131 797

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
(continued)

3. 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 3.

Signed in accordance with a resolution of Directors.

Drew Kelton
Chairman

16 March 2018

LONGREACH OIL LIMITED
ACN 000 131 797

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Longreach Oil Limited for the half-year ended 31 December 2017, 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.

This declaration is in relation to Longreach Oil Limited and the entities it controlled during the period.

Sydney, NSW	**A G Smith**
16 March 2018	**Partner**

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2017

	Note	December 2017 $	December 2016 $
Revenue from continuing operations		694	1,197
Administration expenses		(180,027)	(73,494)
Finance costs		(246)	(231)
Consultant and Legal expenses written back		-	33,158
Loss on investments		-	(2,843)
Other expenses		(46,156)	(13,015)
Loss from continuing operations before income tax		(225,735)	(55,228)
Income tax expense		-	-
Loss from continuing operations		(225,735)	(55,228)
Other comprehensive income/(loss)	4	(42,662)	-
Total comprehensive loss for the period attributable to parent entity shareholders		(268,397)	(55,228)
Basic and diluted loss per share attributable to parent entity shareholders	13	(0.00019)	(0.00005)

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

Consolidated Balance Sheet as at 31 December 2017

	Note	December 2017 $	June 2017 $
Current Assets			
Cash and cash equivalents		1,242	1,051
Available for sale financial assets	2	3,072	3,057
Receivables	3	9,766	11,457
Total Current Assets		14,080	15,565
Non-Current Assets			
Available for sale financial assets	4	2,051,125	2,093,787
Receivables	5	34,068	33,413
Total Non-current Assets		2,085,193	2,127,200
Total Assets		2,099,273	2,142,765
Current Liabilities			
Trade and other payables	6	371,993	199,796
Borrowings	7	317,927	265,219
Total Current Liabilities		689,920	465,015
Net Assets		1,409,353	1,677,750
Equity			
Capital and Reserves attributable to Company's equity holders			
Share capital	8	26,830,777	26,830,777
Reserves	9	204,965	247,627
Accumulated losses	12	(25,626,389)	(25,400,654)
Total equity attributable to Company's Equity holders		1,409,353	1,677,750
Total Equity		1,409,353	1,677,750

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

Consolidated Statement of Changes in Equity
for the half- year ended 31 December 2017

	Share Capital $	Other Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2016	26,830,777	294,304	(25,449,605)	1,675,476
Net loss for the period	-	-	(55,228)	(55,228)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Loss	-	-	(55,228)	(55,228)
Options issued/(cancelled) during the period	-	(46,677)	-	(46,677)
Balance at 31 December 2016	26,830,777	247,627	(25,504,833)	1,573,571

	Share Capital $	Other Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2017	26,830,777	247,627	(25,400,654)	1,677,750
Net loss for the period	-	-	(225,735)	(225,735)
Other Comprehensive Loss	-	(42,662)	-	(42,662)
Total Comprehensive Loss	-	(42,662)	(225,735)	(268,397)
Balance at 31 December 2017	26,830,777	204,965	(25,626,389)	1,409,353

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

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2017

	Consolidated	
	31 December 2017 $	31 December 2016 $
Cash flows from operating activities		
Dividends received	23	478
Interest received	656	719
Interest paid	(246)	(232)
Operating expenses	(52,951)	(108,534)
Net cash flows used in operating activities	(52,518)	(107,569)
Cash flows from investing activities		
Proceeds from disposal of available for sale investments	-	15,049
Proceeds from Term Deposits	-	9,607
Net cash flows used in investing activities	-	24,656
Cash flows from financing activities		
Proceeds from borrowings	52,709	62,000
Repayment of borrowings to related party	-	(23,000)
Net cash flows provided by financing activities	52,709	39,000
Net increase (decrease) in cash held	191	(43,913)
Cash at the beginning of the period	1,051	44,952
Cash at the end of the period	1,242	1,039

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

Notes to and forming part of the financial statements for the half-year ended 31 December 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements comprise the financial statements of Longreach Oil Limited ("the Company") and its subsidiaries ("the consolidated entity").

1.1 Basis of preparation

This half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*, Australian Accounting Standards (including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board) and the *Corporations Act 2001*.

The interim report does not include full disclosures of the type normally included in an annual financial report. It should be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made during the half-year reporting period in accordance with the continuous disclosure obligations of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

1.2 Going Concern

The Balance Sheet of the Company at 31 December 2017 showed Total Current Assets of $14,080 and Total Current Liabilities of $689,920 and therefore Net Current Liabilities of $675,840. The Statement of Profit or Loss and other Comprehensive Income for the 6 months ended 31 December 2017 shows a total loss of $225,735.

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 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period. The Group has elected not to early adopt the standards and interpretations. The following standard is the only standard that the Group 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 Group's results of financial reports in future periods.

	Consolidated	
	31 December 2017 $	30 June 2017 $
NOTE 2 AVAILABLE FOR SALE FINANCIAL ASSETS - CURRENT		
Listed equity securities (Level 1)	3,072	3,057

	Consolidated	
	31 December 2017 $	**30 June 2017 $**

NOTE 3 RECEIVABLES - CURRENT

Goods and services tax	9,766	11,457

NOTE 4 AVAILABLE FOR SALE FINANCIAL ASSETS - NON-CURRENT

Shares in corporations not listed on Stock Exchanges (Level 3) - at fair value	2,051,125	2,093,787
- at cost	110,900	110,900
Provision for impairment	(110,900)	(110,900)
	2,051,125	2,093,787

Shares in corporations not listed on stock exchanges at fair value (Level 3) relates to the Company's 4.92% investment in Starlogik IP LLC, a private limited liability company located in the USA.

Subsequent to 31 December 2017, 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.

The movement in fair value from 30 June 2017 to 31 December 2017 of $42,662 is due to foreign exchange movements.

NOTE 5 RECEIVABLES - NON-CURRENT

Security deposits - mining licences	34,068	33,413

NOTE 6 TRADE & OTHER PAYABLES - CURRENT

Trade creditors	204,291	111,796
Trade creditors - related parties	167,702	88,000
	371,993	199,796

NOTE 7 BORROWINGS (UNSECURED) - CURRENT

Bank overdraft	5,440	5,490
Loans - other	312,487	259,729
	317,927	265,219

NOTE 8 SHARE CAPITAL

Issued		
1,214,333,333 ordinary shares, fully paid (June 2017: 1,214,333,333)	26,830,777	26,830,777

NOTE 9 RESERVES

	31 December 2017 $	30 June 2017 $
Option premium	315,674	315,674
Revaluation reserve	(42,662)	-
Share treasury	(68,047)	(68,047)
	204,965	247,627

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 during the year ended 30 June 2016.

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.

9.1 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.

NOTE 10 Directors and related party transactions and balances

	31 December 2017 $	30 June 2017 $
Payables at end of period		
Accrued Salary:		
J Rosenberg	143,477	88,000

NOTE 11 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 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 specialising in advanced communications.

Segment Assets

Geographical	Total December 2017 $	Exploration December 2017 $	Investment December 2017 $	Total June 2017 $	Exploration June 2017 $	Investment June 2017 $
Australia	48,148	-	48,148	48,978	-	48,978
USA	2,051,125	-	2,051,125	2,093,787	-	2,093,787
	2,099,273	-	2,099,273	2,142,765	-	2,142,765

Segment Revenues

Geographical	Total December 2017 $	Exploration December 2017 $	Investment December 2017 $	Total December 2016 $	Exploration December 2016 $	Investment December 2016 $
Australia	694	-	694	1,197	-	1,197
	694	-	694	1,197	-	1,197

Segment Liabilities

Geographical	Total December 2017 $	Exploration December 2017 $	Investment December 2017 $	Total June 2017 $	Exploration June 2017 $	Investment June 2017 $
Australia	672,720	51,559	621,161	447,815	51,559	396,256
USA	17,200	-	17,200	17,200	-	17,200
	689,920	51,559	638,361	465,015	51,559	413,456

Segment Results

Profit/(Loss)	Six months ended 31 December 2017 $	Six months ended 31 December 2016 $
Australia - Investment	(225,735)	1,198
Australia – Exploration	-	(5,658)
USA – Other	-	(50,768)
Total Loss	(225,735)	(55,228)

NOTE 12 ACCUMULATED LOSSES	**Six months ended 31 December 2017 $**	**Six months ended 31 December 2016 $**
Accumulated Losses at beginning of period	(25,400,654)	(25,449,605)
Net loss for the period	(225,735)	(55,228)
Accumulated Losses at end of period	(25,626,389)	(25,504,833)

NOTE 13 EARNINGS PER SHARE

Basic and diluted earnings (loss) per share	($0.00019)	($0.00005)
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	1,214,333,333	1,214,333,333

NOTE 14 CONTINGENT LIABILITIES

During the year ended 30 June 2017 the Company entered into an agreement with Gleneagle Securities (Aust) 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.

A third party has made a claim against the Company for amounts owing relating to tenements held. $60,380 of the amounts claimed has not been provided by the Company as the Directors believe no amounts claimed will be payable.

There were no other contingent liabilities.

NOTE 15 EVENTS AFTER REPORTING

No significant events have occurred since 31 December 2017 which would have an impact on the financial position of the consolidated entity as at 31 December 2017 or on the results and cash flows of the consolidated entity for the period then ended.

Declaration by Directors
for the half-year ended 31 December 2017

In the Directors' opinion:

(a) The financial statements and notes set out on pages 4 to 12 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date.

(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.

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

Justin Rosenberg
Managing Director

Sydney, NSW

16 March 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

LONGREACH OIL LIMITED
ACN 000 131 797

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Longreach Oil Limited:

We have reviewed the accompanying half-year financial report of Longreach Oil Limited ("the company") and its controlled entities which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of profit or loss 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, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity in order to state whether, on the basis of the procedures described, 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 31 December 2017 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 company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual 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 opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Longreach Oil Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

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LONGREACH OIL LIMITED
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INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

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 $225,735 for the half-year ended 31 December 2017, and had an excess of current liabilities over current assets of $675,840. 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.

HLB Mann Judd

A Smith

HLB Mann Judd
Chartered Accountants

A G Smith
Partner

Sydney, NSW
16 March 2018