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Suite2, 24 Bolton Street, Newcastle NSW 2300

Company Announcements
Australian Stock Exchange Limited
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

28 February 2018

Annual report for the year ended 31 December 2017

Please find attached the following documents relating to Freedom Oil and Gas Ltd's results for the year ended 31 December 2017:

1. ASX Appendix 4E
2. Annual Report

Commentary from the Chief Executive Officer

As we report on our 2017 results, our discussion this year is very different than ever before in the history of the Company. Freedom Oil and Gas is now an operator in one of the top oil fields in North America, the Eagle Ford shale, and has successfully drilled and is now producing two horizontal wells that have had very successful outcomes. We own acreage that can support a drilling program and production growth for years to come. We have built a good team of experienced industry veterans that have shown the ability to execute our plans in a very competitive way. And now, we are moving forward with our next phase of drilling that will be larger than the first phase. When you combine all of these key components with a much improved industry climate, Freedom Oil and Gas is moving forward to build a more and more valuable Company.

Today we have two horizontal wells that were drilled in the Eagle Ford shale in Dimmit County, Texas, and are producing above our original expectations. These two wells have 7,000 feet of horizontal wellbore and produced an average of 1,250 barrels of oil equivalent over their first 30 days of production. Based on those results, we announced the drilling of four additional wells near the first two, and have very high expectations for their outcomes. Our acreage has grown from approximately 8,000 acres at the end of 2016 to 9,400 acres at the end of 2017. Our Proved Reserves, as endorsed by Netherland, Sewell and Associates have more than doubled over the last year to 13.4 million barrels of oil equivalent. We have added two new senior managers that have deep Eagle Ford experience in drilling, completions and production facility installation. So overall we are a stronger company with significant activities in progress that we are confident we will manage well.

To accomplish these key activities, we are greatly aided by the support we have received to finance our operations. Our new financial partner, Ramas Capital, took a Preferred Equity position in our Eagle Ford business that provided US\$10 million to help us drill the first two very successful wells. Our Shareholders supported us with a US\$16 million equity raise in late 2017 that will assist us with the current four wells that we are currently drilling. After drilling these first six wells, we are expecting to meet the criteria to activate the Reserves Based Lending facility we have with Wells Fargo, which will provide lower cost and longer life financing for the continuous drilling program we plan to commence in the second half of 2018. Overall we are using our financial options to help grow



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the Company, including adding more acreage, and we are very glad to be working with such quality financial partners.

So 2017 was a very big year in the Company's history, but we hope that is just the start. In 2018 we will be doing larger and more material investments that we have already shown we can accomplish. We fully expect to do these activities faster and at lower cost than we did the first time. Our expectations for this year are to continue to execute quality investments that enable the growth of the Company, and its value. We will keep you advised along the way, and again, thank you very much for your support.

Sincerely,

A handwritten signature in black ink that reads "J. Michael Yeager". The signature is written in a cursive, flowing style.

J. Michael Yeager
Executive Chairman and Chief Executive Officer
Freedom Oil and Gas Ltd

Appendix 4E
Preliminary final report
Period ending 31 December 2017

Name of entity	Freedom Oil and Gas Ltd
ABN	48 128 429 158
Financial year ended	Year ended 31 December 2017
Previous corresponding reporting period	Year ended 31 December 2016

Results for announcement to the market

	For the year ended 31 December 2017 US\$'000	Movement over previous corresponding period US\$'000	Percentage increase (decrease) over previous corresponding period
Revenue from ordinary activities	4,109	4,109	NA
(Loss) from ordinary activities after tax attributable to members	(11,446)	34,729	75%
Net (loss) for the period attributable to members	(11,446)	34,729	75%

Dividends

No dividends were paid or proposed to members during the year ended 31 December 2017.

Brief explanation of results

The Company reported consolidated revenue from operations for the year ended 31 December 2017 of \$4.1 million. All revenues during 2016 were from Blue Ridge field, which was sold effective 1 November 2016. The revenues and expenses of Blue Ridge are included in Gain (Loss) from discontinued operations. Revenues in 2017 are from the Company's Eagle Ford acreage in Texas, where two producing wells were drilled in 2017. Revenues from these wells commenced in the fourth quarter of 2017.

The company reported a consolidated net loss before income tax for the year ended 31 December 2017 of \$11.4 million (2016: net loss of \$46.2 million). The loss included \$11.6 million in loss from continuing operations (2016: loss from continuing operations of \$9.4 million).

Non-cash expenses for the year ended 31 December 2017 were \$7.6 million (year ended 31 December 2016: \$37.3 million). The 2017 net loss includes non-cash expenses for depletion expense, depreciation and amortisation expense, non-cash finance costs, and a non-cash charge related to the fair value of warrants issued with long-term debt. Non-cash expenses in 2016 included depletion expense, depreciation and amortisation expense, and impairment.

General and administrative expense was \$6.9 million in 2017 (2016: \$7.9 million). Finance costs increased \$1.4 million in 2017 due to new issues of short-term and long-term debt in 2017; however, \$0.9 million of finance costs were non-cash amortisation costs.

Refer to the directors' report, operating and financial review, financial statements and supporting notes in the attached Annual Report for the year ended 31 December 2017 for additional detail.

Statements

The following statements and supporting notes are included in the attached Annual Report for the year ended 31 December 2017:

- Income statement
- Statement of comprehensive income
- Balance sheet
- Statement of changes in equity
- Statement of cash flows

Dividend reinvestment plans

There are no dividend reinvestment plans in operation.

Net tangible assets per security

NTA backing	Current period	Previous period
Net tangible asset backing per ordinary security (undiluted)	4 cents	3 cents

Control gained or lost during the period

There were no transactions entered into by the company during the year ended 31 December 2017 that resulted in control being gained or lost over any entities.

Subsidiaries

The consolidated results incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of share	Equity holding 31 Dec 2017*	Equity holding 31 Dec 2016*
Freedom Oil & Gas, Inc. (formerly Maverick Drilling & Exploration USA, Inc.)	United States	Ordinary	100%	100%
Freedom Oil & Gas USA, Inc.	United States	Ordinary	100%	100%
Freedom Eagle Ford, Inc.	United States	Ordinary	100%	100%
Freedom Production, Inc. (formerly Maverick Holdings, Inc.)	United States	Ordinary	100%	100%
Maverick Drilling Company	United States	Ordinary	100%	100%
Maverick Production Company, Inc.	United States	Ordinary	100%	100%

* The proportion of ownership interest is equal to the proportion of voting power held.

Associates and joint venture entities

The company does not have any associates or joint venture entities.

Commentary on results for the period

Review of operations

Refer to the directors' report, operating and financial review, financial statements and supporting notes in the attached Annual Report for the year ended 31 December 2017 for additional detail.

Report based on audited accounts

This report has been based on the attached accounts which have been audited.

Freedom Oil and Gas Ltd

ABN 48 128 429 158

Annual report for the year ended 31 December 2017

Freedom Oil and Gas Ltd ABN 48 128 429 158
Annual report – 31 December 2017

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Corporate directory

Directors

J M Yeager BSc, MSc
Executive Chairman and Chief Executive Officer

R B Clarke BCom, CA
Vice Chairman – Non-executive director

N H Smith BSc
Non-executive director

L A Clarke CFP
Non-executive director

J C Camuglia BBus
Non-executive director

Principal registered office in Australia

Suite 2
24 Bolton Street
Newcastle NSW 2300
Telephone +61 2 4925 3659
Contact: Andrew Crawford

Principal office in the United States

5151 San Felipe, Suite 800
Houston, Texas 77056
Telephone +1 281.416.8575
Contact: J. Michael Yeager

Share register

Link Market Services Limited
Level 21
10 Eagle Street
Brisbane QLD 4000
Telephone +61 7 3320 2200

Auditor

PricewaterhouseCoopers
45 Watt Street
Newcastle, NSW 2300

Stock exchange listings

Freedom Oil and Gas Ltd shares are listed on the Australian Securities Exchange (ASX) under ticker symbol **FDM**.

Freedom Oil and Gas Ltd American Depositary Receipts (ADRs) are quoted on the International OTCQX under the ticker **FDMQY**. Each ADR represents fifteen Freedom Oil and Gas Ltd ordinary shares. Additionally, shares of FDM are quoted on the OTCQX under the ticker **FDMQF**.

Website address

www.freedomog.com

Executive Chairman and Chief Executive Officer Letter

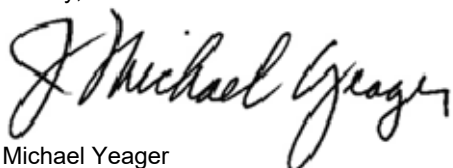
As we report on our 2017 results, our discussion this year is very different than ever before in the history of the Company. Freedom Oil and Gas is now an operator in one of the top oil fields in North America, the Eagle Ford shale, and has successfully drilled and is now producing two horizontal wells that have had very successful outcomes. We own acreage that can support a drilling program and production growth for years to come. We have built a good team of experienced industry veterans that have shown the ability to execute our plans in a very competitive way. And now, we are moving forward with our next phase of drilling that will be larger than the first phase. When you combine all of these key components with a much improved industry climate, Freedom Oil and Gas is moving forward to build a more and more valuable Company.

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So 2017 was a very big year in the Company's history, but we hope that is just the start. In 2018 we will be doing larger and more material investments that we have already shown we can accomplish. We fully expect to do these activities faster and at lower cost than we did the first time. Our expectations for this year are to continue to execute quality investments that enable the growth of the Company, and its value. We will keep you advised along the way, and again, thank you very much for your support.

Sincerely,



J. Michael Yeager
Executive Chairman and Chief Executive Officer
Freedom Oil and Gas Ltd

DIRECTORS' REPORT

The directors of Freedom Oil and Gas Ltd present their report on the consolidated entity (referred to hereafter as "Freedom," or "the Company") consisting of Freedom Oil and Gas Ltd and the entities it controlled at the end of, or during, the year ended 31 December 2017.

DIRECTORS

The following persons were directors of Freedom Oil and Gas Ltd during the whole of the financial year and up to the date of this report:

J M Yeager
R B Clarke
N H Smith
L A Clarke
J C Camuglia

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of Freedom includes the following highlights.

- (a) The first two horizontal wells in the Company's Eagle Ford acreage in South Texas were drilled and completed. The Wilson B-1 and the Wilson B-2 were completed in the lower Eagle Ford shale as producers in the fourth quarter.
- (b) Production commenced for both wells in October. Total production for the three months ended 31 December 2017 was 90.1 net MBOE.
- (c) Average prices received for oil, natural gas, and natural gas liquids were \$45.58 per BOE.
- (d) New short- and long-term financing arrangements were put in place, netting \$12.8 million in cash proceeds.
- (e) The Company's equity raise of A\$22.5 million in December 2017 further increases Freedom's options for development of its Eagle Ford acreage.

PRESENTATION CURRENCY

Items included in the directors' report and financial statements of Freedom are presented in US dollars unless otherwise stated.

DIVIDENDS

No dividends were paid to members during the year ended 31 December 2017 or the year ended 31 December 2016.

REVIEW OF OPERATIONS

The Company is currently focused on executing its strategy of developing the Eagle Ford acreage acquired in 2015-2017. Further information on developments and the results of 2017 are included in the Operational and Financial Review section on pages 20 to 22 of this Annual Report.

OPERATING RESULT

Freedom experienced a net loss after income taxes of \$11.4 million for the year ended 31 December 2017 (year ended 31 December 2016: net loss after income taxes of \$46.2 million). Non-cash expenses for the year ended 31 December 2017 were \$7.6 million (year ended 31 December 2016: \$37.3 million). The 2017 net loss includes non-cash expenses for depletion expense, depreciation and amortization expense, non-cash finance costs, and a charge related to the fair value of warrants issued with long-term debt. Non-cash expenses in 2016 included depletion expense, depreciation and amortisation expense, and impairment.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the year ended 31 December 2017 are detailed below.

Eagle Ford shale acreage

During the year ended 31 December 2017 Freedom increased its undeveloped acreage in an area of South Texas in the Eagle Ford shale trend from approximately 8,000 acres to approximately 9,400 acres, an increase of 1,400 acres. The Company drilled and completed the first two wells in the acreage, which each produced at a daily rate of approximately 1,250 BOE (gross) for the first thirty days. Freedom reported proved reserves of 13.4 MMBOE and probable reserves of 21.4 MMBOE as of 31 December 2017, an increase of 23.4 MMBOE (proved and probable).

Total net production for the year 2017 was 64,200 BBL of oil, 75.0 MMCF of natural gas, and 13,500 BBL of natural gas liquids. The average oil price received was \$56.09 per BBL. The average gas price received was \$2.74 per Mcf. The average price received for natural gas liquids was \$22.50 per BBL.

Short-term and long-term financing

In July 2017 the Company's 100%-owned subsidiary, Freedom Eagle Ford, Inc. (Freedom Eagle Ford) issued a short-term note payable for A\$5 million due 28 February 2018. The interest rate is the US 12 month LIBOR plus 12%. The

lender also received 25 million options with an exercise price of \$0.20 which expire 30 June 2019. The fair value of the options was calculated at \$266,000 and is recognized in Other equity reserves.

In September 2017 Freedom Eagle Ford issued 10,000 shares of mandatorily redeemable preferred stock, due 18 March 2022. The issue price was \$1,000 per share, for a total of \$10 million. The redemption price is \$2,000 per share after 54 months, for a total of \$20 million. The lender also received 46,777,734 warrants for Company ordinary shares at an exercise price of \$0.001 each. The fair value of the warrants on issue was calculated at \$2.8 million.

For the period 19 September 2017 until 29 December 2017, the warrants met the definition of a derivative liability under Australian Accounting Standards. For this period, a mark to market adjustment of \$4.7 million was expensed. This non-cash expense is included in the balance of the Other gains/(losses) – net on the Consolidated income statement. Agreement was reached with the warrant holder on 29 December 2017 that the warrant terms be varied to have the warrants meet the definition of an equity instrument from 29 December 2017 onward, subject to the required approvals being obtained.

For further information on debt and equity, see notes 14, 18, and 20 in the attached financial statements.

Institutional and sophisticated investor placement-December 2017

The Company issued 112,500,000 fully paid ordinary shares at a price of A\$0.20 per share in December 2017 raising \$16.9 million (A\$22.5 million) and netting \$16.1 million after related costs. This capital was raised principally to fund additional development in the Eagle Ford acreage.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The short-term debt of A\$5 million was repaid 5 February 2018 as planned.

On 14 February 2018, key employees were granted 2,855,770 ordinary shares (\$697,000 at A\$0.31 per share) for \$nil consideration. Also on 14 February 2018, cash bonuses totalling \$646,000 were paid to employees. No constructive obligation existed at 31 December 2017 in relation to either the grant of shares or cash bonus, and both amounts have been expensed in February 2018.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in the report or financial statements that have significantly, or may significantly affect the operations of the Company, the results of the operations of the Company, or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on the strategy, prospects and risks of the Company is included in the operating and financial review on pages 20 to 22 of this annual report.

ENVIRONMENTAL REGULATION

Freedom's operations are all located in the United States in the state of Texas and are therefore not subject to any environmental regulation under either Australian commonwealth or state legislation. However, Freedom is subject to extensive federal, state and local laws and regulations in Texas and the United States in general. The board has adequate systems in place for the management of its environmental requirements in Texas and is not aware of any significant breach of these requirements.

INFORMATION ON DIRECTORS

J Michael Yeager BSc, MSc. *Chief Executive Officer and Executive Chairman. Age 64. Appointed October 2013.*

Experience and expertise

Mr. Yeager joined Freedom as the Chief Executive Officer and Executive Chairman. He has had a long career in the oil and gas business, including 26 years with ExxonMobil, where he held various global executive roles, and more than seven years as the Chief Executive of BHP Billiton Petroleum.

Other current directorships of listed entities

None.

Former directorships of listed entities in last 3 years

None.

Special responsibilities

Executive Chairman.

Chief Executive Officer.

Interests in shares and options

28,920,935 ordinary shares in Freedom Oil and Gas Ltd.

Roger Brian Clarke BCom, CA. *Vice Chairman – Independent non-executive director. Age 69. Appointed December 2007.*

Experience and expertise

Mr. Clarke is the Vice Chairman of the board and has over 30 years' commercial experience in the investment banking

industry, with responsibilities in fund management, banking and corporate finance. He is also the chairman of the advisory board of Morgans Financial Limited, and has been involved in a significant number of initial public offerings, capital raisings and corporate transactions. His understanding of the Australian corporate finance sector brings a level of expertise that has proved pivotal in establishing the strategic investment focus of Freedom. Mr. Clarke holds a Bachelor of Commerce degree and is a Chartered Accountant.

Other current directorships of listed entities

None.

Former directorships of listed entities in last 3 years

Non-executive Chairman of Factor Therapeutics Ltd (Director February 2004 to May 2015).

Special responsibilities

Vice Chairman.

Chairman of audit and risk management committee.

Interests in shares and options

14,166,666 ordinary shares in Freedom Oil and Gas Ltd.

Nigel H. Smith BSc. Independent non-executive director. Age 60. Appointed March 2015.

Experience and expertise

Mr Smith is an international oil and gas industry executive with over 30 years of experience with BHP Billiton, BP, Atlantic Richfield Corporation (ARCO) and Shell International. Mr Smith held executive and senior management positions in engineering, project management, production and drilling operations, and planning and acquisitions. He has worked in Europe, USA, Asia, Africa and the Caribbean. Mr Smith graduated with a BSc in engineering from Nottingham University in UK.

Other current directorships of listed entities

None.

Former directorships of listed entities in last 3 years

None.

Special responsibilities

Member of audit and risk management committee.

Interests in shares and options

5,000,000 ordinary shares in Freedom Oil and Gas Ltd.

Lee Anthony Clarke CFP. Independent non-executive director. Age 48. Appointed October 2009.

Experience and expertise

Mr. Clarke is the principal and director of a private financial advisory and wealth management firm. He has over 25 years' of experience in the industry, working with private family groups, business owners and listed corporates. More recently he has focussed on business transactions and providing advice to business around succession and growth.

Mr Clarke also has direct experience with capital raisings and initial public offerings and brings a deep knowledge of the Australian securities market as well as an extensive investor network. He holds a Diploma of Financial Planning from Deakin University, Melbourne and is a Certified Financial Planner.

Other current directorships of listed entities

None.

Former directorships of listed entities in last 3 years

None.

Special responsibilities

Member of audit and risk management committee.

Interests in shares and options

25,440,000 ordinary shares in Freedom Oil and Gas Ltd.

Joseph Charles Camuglia BBus. Independent non-executive director. Age 54. Appointed April 2012.

Experience and expertise

Mr. Camuglia has had over 25 years' experience as a Chartered Accountant and Certified Financial Planner. He started his career with Price Waterhouse as an accountant and in 1990 he established his own wealth management business. Mr Camuglia holds a Bachelor of Business from Queensland University of Technology Brisbane and a Diploma of Financial Planning from Deakin University Melbourne.

Other current directorships of listed entities

None.

Former directorships of listed entities in last 3 years

None.

Special responsibilities

Member of audit and risk management committee.

Interests in shares and options

23,700,000 ordinary shares in Freedom Oil and Gas Ltd.

COMPANY SECRETARY

The Company secretary is Andrew James Crawford. Mr. Crawford has over 17 years' chartered and commercial accounting experience having commenced his career with KPMG in 2001. Mr. Crawford is a Chartered Accountant and Registered Tax Agent and holds a Bachelor of Commerce and Diploma of Financial Services. As Company Secretary, Mr. Crawford is considered an officer of the Company, but not a key management person.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 31 December 2017 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of non-executive directors		Meetings of audit risk management committee	
	A	B	A	B	A	B
J M Yeager	16	16	*	*	**	**
R B Clarke	16	16	-	-	3	3
N H Smith	16	15	-	-	3	3
L A Clarke	16	16	-	-	3	3
J C Camuglia	16	16	-	-	3	3

A = Number of meetings attended.

B = Number of meetings held during the time the director held office or was a member of the committee during the period.

* = Not a non-executive director

** = Not a member of the relevant committee.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

With the collapse in oil prices in the fourth quarter of 2014, the Company took significant measures to preserve cash. As shareholders had no growth in the Company's share price during that time of poor oil prices, the Board and management did not have any growth in remuneration, nor any awards for incentive compensation. In fact, the board and the Chief Executive Officer reduced their remuneration to reflect market conditions in 2016.

As the Company's Eagle Ford development matures, and the health of the balance sheet becomes stronger, management plans to bring to the Board and shareholders a new executive compensation program for consideration. This action is targeted for the 2018 annual general meeting.

The objective of Freedom's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The board ensures that executive reward satisfies the following key criteria:

- competitiveness and reasonableness for the current challenges
- acceptability to shareholders
- performance linkage
- transparency of actual accomplishments and achievement of objectives
- overall individual skills for the Company's objectives.

The Company feels it has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides recognition for contribution

The entire board is responsible for the review of remuneration policies and other terms of employment for executive directors, other senior executives and non-executive directors. Where necessary, the board obtains independent advice on the remuneration packages offered to potential employees.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. Non-executive directors abstain from any discussions regarding their own remuneration.

Aggregate remuneration to non-executive directors approved by the shareholders at the annual general meeting on 16 November 2012 is not to exceed A\$500,000 per annum unless further approval is obtained.

Until 31 March 2016, non-executive director base fees were A\$90,000 per annum, except for N H Smith. Mr. Smith received US\$100,000 annually. Non-executive directors do not receive incentive based remuneration. There are no provisions for any retirement benefits other than statutory requirements.

The board approved a reduction in fees for non-executive directors effective 1 April 2016 from A\$90,000 to A\$67,500 per annum. Mr. Smith's annual fee was reduced from US\$100,000 to US\$75,000 per annum on 1 April 2016.

Executive director

Mr. Yeager's fees as the Company's Executive Director and Chief Executive Officer for the year ended 31 December 2017 were set by the board of directors as an annual base salary of \$500,000 and additional compensation of \$300,000 per annum in lieu of formal retirement benefits. Mr. Yeager's total remuneration was reduced from \$1,800,000 to \$800,000 per annum, effective 1 May 2016. Mr. Yeager received no incentive or additional compensation in 2017.

Share trading policy

The trading of shares issued to participants through participation in share-based incentive compensation plans is subject to, and conditional upon, compliance with the Company's employee share trading policy as detailed in the

Company's Corporate Governance Charter. A copy of the Company's Corporate Governance Charter is available on the Company's website at www.freedomog.com.

Details of remuneration

Details of the remuneration of the directors and key management personnel of Freedom (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

The key management personnel of Freedom during the years ended 31 December 2017 and 31 December 2016 were the directors of Freedom Oil and Gas Ltd (see pages 5 to 6 above) and H K Selzer, Chief Financial Officer. Mr. Selzer left the company in March 2017, and has not yet been replaced as CFO.

Year ended 31 December 2017	Short-term employee benefits			Post-employment benefits	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Total
	\$	\$	\$	\$	\$
<i>Non-executive directors</i>					
R B Clarke	47,406	-	-	4,503	51,909
N H Smith	75,000	-	-	-	75,000
L A Clarke	47,406	-	-	4,503	51,909
J C Camuglia	47,406	-	-	4,503	51,909
Sub-total non-executive directors	217,218	-	-	13,509	230,727
<i>Executive directors</i>					
J M Yeager	800,000	-	157	-	800,157
<i>Other key management personnel</i>					
H K Selzer	161,231	-	18,732	-	179,963
Total key management personnel compensation	1,178,449	-	18,890	13,509	1,210,848

Year ended 31 December 2016	Short-term employee benefits			Post-employment benefits	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Total
	\$	\$	\$	\$	\$
<i>Non-executive directors</i>					
R B Clarke	49,667	-	-	4,718	54,385
N H Smith	83,333	-	-	-	83,333
L A Clarke	49,667	-	-	4,718	54,385
J C Camuglia	49,667	-	-	4,718	54,385
Sub-total non-executive directors	232,334	-	-	14,154	246,488
<i>Executive directors</i>					
J M Yeager	1,133,333	-	157	-	1,133,490
<i>Other key management personnel</i>					
H K Selzer	365,000	-	5,173	-	370,173
Total key management personnel compensation	1,730,667	-	5,330	14,154	1,750,151

The relative proportions of actual remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Non-executive directors of Freedom Oil and Gas Ltd						
R B Clarke	100%	100%	NA	NA	NA	NA
N H Smith	100%	100%	NA	NA	NA	NA
L A Clarke	100%	100%	NA	NA	NA	NA
J C Camuglia	100%	100%	NA	NA	NA	NA
Executive directors of Freedom Oil and Gas Ltd						
<i>Executive directors</i>						
J M Yeager	100%	100%	NA	NA	NA	NA
Other key management personnel of the Company						
H K Selzer	100%	100%	NA	39%	NA	NA

	FY 31 Dec 2017	FY 31 Dec 2016	FY 31 Dec 2015	6 Months 31 Dec 2014	FY 30 Jun 2014
Revenue from continuing operations	\$4.1 million	-	\$10.6 million	\$12.7 million	\$43.8 million
(Loss)/Profit before income tax	(\$11.4 million)	(\$46.1 million)	(\$39.2 million)	(\$21.1 million)	(\$29.6 million)
(Loss)/Profit after tax	(\$11.4 million)	(\$46.1 million)	(\$39.2 million)	(\$18.7 million)	(\$20.1 million)
(Loss)/Earnings per share	(1.4) cents	(7.8) cents	(7.2) cents	(3.5) cents	(4.2) cents
Share price 1 July	A\$0.085	A\$0.055	A\$0.105	A\$0.225	A\$0.360
Share price period end	A\$0.275	A\$0.084	A\$0.066	A\$0.160	A\$0.225

Service agreements, share-based sign on awards

Mr. Yeager's agreement of employment is renewed annually each October by the board of directors. The currently approved base salary is \$500,000 per annum and additional compensation of \$300,000 per annum in lieu of formal retirement benefits. Mr. Yeager's remuneration will be reviewed in October 2018.

Mr. Selzer's employment terms included an initial base salary of \$365,000 per annum. Mr. Selzer left the Company in March 2017. His gross pay in 2017 included a total of \$96,186 in severance and accrued vacation pay.

Equity instruments held by key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each director of Freedom Oil and Gas Ltd and other key management personnel of the Company, including their personally related parties, are set out below.

Year ended 31 December 2017	Balance at the start of the period	Net acquisitions and disposals during the period	Vested rights	Other changes during the period	Balance at the end of the period
Ordinary shares					
J M Yeager	28,920,935	-	-	-	28,920,935
R B Clarke	14,166,666	-	-	-	14,166,666
N H Smith	5,000,000	-	-	-	5,000,000
L A Clarke	25,440,000	-	-	-	25,440,000
J C Camuglia	23,700,000	-	-	-	23,700,000
H K Selzer	1,000,000	-	-	(1,000,000) ⁽¹⁾	-

(1) Balance of shares on final day of employment.

Year ended 31 December 2016	Balance at the start of the period	Net acquisitions and disposals during the period	Vested rights	Other changes during the period	Balance at the end of the period
Ordinary shares					
J M Yeager	25,000,000	3,920,935	-	-	28,920,935
R B Clarke	6,000,000	8,166,666	-	-	14,166,666
N H Smith	-	5,000,000	-	-	5,000,000
L A Clarke	20,514,357	4,925,643	-	-	25,440,000
J C Camuglia	13,484,936	10,215,064	-	-	23,700,000
H K Selzer	500,000	500,000	-	-	1,000,000

Related Party Transactions

A director, R B Clarke, is a shareholder of Morgans Financial Limited. R B Clarke's shareholding in Morgans Financial Limited is less than 1%. Morgans Financial Limited acted as lead manager and underwriter of the entity's institutional and sophisticated investor placement in December 2017 and was paid a fee of \$778,838 for these services. The contract for these services was based on normal commercial terms and conditions.

A director, L A Clarke, is the director of Lee Clarke & Co Pty Ltd. In July 2017 Lee Clarke & Co was paid a fee of \$190,200 in connection with provision of the A\$5 million debt facility. The contract for these services was based on normal commercial terms and conditions. In December 2017 Lee Clarke & Co Pty Ltd took a firm allocation of stock from the lead manager of the December 2017 capital raise. The agreement between the lead managers and Lee Clarke & Co Pty Ltd and the fees paid by the lead manager to Lee Clarke & Co Pty Ltd were based on normal commercial terms and conditions.

	Year Ended 31 Dec 2017 \$	Year Ended 31 Dec 2016 \$
Amounts recognised directly in equity		
Transaction costs arising on share issue	778,838	638,833
	778,838	638,833
Amounts recognised directly in short-term financing		
Transaction costs arising on short-term financing	190,200	-
	190,200	-
Amounts recognised as expense		
Travel expense	35,634	-
	35,634	-

End of remuneration report

SHARES UNDER OPTION

Date options granted	Vesting date	Expiry date	Exercise Price	Number under option
4 July 2017	4 July 2017	30 June 2019	A\$0.20	25,000,000

The Company granted options in connection with its issue of short-term financing in July 2017. All options were exercisable upon issue at A\$.20. The fair value of these options on grant date was calculated as A\$0.014 per option. The share price on issue date was A\$0.105.

SHARE WARRANTS

The Company issued warrants for its ordinary shares in connection with an issue of redeemable preferred stock in a 100% owned subsidiary. The warrants will be exercisable at the earlier of 18 March 2022 or when the Company is listed on a US exchange. The warrants include a put right allowing the holder to force redemption of the warrants by the Company if the Company's ordinary shares are not listed on a US exchange by 18 March 2022. The fair value of these warrants on grant date was calculated at A\$0.074 per warrant. The Company's share price on issue date was A\$0.10.

Date warrants granted	Vesting date	Expiry date	Exercise Price	Number of warrants
19 September 2017	18 March 2022	none	A\$0.001	46,777,734

SHARES ISSUED ON THE EXERCISE OF OPTIONS OR IN CONNECTION WITH PERFORMANCE RIGHTS

There were no exercises of options or warrants during the years ended 31 December 2017 or 31 December 2016.

LOANS TO DIRECTORS AND EXECUTIVES

There are no loans to directors or executives as at 31 December 2017 or 31 December 2016.

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium for a contract insuring the Directors and Officers of the Company against liability incurred as such a Director or Officer, other than conduct involving wilful breach of duty in relation to the Company, to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

PROCEEDINGS ON BEHALF OF FREEDOM

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporation's Act 2001.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with Freedom are important.

During the year ended 31 December 2017, no amounts were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

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 14.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, reading "J Michael Yeager". The signature is written in a cursive, flowing style.

J M Yeager
Chief Executive Officer and Executive Chairman

Houston, Texas
28 February 2018



Auditor's Independence Declaration

As lead auditor for the audit of Freedom Oil and Gas Ltd for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Freedom Oil and Gas Ltd and the entities it controlled during the period.

A handwritten signature in black ink that reads 'C. Mara' with a stylized flourish at the end.

Caroline Mara
Partner
PricewaterhouseCoopers

Newcastle
28 February 2018

CORPORATE GOVERNANCE STATEMENT

The 2017 corporate governance statement is dated as at 31 December 2017 and reflects the corporate governance practices in place throughout the year ended 31 December 2017. The corporate governance statement has been approved by the Board.

SCOPE OF RESPONSIBILITY OF THE BOARD

Responsibility for Company's proper corporate governance rests with the board. The board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of shareholders (with a view to building sustainable value for them), employees and other stakeholders.

The board's broad function is to:

- (a) chart strategy and set financial targets for the Company;
- (b) monitor the implementation and execution of strategy and performance against financial targets; and
- (c) appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the board – consistent with its function as outlined above. These areas include:

- (a) the composition of the board including appointment and retirement or removal of directors;
- (b) oversight of the Company including its control and accountability systems;
- (c) where appropriate, ratifying the appointment and the removal of senior executives;
- (d) reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- (e) monitoring the implementation of strategy by senior executives, and ensuring appropriate resources are available;
- (f) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales;
- (g) approving and monitoring financial and other reporting;
- (h) performance of investment and treasury functions;
- (i) monitoring industry developments relevant to the Company and its business;
- (j) developing suitable key indicators of financial performance for the Company and its business;
- (k) having input in and granting final approval of corporate strategy and performance objectives developed by management;
- (l) the overall corporate governance of the Company including its strategic direction and goals for management and monitoring the achievement of these goals; and
- (m) oversight of committees.

COMPOSITION OF THE BOARD

The board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- (a) The Chairman is responsible for leadership of the board and for the efficient organisation and conduct of the board.
- (b) The Chairman should facilitate the effective contribution by all directors and promote constructive and respectful relations between directors and between the board and the senior executives.
- (c) The board must comprise:
 - (i) members with a broad range of experience, expertise, skills and contacts relevant to Freedom and its business;
 - (ii) no less than three directors; and
 - (iii) no more than ten directors.

CORPORATE GOVERNANCE CHARTER

The Corporate Governance Charter outlines the practices to which the board and each director are committed. The charter outlines board duties, standing rules and expected behaviour. The Company's Corporate Governance Charter has been formally adopted and can be inspected on its website at www.freedomog.com.

The board has adopted a charter (which will be reviewed and amended from time to time as the board considers appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

- (a) a detailed definition of 'independence';
- (b) a framework for the identification of candidates for appointment to the board and their selection;
- (c) a framework for individual performance review and evaluation;
- (d) proper training to be made available to directors both at the time of their appointment and on an on-going basis;
- (e) basic procedures for meetings of the board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive directors;
- (f) ethical standards and values – formalised in a detailed code of ethics and values;
- (g) dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by directors and senior management and their associates; and
- (h) communications with shareholders and the market.

These initiatives, together with other matters provided for in the board's charter, are designed to institutionalise good corporate governance and, generally, to build a culture of best practice in the Company's own internal practices. The Company is committed to achieving and maintaining high standards of conduct and has undertaken various initiatives designed to achieve this objective.

The following are tangible demonstrations of the Company's corporate governance commitment.

INDEPENDENT PROFESSIONAL ADVICE

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. Any costs incurred are borne by Freedom.

CODE OF ETHICS AND VALUES

Included in the Corporate Governance Charter is a section providing a detailed code of ethics and values to guide directors in the performance of their duties.

CODE OF CONDUCT FOR TRANSACTIONS IN SECURITIES OF FREEDOM

Included in the Corporate Governance Charter is a section providing a code of conduct for transactions in securities of the Company to regulate dealings in securities by directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

STANDING RULES FOR COMMITTEE

To ensure the committees formed by the board have guidelines upon which to operate, standard rules have been adopted by the board, which can be summarised as follows:

- (a) their role is to improve the efficiency of the board through delegation of tasks;
- (b) they must report to the board following each committee meeting; and
- (c) the review and evaluation of each committee is conducted against the board charter as well as any criteria determined by the Chairman.

AUDIT AND RISK MANAGEMENT COMMITTEE

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. Its current members are:

- (a) Roger Brian Clarke;
- (b) Lee Anthony Clarke;
- (c) Joseph Charles Camuglia; and
- (d) Nigel Henry Smith.

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports

to the board following each meeting. Other matters for which the committee is responsible are the following:

- (a) putting in place appropriate board and committee structure to facilitate a proper review function by the board;
- (b) monitoring the establishment, operation, and improvement of an appropriate system of internal controls, including information systems;
- (c) assessing corporate risk and ensuring compliance with internal controls;
- (d) overseeing business continuity planning and risk mitigation arrangements;
- (e) reviewing reports on any material misappropriation, frauds and thefts from the Company;
- (f) reviewing reports on the adequacy of insurance coverage;
- (g) monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Company's secretary in relation to those requirements;
- (h) reviewing material transactions which are not a normal part of the Company's business;
- (i) reviewing the nomination, performance and independence of the external auditors, including recommendations to the board for the appointment or removal of any external auditor;
- (j) liaising with the external auditor and ensuring that the annual audit is adequate for shareholder needs and is conducted in an effective manner that is consistent with Audit and Risk Management Committee members' information and knowledge;
- (k) reviewing management processes supporting external reporting;
- (l) reviewing financial statements and other financial information distributed externally;
- (m) preparing and recommending for approval by the board the corporate governance statement for inclusion in the annual report or any other public document;
- (n) reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and
- (o) reviewing and monitoring compliance with the code of conduct.

Meetings will be held at least three times each year. A broad agenda will be laid down for each regular meeting according to an annual cycle. The committee will invite the external auditor to attend each of its meetings.

COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPALS AND RECOMMENDATIONS

Principle 1: Lay solid foundations for management and oversight

The role of the board and delegation to management have been formalised in the Company's board charter. The charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed Company.

The Company has reviewed the performance of senior executives during the reporting period as discussed in the directors' and remuneration report on pages 8 to 11.

The Company does not have a formal diversity policy due to its size. However, the Company's workforce is currently made up of individuals with diverse skills, values, backgrounds and experiences. Freedom values this diversity and recognises the organisational strength, deeper problem solving ability and opportunity for innovation that it brings. In order to attract and retain a diverse workforce, Freedom is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available at work. Specifically, diversity at Freedom refers to all characteristics that make individuals different from each other, including religion, race, ethnicity, language, gender, sexual orientation, disability and age. Diversity at Freedom is about committing to equality and treating all individuals with respect. The board will be responsible for assessing Freedom's gender diversity objectives and Freedom's achievement of those objectives on an annual basis.

At 31 December 2017, the Company employed four women, which equates to approximately 36% of the Company's employed workforce. Two women are senior executives; there are no women on the board. At 31 December 2016 four women were employed, one in a senior executive position and there were no women on the board.

The Company does not fully comply with guideline 1.6, which recommends periodic review of non-executive directors' performance, due to having undergone considerable change during the past 24 months. Informal performance reviews have been held.

Principle 2: Structure the board to add value

The Company has a five member board comprising four non-executive directors and one executive director. Together, the directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business. The names, qualifications, experience, years of service and details of attendance at board and committee meetings for each director are set out in the directors' report on pages 5 to 7. The Board has undertaken a review of the mix of skills and experience of members on the Board in light of the Company's principal activities and direction and considers the current mix is sufficient to meet the requirements of the Company.

Recommendations 2.4 and 2.5 of the Guidelines say that the majority of the board should be independent directors and that the Company's chairman should be independent. Recommendation 2.1 recommends that the board should establish a nomination committee. Recommendation 2.2 recommends that the board should disclose a skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

R B Clarke, L A Clarke, J C Camuglia, and N H Smith are the independent, non-executive directors on the board. Accordingly, the board complies with recommendation 2.4 as a majority of the board are independent.

At 31 December 2017 R B Clarke had a relevant interest in 1.56% of the issued capital of the Company. Notwithstanding that interest, the board considers that R B Clarke remains independent. The board will regularly assess each Director's independence.

At 31 December 2017 L A Clarke had a relevant interest in 2.80% of the issued capital of the Company through his holding of ordinary shares. Notwithstanding that interest, the board considers that L A Clarke remains independent. The board will regularly assess each Director's independence.

At 31 December 2017 J C Camuglia had a relevant interest in 2.61% of the issued capital of the Company. Notwithstanding that interest, the board considers that J C Camuglia remains independent. The board will regularly assess each Director's independence.

At 31 December 2017 N H Smith had a relevant interest in 0.55% of the issued capital of the Company. Notwithstanding that interest, the board considers that N H Smith remains independent. The board will regularly assess each Director's independence.

J M Yeager the Executive Chairman, is not independent and accordingly, the board will not comply with recommendation 2.2. In situations where it would be inappropriate for J M Yeager to act as Chairman of the board, R B Clarke will act as Chairman. The board will determine when such situations arise.

The board does not comply with the Guidelines of recommendation 2.1 because the board believes that a nomination committee is not warranted given the Company's size and the nature of its operations. In effect, the full board acts as the nomination committee.

The Company does not comply with Recommendation 2.6, which recommends a professional development plan for the members of the board of directors. Members are expected to provide for their professional development individually.

The Company does not comply with Recommendation 2.2 as it has not disclosed a skills matrix. The Board considers the current mix of directors is sufficient to meet the requirements of the Company.

Principle 3: Promote ethical and responsible decision making

Freedom has a board charter which is incorporated into the corporate governance charter. It includes a detailed code of ethics and values and a detailed code of conduct for transactions in securities of the Company.

Freedom has separately adopted a detailed Code of Conduct that all employees and directors must follow as a condition of employment. The Freedom Code of Conduct can be inspected on its website at www.freedomog.com.

The purpose of these codes is to guide directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities. Both codes have been designed to encourage the highest ethical and professional standards as well as compliance with legal obligations and the Guidelines.

Principle 4: Safeguard integrity in financial reporting

The Audit and Risk Management Committee has been established with its own charter and its current members are R B Clarke, L A Clarke, J C Camuglia and N H Smith. As all members are independent and there is an independent chair, the Audit and Risk Management Committee complies with recommendation 4.2 of the Guidelines. The CEO has provided declarations recommended under principle 4. The Company does not have a CFO at the present time and as such a declaration from the CFO is not applicable. The Company's external auditor attended its May 2017 AGM and was available to answer questions from security holders relevant to the audit.

Principles 5: Make timely and balanced disclosure

The Company's current practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with ASX Listing Rule disclosure requirements are included in the Company's corporate governance charter.

Principles 6: Respect the rights of shareholders

The board communicates with shareholders regularly and clearly by electronic means as well as by traditional methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditor (PricewaterhouseCoopers) will attend the annual general meeting and will be available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

Principle 7: Recognise and manage risk

The Company does not have an internal audit function. However, the board, together with management, has established processes to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. The issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will be kept under regular review.

The board has received a declaration from the Executive Chairman in accordance with section 295A Corporations Act 2001 (Cth) and have received assurance from the Executive Chairman that the declaration is founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to the financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The board does not comply with best practice recommendation 8.1, because given the Company's size and the nature of its operations, the board believes that a remuneration committee is not warranted.

The remuneration of the Company's executive directors will be reviewed by the non-executive directors on an annual basis. The board will take into consideration Freedom's strategic change and the consequences of Freedom's performance on shareholder wealth.

However, in practice all directors approve all changes in senior management remuneration, and are made aware of all staff remuneration actions.

Remuneration of directors and executives is fully disclosed in the Company's annual report.

OPERATING AND FINANCIAL REVIEW

The directors present their report on the consolidated entity (referred to hereafter as “Freedom,” or “the Company”) consisting of Freedom Oil and Gas Ltd and the entities it controlled at the end of, or during, the year ended 31 December 2017.

The consolidated financial statements comprise the financial statements of Freedom Oil and Gas Ltd and its subsidiaries as at 31 December 2017 and for the fiscal year then ended. The comparative period is for the year ended 31 December 2016.

During the second half of 2016, the Company sold all of its producing oil and gas properties and all of its drilling and related equipment. These sales represent an exit from the Blue Ridge field. All revenues and expenses from these activities, including any income tax effect, are reported as a net “Gain (Loss) from discontinued operations” in the accompanying financial statements, for both 2017 and 2016.

Loss from continuing operations

Freedom reported a consolidated loss from continuing operations after income tax for the year ended 31 December 2017 of \$11.4 million (2016: loss before tax of \$9.4 million). The net loss in each year is primarily attributable to general and administrative expenses and, in 2017, finance costs. The increased loss in 2017 as compared to 2016 is primarily due to \$4.7 million in non-cash costs related to the revaluation of certain warrants for fully paid ordinary shares issued with new long-term financing (see below). Finance costs also increased \$1.4 million in 2017 for interest expense and amortisation of deferred financing costs related to new borrowings. These increased expenses were offset by a \$2.2 million increase in operating earnings, a \$1.1 decrease in general and administrative expenses, and a \$0.7 decrease in transaction costs for deals that were not pursued.

In September 2017 Freedom Eagle Ford issued 10,000 shares of mandatorily redeemable preferred stock. The lender also received 46,777,734 warrants for Company ordinary shares at an exercise price of \$0.001 each. The fair value of the warrants at closing was calculated at \$2.8 million.

For the period 19 September 2017 until 29 December 2017, the warrants met the definition of a derivative liability under Australian Accounting Standards. For this period, a mark to market adjustment of \$4.7 million was expensed. This non-cash expense is included in the balance of Other gains/(losses) – net on the Consolidated income statement. Agreement was reached with the warrant holder on 29 December 2017 that the warrant terms be varied to have the warrants meet the definition of an equity instrument from 29 December 2017 onward, subject to the required approvals being obtained.

For further information on debt and equity, see notes 14, 18, and 20 in the attached financial statements.

Loss from discontinued operations

Freedom reported a consolidated gain from discontinued operations for the year ended 31 December 2017 of \$0.1 million (2016: loss of \$36.7 million). The decrease in loss reflects the sale of the Blue Ridge field effective 1 November 2016. In 2016, revenues from Blue Ridge were \$4.4 million and losses included \$33.1 million in non-cash impairment of oil and gas properties and other assets, \$3.6 million in depreciation, depletion and amortisation, \$1.1 million non-cash loss on sale of assets, and \$2.5 million in lease operating expense.

Financial position

Freedom’s working capital position at 31 December 2017 has increased \$4.9 million since 31 December 2016, with current assets totalling \$27.9 million (31 December 2016: \$18.9 million) consisting of cash of \$26.0 (31 December 2016: \$18.5 million), receivables and other current assets of \$1.9 million (31 December 2016: \$0.4 million.) Current liabilities at 31 December 2017 totalled \$5.6 (31 December 2016: \$1.5 million).

Current borrowings increased to \$3.8 million (31 December 2016: nil). This represents short-term financing repaid 5 February 2018.

Non-current borrowings increased to \$7.0 million (31 December 2016: nil). This represents mandatorily redeemable preferred stock due 18 March 2022, issued by a subsidiary of the Company.

During the period, Freedom’s oil and gas asset balance increased by \$15.2 million to \$24.2 million (2016 balance: \$9.0 million). This increase reflects the drilling and completion of the first two wells in the Eagle Ford shale play, as well as additional investments in leasehold acreage.

Shares on issue

Freedom Oil and Gas Ltd had 907,500,115 shares on issue at 31 December 2017 (31 December 2016: 795,000,115). Shares issued during the year ended 31 December 2017 totalled 112,500,000 in new shares issued in December 2017. Shares issued during the year ended 31 December 2016 totalled 250,000,000 new shares.

Lease holdings

The Company has increased its acreage in the Eagle Ford Shale from approximately 8,000 acres at 31 December

2016 to approximately 9,400 acres at 31 December 2017, an increase of 1,400 acres.

All of Freedom's lease holdings in the Blue Ridge field were sold effective 1 November 2016.

Reserves

The most recent reported reserves, as prepared by Netherland, Sewell & Associates, Inc. in accordance with the Society of Petroleum Engineers Petroleum Resource Management System (SPE-PRMS) 2007 are summarised by classification and product below:

	31 December 2017		
	Oil MMBBL	Natural Gas Liquids MMBBL	Natural Gas BCF
Proved developed	0.4	0.3	1.9
Proved undeveloped	7.1	2.8	15.5
Total 1P	7.4	3.1	17.4
Total probable undeveloped	9.6	6.1	34.0
Total proved and probable (2P)	17.0	9.2	51.4

Proved 1P + Probable 2P reserve movement

	Oil MMBBL	Natural Gas Liquids MMBBL	Natural Gas BCF
Balance at 31 December 2016	5.7	2.8	17.1
Net production for the year ended 31 Dec 2017	(0.1)	-	(0.1)
Additions due to leasing activity	0.9	0.5	2.8
Revision	10.6	5.9	31.6
Balance at 31 December 2017	17.1	9.2	51.4

Totals may not match due to rounding

All reserves are located in the United States. "MMBBL" stands for millions of barrels. "BCF" stands for billions of cubic feet.

Reserve additions due to the 2017 leasing activity increased proved and probable reserves by 0.9 MMBBL of oil, 0.5 MMBBL of natural gas liquids, and 2.8 BCF of natural gas. Freedom's leased acreage increased from 8,000 net acres to 9,400 net acres during the year. Additional data from the performance of the two completed Eagle Ford horizontal wells resulted in an increase in the number of undeveloped locations from 38 proved locations in 2016 to 55 proved and 27 probable locations in 2017, resulting in increased proved plus probable reserves of 10.6 MMBBL of oil, 5.9 MMBBL of natural gas liquids, and 31.6 BCF of natural gas. For all 55 proved undeveloped locations, a portion of their reserves were assigned to the probable category.

Reserve estimates for developed and undeveloped locations were based primarily on production data from the immediate offset area to Freedom's acreage and the two new producing wells.

No material concentrations of proved undeveloped reserves have remained undeveloped for more than five years from the date they were initially reported.

Freedom's reserve reports are prepared by Netherland Sewell & Associates, Inc. ("NSAI"), a worldwide leader of petroleum property analysis for industry and financial organizations and government agencies. Further information about NSAI can be found on page 22 of this report. NSAI relies on both externally sourced information and data provided by Company personnel to estimate reserve quantities. The Company has in place various review controls to assure the accuracy and completeness of data provided to NSAI. Company personnel calculate a mid-year reserve estimate in addition to the year-end estimate provided by NSAI and compare each new reserve estimate to previous reports for consistency and material changes. No employee's compensation is tied to the amount of reserves booked.

Production

Freedom's net production is presented below. All production is from the Eagle Ford acreage and is from the fourth quarter of 2017.

	31 December 2017			
	Oil	Natural Gas Liquids	Natural Gas	MBOE
	MBBL	MBBL	MMCF	
Volume	64.2	75.0	13.5	90.1
Average price	\$56.09	\$2.74	\$22.50	\$45.58

Drilling and development

Freedom drilled and completed two successful wells in the Eagle Ford acreage in 2017, the Wilson B1 and the Wilson B2. Field facilities such as storage tanks and gathering lines were built and sales commenced in October 2017. A total of \$16.5 million was added to oil and gas properties, including \$1.5 million for new mineral leases in the immediate area of the Eagle Ford acreage.

Employees

Freedom employed 11 people at 31 December 2017, no change from the number employed at 31 December 2016. Staff are concentrated in drilling and development and land services.

Strategy and Outlook

During the year ended 31 December 2017 Freedom moved forward with initial drilling and development of its Eagle Ford acreage. Sales from the first two wells commenced in the fourth quarter of the year.

The Company strengthened its cash position with new short-term and long-term financings providing \$12.5 million in net proceeds after cash costs. Freedom also received \$16.1 million (net of costs) from the issue of 112,500,000 fully paid ordinary shares. Together with the commencement of cash flows from the two new wells, these funds can be deployed in further development of the Eagle Ford acreage in 2018.

COMPETENT PERSON STATEMENT

The evaluation of reserves referred to in the operating and financial review are based on, and fairly represent, information and supporting documentation prepared by Richard B Talley, Jr., a qualified petroleum reserves and resources evaluator. Mr Talley is a Senior Vice President at Netherland, Sewell & Associates, Inc. ("NSAI"), a worldwide leader of petroleum property analysis for industry and financial organizations and government agencies. NSAI was founded in 1961 and performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. Mr Talley is a registered professional engineer licensed in the State of Texas, Registration No. 102425 and is a qualified petroleum reserves and resources evaluator. The reserves estimates are consistent with the definitions of proved reserves defined in the ASX Listing Rules. Compensation for the required investigations and preparation of third party reserve reports are not contingent upon the results obtained and reported, and the third party reserve engineers have not performed other work for us that would affect their objectivity. NSAI has consented to the use of the reserves figures in this report in the form and context in which they appear.

Freedom Oil and Gas Ltd ABN 48 128 429 158

Annual financial report – 31 December 2017

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These financial statements cover the consolidated entity consisting of Freedom Oil and Gas Ltd and its subsidiaries. The financial statements are presented in US dollars.

Freedom Oil and Gas Ltd is a company limited by its shares, incorporated and domiciled in Australia. Its registered office and principal place of business in Australia is:

Suite 2
24 Bolton Street
Newcastle NSW 2300

Its principal office in the United States is:

5151 San Felipe, Suite 800
Houston Texas 77056

A description of the nature of the consolidated entity's operations and its principal activities is included in the operating and financial review on pages 20 to 22 and in the directors' report on pages 4 to 13, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 28 February 2018. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, Freedom has insured that its corporate reporting is timely and complete. All press releases, financial reports and other information are available on the Freedom website at www.freedomog.com.

Freedom Oil and Gas Ltd
Consolidated income statement
For the year ended 31 December 2017

	Notes	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Revenue from continuing operations	5	4,109	-
Cost of sales	6	<u>(1,909)</u>	-
Gross profit		2,200	-
Other income	5	8	10
General and administrative expense	4	(6,888)	(7,945)
Depreciation and amortization expense		(681)	(654)
Transaction expense	4	(122)	(783)
Other gains / (losses) - net	4, 20	(4,705)	(20)
Finance costs	4	<u>(1,475)</u>	(41)
Loss before income tax		(11,663)	(9,433)
Income tax (expense) benefit	7	<u>75</u>	-
Loss from continuing operations		(11,588)	(9,433)
Gain (Loss) from discontinued operation (attributable to equity holders of the Company)	3	142	(36,742)
Loss for the year		<u>(11,446)</u>	<u>(46,175)</u>
Loss is attributable to:			
Owners of Freedom Oil and Gas Ltd		(11,446)	(46,175)
Non-controlling interests		<u>-</u>	<u>-</u>
		(11,446)	(46,175)
		<u>Cents</u>	<u>Cents</u>
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share	30	(1.4)	(1.6)
Diluted loss per share	30	(1.4)	(1.6)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share	30	(1.4)	(7.8)
Diluted loss per share	30	(1.4)	(7.8)

The above income statement should be read in conjunction with the accompanying notes.

Freedom Oil and Gas Ltd
Consolidated statement of comprehensive income
For the year ended 31 December 2017

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Loss for the year	(11,446)	(46,175)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(11,446)	(46,175)
Total comprehensive loss for the year is attributable to:		
Owners of Freedom Oil and Gas Ltd	(11,446)	(46,175)
Non-controlling interests	-	-
	(11,446)	(46,175)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Freedom Oil and Gas Ltd
Consolidated balance sheet
As at 31 December 2017

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	25,971	18,454
Trade and other receivables	9	1,903	389
Inventory		3	-
Total current assets		27,877	18,843
Non-current assets			
Other non-current assets		-	152
Oil and gas assets	11	24,218	8,992
Property, plant and equipment	10	137	392
Intangible assets		103	360
Deferred tax assets	12	79	-
Total non-current assets		24,537	9,896
Total assets		52,414	28,739
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,875	1,511
Borrowings	14	3,778	21
Total current liabilities		5,653	1,532
Non-current liabilities			
Borrowings	14	6,966	-
Restoration provision	16	327	-
Other non-current liabilities		-	168
Total non-current liabilities		7,293	168
Total liabilities		12,946	1,700
Net assets		39,468	27,039
EQUITY			
Contributed equity	18	159,146	143,035
Other equity reserves	20	7,764	-
Retained earnings	19	(127,442)	(115,996)
Capital and reserves attributable to owners of Freedom Oil and Gas Ltd		39,468	27,039
Non-controlling interests		-	-
Total equity		39,468	27,039

The above balance sheet should be read in conjunction with the accompanying notes.

Freedom Oil and Gas Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2017

	Attributable to the owners of Freedom Oil and Gas Ltd					
	Notes	Contribut- ed equity \$'000	Other equity reserves \$'000	Retained earnings \$'000	Total \$'000	Total equity \$'000
Balance, 31 December 2015		132,190	-	(69,821)	62,369	62,369
Total comprehensive loss for the year ended 31 December 2016		-	-	(46,175)	(46,175)	(46,175)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	18	10,845	-	-	10,845	10,845
Balance, 31 December 2016		143,035	-	(115,996)	27,039	27,039
Total comprehensive loss for the year ended 31 December 2017		-	-	(11,446)	(11,446)	(11,446)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	18	16,111	-	-	16,111	16,111
Options issued	20	-	266	-	266	266
Warrants issued	20	-	7,498	-	7,498	7,498
Balance, 31 December 2017		159,146	7,764	(127,442)	39,468	39,468

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Freedom Oil and Gas Ltd
Consolidated statement of cash flows
For the year ended 31 December 2017

	Notes	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		3,826	4,874
Payments to suppliers and employees (inclusive of goods and services tax)		(8,839)	(11,326)
Transaction costs related to the sale of Blue Ridge		-	(268)
		<u>(5,013)</u>	<u>(6,720)</u>
Taxes other than income		(141)	-
Interest paid		(136)	(41)
Income taxes paid		-	-
Net cash (outflow) from operating activities	28	<u>(5,290)</u>	<u>(6,761)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(174)	(10)
Payments for oil and gas assets		(16,147)	(8,485)
Proceeds from the sale of Blue Ridge field and related equipment	3	-	9,280
Proceeds from the sale of property, plant and equipment		77	87
Proceeds from the sale of assets held for sale		-	113
Interest received		8	5
Net cash (outflow) inflow from investing activities		<u>(16,236)</u>	<u>990</u>
Cash flows from financing activities			
Proceeds from issues of shares		16,922	11,572
Proceeds from borrowings		13,804	228
Share issue transaction costs		(779)	(727)
Debt issue costs		(988)	-
Repayment of borrowings		(21)	(286)
Net cash inflow from financing activities		<u>28,938</u>	<u>10,787</u>
Net increase in cash and cash equivalents		7,412	5,016
Cash and cash equivalents at the beginning of the financial year		18,454	13,436
Effects of exchange rate on cash and cash equivalents		105	2
Cash and cash equivalents at end of year	8	<u>25,971</u>	<u>18,454</u>
Net cash inflow from discontinued operations	3		

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Freedom Oil and Gas Ltd is a for-profit listed public company. The financial statements are for the consolidated entity consisting of Freedom Oil and Gas Ltd and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS

The consolidated financial statements of Freedom Oil and Gas Ltd and its subsidiaries also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the year beginning 1 January 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of standards

The Company has not elected to apply other pronouncements before their operative date in the year beginning 1 January 2017.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Freedom Oil and Gas Ltd ("Company" or "parent entity") as at 31 December 2017 and the results of all subsidiaries for the year then ended. Freedom Oil and Gas Ltd and its subsidiaries together are referred to in this financial report as the Company, the consolidated entity or Freedom.

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Company.

Intercompany transactions, balances and unrealised gains on transactions between Company subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive income and balance sheets respectively.

(ii) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of joint venture operations are incorporated in the financial statements under the appropriate headings.

(b) Principles of consolidation (continued)

(iii) Changes in ownership interests

The Company treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Freedom Oil and Gas Ltd.

When the Company ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Freedom Oil and Gas Ltd board of directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is Freedom Oil and Gas Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(d) Foreign currency translation (continued)

(iii) Company subsidiaries

The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of oil

Revenue from the sale of oil is recognised when the significant risks and rewards of ownership have transferred to the buyer and can be measured reliably. These significant risks and rewards are considered transferred when the crude buyer collects the oil from the field. Production tax paid to state jurisdictions is recorded as a cost of sale.

(ii) Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(f) Income tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowance

Companies within the consolidated entity may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Company accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(ii) Tax consolidation registration

Freedom Oil and Gas, Inc. is the head entity for United States tax consolidation purposes. The United States entities included in this tax consolidated group are all the subsidiaries of Freedom Oil and Gas, Inc.

(g) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are measured at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

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 operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Inventories

Crude oil

Crude oil inventories are stated at the lower of cost and net realisable value.

(l) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Company may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

(I) Investments and other financial assets (continued)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Company's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can

(l) Investments and other financial assets (continued)

be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of buildings, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the economic entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated using the straight line method over their useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates are as follows:

Asset	Useful life
- Motor vehicles	5 years
- Furniture, fittings and office equipment	3-7 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Assets classified as held for sale assets are initially recognised at fair market value. Subsequent to initial recognition, these assets are measured at fair market value and changes therein are recognized as impairment losses.

(n) Exploration and evaluation assets

Exploration and evaluation expenditures are accounted for under the successful efforts method. Costs are expensed where the well does not result in the successful discovery of potentially economically recoverable hydrocarbons. For exploration wells, costs directly associated with the drilling of wells are initially capitalised pending evaluation of whether potentially economic reserves of hydrocarbons have been discovered.

All other exploration and evaluation expenditures including directly attributable general administration costs, geological and geophysical costs and new venture activity expenditures are charged as expenses in the income statement as incurred, except where:

- (i) The expenditure relates to an exploration discovery that:
 - (A) at balance sheet date, an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or where
 - (B) a decision on additional major capital expenditure is pending; or
 - (C) additional exploration wells or appraisal work is underway or planned; or
- (ii) The expenditure relates to a discovery well and it is expected that the expenditure will be recouped by future exploitation or sale.

When an oil or gas field has been approved for development, the accumulated exploration and evaluation costs are transferred to 'Oil and gas assets'.

(o) Oil and gas assets

(i) Assets in development

The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When the committed development expenditure programs are completed and production commences, these costs are transferred to 'Oil and gas assets'.

(o) Oil and gas assets (continued)

(ii) Producing assets

The costs of oil and gas assets in production are separately accounted for and include past exploration and evaluation costs, past development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to amortisation.

When an oil and gas lease is relinquished, the carrying value of the relinquished component of this acreage is written off.

(iii) Amortisation of oil and gas assets

Costs of producing assets are amortised on a units of production basis, applied at the field level. Costs of producing assets, along with any future expenditure necessary to develop the assumed reserves, are amortised over the remaining estimated units of the fields. The remaining estimated units of the fields are based on the Company's estimated proved reserves at the balance sheet date.

No depletion is charged during the exploration and evaluation phase or while assets are still in development and sales have not commenced.

(iv) Restoration costs

Site restoration costs are capitalised within the cost of the associated assets and the provision is stated in the balance sheet at total estimated present value. These costs are estimated and based on judgements and assumptions regarding removal dates, future environmental legislation and technologies. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The costs of restoration are brought to account in the profit and loss through depreciation of the associated assets over the economic life of the projects with which these costs are associated. The unwinding of the discount is recorded as an accretion charge within finance costs.

(v) Reserves

The estimated reserves are management assessments and take into consideration assumptions regarding commodity prices, exchange rates, discount rates, future production and transportation costs, and interpretations of geological and geophysical models to make assessments of the quality of reservoirs and their anticipated recoveries.

The 31 December 2017 evaluation of reserves referred to in the operating and financial review was undertaken by Netherland, Sewell & Associates, Inc. ("NSAI"), a worldwide leader of petroleum property analysis for industry and financial organizations and government agencies. NSAI was founded in 1961 and performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. NSAI's technical principals meet or exceed the education, training, and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers; both are proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying United States Security and Exchange and other industry reserves definitions and guidelines. NSAI's technical principals are qualified persons as defined in ASX Listing Rule 5.22. The reserves estimates are consistent with the definitions of Proved and Probable hydrocarbon reserves defined in the Australian Stock Exchange (ASX) Listing Rules. Compensation for the required investigations and preparation of third party reserve reports are not contingent upon the results obtained and reported, and the third party reserve engineers have not performed other work for us that would affect their objectivity.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

Borrowings are removed from the balance sheets when the obligation specified in the contract is discharged, cancelled or

(q) Borrowings (continued)

expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are asset that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they occur.

(s) Provisions

Provisions for legal claims, service warranties and make-good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Any liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made for services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Employment relationships

For the year ended 31 December 2017, the Company does not have any liabilities for accumulating sick leave or long service leave in respect of any of its employees. The Australian parent entity directors and Company secretary do not accrue any such benefits for their roles. All United States employees are employed under the laws of Texas. Under these laws the Company does not have any long service leave pension or health care obligations in relation to any of its Texas employees. For the years ended 31 December 2017 and 2016, the Company has a liability for annual leave and this liability accrues according to individual employment agreements or Company policy.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the reporting period.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year (note 32).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

In periods of loss, diluted loss per share is typically the same as basic loss per share as the effects of potential ordinary shares outstanding would be anti-dilutive.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheets.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(y) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. The Company does not expect any impact from the new classification, measurement and derecognition rule on the Company's financial assets and liabilities. The Company has no debt instruments classified as held-for-sale, nor any financial liabilities designated at fair value through profit or loss; those provisions of AASB 9 are not expected to significantly impact the Company when adopted. Hedge accounting, if the Company undertakes hedging activities in the future, will be based on AASB's more principles-based approach to determining those transactions properly accounted for as hedges. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses on trade receivables and other financial assets carried at amortized cost. The Company does not expect adoption of the standard to materially impact recognition of such credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosure about its financial instruments, particularly in the year of the adoption of the new standard. The Company will adopt AASB 9 as of 1 January 2018.

(ii) AASB 15 Revenue from contracts with customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 – Mandatory Effective Date of AASB 15 and Transition Disclosures (effective from 1 January 2018).

AASB 15 addresses the principal of revenue recognition. The standard will replace AASB 118 which covers revenue

(z) New accounting standards and interpretations (continued)

arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for adoption.

The Company will adopt AASB 15 as of 1 January 2018. The Company's revenues are recognized when oil, natural gas, and natural gas liquids are sold to a third party, at the lease line for oil and at the tailgate of the processing plant for gas and natural gas liquids. The Company does not expect adoption of the standard to have a material impact on results of operations or financial position.

(iii) AASB 16 – Leases—in January 2016, the IASB issued IFRS 16 Leases, replacing the existing IAS 17 (effective from 1 January 2019). The standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the Company's operating leases. Mineral leases are exempt. As at 31 December 2017, the Company has one significant non-cancellable operating lease commitment of \$0.6 million for its main office (see note 23), continuing only through February 2019. Conversion of that commitment to a financial liability in accordance with IFRS 16 would not have a material impact on results of operations or financial position. The Company does not intend to adopt AASB 16 early.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(aa) Parent entity financial information

The financial information for the parent entity, Freedom Oil and Gas Ltd, disclosed in note 29, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Freedom Oil and Gas Ltd.

2 Critical accounting estimates and judgements

(a) Significant estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Freedom makes estimates and assumptions 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 amounts of assets and liabilities within the next financial year are discussed below.

(i) Assumptions regarding liquidity

For the year ended 31 December 2017, the Company recorded a loss after tax of \$11.4 million (2016: loss of \$46.2 million) and a net increase in cash of \$7.5 million (2016: increase of \$5 million). As at 31 December 2017, the Company had net current assets of \$22.2 million (2016: \$17.3 million).

Freedom's focus is on developing oil and gas in the Eagle Ford field in 2018.

The Company expects to have available the necessary cash to fund its operational plans for the next 12 -18 months, taking into account the following:

- cash balance of \$26.0 million at 31 December 2017;
- repayment of short-term financing of A\$5 million occurred in February 2018;
- cash flow from two producing wells commenced in the fourth quarter of 2017 and from four additional wells for which drilling commenced in the first quarter of 2018.

(ii) Estimates of reserve quantities

The estimated quantities of hydrocarbon reserves reported by Freedom are integral to the calculation of depletion and depreciation expense and to assessments of impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared in accordance with Freedom's policies and procedures for reserves estimation which conform to guidelines prepared by the Society of Petroleum Engineers.

(iii) Impairment of oil and gas assets

Freedom assesses whether oil and gas assets are impaired on a semi-annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the assets belong. Fields are considered cash generating units. These calculations use cash flow projections based on reserve estimate volumes, current forward prices for oil, financial budgets approved by management covering a ten year period, past performance, other information from the reserve estimates, and expected future drilling capacity and use a pre-tax discount rate consistent with that used for the impairment testing of other assets. In 2017, the Company held approximately \$10.2 million in non-producing leasehold costs. These undrilled leases are in proximity to producing acreage and were not impaired.

In 2016, the Company recognised an impairment of \$29.4 million of its oil and gas assets, attributable to Blue Ridge field, which was subsequently sold at a loss of \$1.1 million. These expenses are included in Gain (Loss) from discontinued operations in our Consolidated income statement.

The carrying value of oil and gas assets at 31 December 2017 was \$24.2 million. (31 December 2016: \$9.0 million).

(iv) Assumptions regarding shareholder approval

Agreement was reached between the Company and Ramas on 29 December 2017 that the terms of the 46,777,734 warrants issued 19 September 2017 be amended, subject to receipt of required approvals, to have the warrant terms amended to result in the warrants being recognised as an equity instrument under AASB 132. The Company has prepared its 31 December 2017 financial statements on the assumption that shareholder approval will be obtained in respect of the amendments agreed between the Company and Ramas. The Company's assumption is supported by the history of support from shareholders for resolutions proposed by the Company at general meetings, the composition of the Company's share register and the nature of the resolution.

(b) Changes in key estimates

As detailed in accounting policy note (o)(iii) costs of producing assets are amortised on a units of production basis via a depletion charge. Exploration and development costs, along with any future expenditure necessary to develop the

2 Critical accounting estimates and judgements (continued)

assumed reserves, are amortised over the remaining estimated units of the fields. The remaining estimated units of the fields are based on Freedom's estimated quantities of proved developed reserves.

For the year ended 31 December 2017, depletion calculations utilized estimated remaining units of the Eagle Ford field based on reserve balances as prepared by NSAI as described in note 1(o) above. Depletion expense for 2017 was \$1.2 million.

The depletion expense for the year ended 31 December 2016 (representing ten months' operation of the Blue Ridge field, prior to its sale) was \$3.0 million. These expenses are included in Gain (Loss) from discontinued operations in the Consolidated income statement.

3 Discontinued operations

(a) Description

In the second half of 2016, management divested all legacy assets from the Blue Ridge field. This included all oil and gas properties other than the leases in the new Eagle Ford Shale play. The oil and gas properties, almost all of them in the Blue Ridge Field, were sold effective 1 November 2016. Proceeds from this transaction, together with the separate disposal of certain wells in the field also in the second half of 2016, totalled approximately \$9.1 million.

The Company's older style drilling and related equipment could no longer be internally utilized. Management therefore sold two drilling rigs effective 15 August 2016 for a cash price of \$140,000. All other field equipment, including workover rigs, was included in the Blue Ridge sale.

Together these oil and gas properties and related field service equipment represented one operation, now discontinued. All revenues and expenses of these discontinued operations, including non-cash impairment charges, are presented in Loss from discontinued operations in our Consolidated income statement.

(b) Financial performance and cash flow information

The financial performance and cash flow information for discontinued operations are presented for the year ended 31 December 2017 and for the ten months ended 31 October 2016.

	Year ended 31 Dec 2017 \$'000	10 Months ended 31 Oct 2016 \$'000
Revenue	-	4,394
Expenses	142	(40,042)
Gain (Loss) before tax	142	(35,648)
Income tax expense	-	-
Gain (Loss) after income tax of discontinued operation	142	(35,648)
Loss on sale of oil and gas properties and related equipment and associated net assets	-	(1,094)
Total loss on sale of oil and gas	142	(36,742)
Net cash inflow from operating activities	150	1,552
Net cash inflow from investing activities	73	8,652
Net increase in cash generated by the discontinued operations	223	10,204

Cash flows from discontinued operations in 2017 include \$223,000 recovered for receivables that had been previously written off or written down. The receivables were related to joint interest billings for the Blue Ridge field and to the sale of a drilling rig.

3 Discontinued operations (continued)

(c) Details of the sale of the assets

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Consideration received:		
Cash for Blue Ridge field and related drilling equipment	-	9,140
Cash for two drilling rigs sold separately	-	140
Total disposal consideration	-	9,280
Carrying amount of net assets disposed	-	(10,106)
Expenses of the sale	-	(268)
Loss on sale before income tax	-	(1,094)
Income tax (benefit) on loss	-	-
Loss on sale after income tax	-	(1,094)

The sale of two drilling rigs in August 2016 for \$140,000 resulted in zero gain or loss, as the rigs had been impaired to that value previously, in June 2016. The cash proceeds are included in "Consideration received" above. The net carrying value of the equipment was \$140,000, and has been included with Property, Plant and Equipment below, as if that sale had taken place on 31 October 2016.

The carrying amounts of assets and liabilities as at the effective date of sale (1 November 2016) were:

	31 Oct 2016 \$'000
Oil and gas properties	11,329
Property, plant and equipment	229
Other assets and liabilities, net	30
Total assets	11,588
Restoration provision	1,482
Total liabilities	1,482
Net assets	10,106

4 Segment information

(a) Description of segments

Management has determined Freedom's operating segments based on the reports reviewed by the board to make strategic decisions. Management reports the business as one segment, oil and gas exploration and production, to the board of directors.

(b) Segment information provided to the board

The segment information provided to the board for the reportable segments for the years ended 31 December 2017 and the 31 December 2016 is as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Oil and gas exploration and production		
Total segment revenue	4,109	-
Revenue from external customers	4,109	-
Loss for the year	(11,446)	(46,175)
General and administrative expense	(6,888)	(7,945)
Transaction expense	(122)	(783)
Other gains / (losses) - net	(4,705)	(20)
Finance costs	(1,475)	(41)
Income tax (expense)/benefit	75	-
Total segment assets	52,414	28,739
Total assets includes:		
Additions to non-current assets (other than financial assets and deferred tax)	16,532	8,450
Total segment liabilities	12,946	1,700

(c) Other segment information

(i) Segment revenue

The revenue from external parties reported to the board is measured in a manner consistent with that in the Consolidated income statement.

Revenues from external customers are derived from the sale of oil, natural gas, and natural gas liquids to third parties and are presented before production taxes. In 2016, all such revenues and production tax expenses are classified in the net total "Gain (Loss) from discontinued operations."

(ii) Segment expense

Other gains/(losses) – net relates to the revaluation of certain warrants for Company stock issued in conjunction with the 2017 issuance of mandatorily redeemable preferred stock. For the period 19 September 2017 until 29 December 2017, the warrants met the definition of a derivative liability under Australian Accounting Standards. For this period, a mark to market adjustment of \$4.7 million was expensed. This non-cash expense is included in the balance of the Other gains/(losses) – net on the Consolidated income statement. Agreement was reached with the warrant holder on 29 December 2017 that the warrant terms be varied to have the warrants meet the definition of an equity instrument from 29 December 2017 onward, subject to the required approvals being obtained.

See further information at note 14 and note 20.

Transaction expenses in 2017 and 2016 related to significant transactions that management ultimately determined would not be pursued.

Finance costs include \$0.6 million cash and accrued costs to obtain and service debt, and \$0.9 million in non-cash amortisation of other costs of obtaining debt. Other debt costs subject to amortisation include both cash costs and non-cash equity items (such as the warrants described above) incurred with the origination of new debt in 2017.

4 Segment information (continued)

Segment revenue reconciles to total revenue from continuing operations as follows:

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Total segment revenue from continuing operations	<u>4,109</u>	<u>-</u>

All operational revenues during the years 2016 were provided by the Blue Ridge Field oil and gas properties. These assets were sold in 2016. Revenues and expenses from these discontinued operations are included in Gain (Loss) from discontinued operation on the financial statements herein.

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Revenue from continuing operations	4,109	-
Other revenue from continuing operations		
Interest from financial assets not at fair value through profit or loss	8	5
Rental income and other	-	5
	<u>8</u>	<u>10</u>

The parent entity is domiciled in Australia. No sales revenue is generated from customers in Australia. Freedom generates all of its sales revenue from external customers in the United States.

(ii) Segment assets

The amounts provided to the board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Segment assets	<u>52,414</u>	<u>28,739</u>
Total assets as per the balance sheet	<u>52,414</u>	<u>28,739</u>

All of Freedom's non-current assets are located in the United States.

4 Segment information (continued)

(iii) *Segment liabilities*

The amounts provided to the board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Segment liabilities	12,946	1,700
Total liabilities as per the balance sheet	12,946	1,700

5 Revenue and other income

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Revenue from continuing operations	4,109	-
Other revenue from continuing operations		
Interest from financial assets not at fair value through profit or loss	8	5
Rental income and other	-	5
	8	10

All operational revenues during the year 2016 were provided by the Blue Ridge Field oil and gas properties. These assets were sold in 2016. Revenues and expenses from these discontinued operations are included in Gain (Loss) from discontinued operation on the Consolidated income statement herein.

6 Breakdown of expenses

Expenses by nature

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Consumables and external services used	2,665	1,316
Employee benefits expense	3,347	4,791
Depletion expense (a)	1,245	-
Depreciation and amortisation expense (b)	681	654
Impairment of non-current assets (c)	-	-
Transaction costs (d)	122	783
Professional fees	792	957
Insurance expense	246	217
State and local tax expense	229	4
Net foreign exchange losses	(116)	20
Other expenses (e)	4,952	660
Finance costs	1,475	41
Total all costs of sales and other expenses	<u>15,638</u>	<u>9,443</u>

- (a) Depletion expense of \$3.0 million for the year 2016 is included in Gain (Loss) from discontinued operations.
- (b) Depreciation and amortisation expense of \$0.5 million for the year 2016 is included in Gain (Loss) from discontinued operations. See Note 10 for further information.
- (c) Impairment expense of \$2.7 million to property, plant and equipment for the year 2016 is included in Gain (Loss) from discontinued operations. See Note 10 for further information.

Impairment expense of \$29.4 million to oil and gas properties for the year 2016 is included in Gain (Loss) from discontinued operations. See Note 11 for further information.

Impairment expense of \$1.0 million on inventories related to property plant equipment and oil and gas properties for the year 2016 is included in Gain (Loss) from discontinued operations.

- (d) Transaction expense in 2017 and 2016 related to two transactions that management ultimately determined would not be pursued.
- (e) Other expenses in 2017 includes \$4.7 million for revaluation of the warrants for Company ordinary shares issued in conjunction with the issuance of mandatorily redeemable preferred stock. See note 4(c)(ii) for further information.

Costs of sales

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Lease operating expenses	291	-
Taxes other than income	225	-
Transportation expense	123	-
Oil and gas processing	25	-
Depletion, depreciation, and amortization	1,245	-
Total cost of sales	<u>1,909</u>	<u>-</u>

In 2016 there were no costs of sales, as all oil and gas expenses were reported as Loss on discontinued operation.

7 Income tax expense (benefit)

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
(a) Income tax (benefit) expense		
Current tax	-	-
Deferred tax	<u>(79)</u>	<u>-</u>
	<u>(79)</u>	<u>-</u>
Income tax is attributable to:		
(Loss) Profit from continuing operations	<u>(79)</u>	<u>-</u>
Aggregate income tax expense/(benefit)	<u>(79)</u>	<u>-</u>
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 12)	<u>(1,953)</u>	8,028
(Decrease) increase in deferred tax liabilities (note 17)	<u>1,874</u>	<u>(8,028)</u>
	<u>(79)</u>	<u>-</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax (benefit)	<u>(11,663)</u>	(9,433)
Loss from discontinued operations before income tax (benefit)	<u>142</u>	<u>(36,742)</u>
Tax at the Australian tax rate of 27.5% (December 2016 - 30%)	<u>(3,168)</u>	(13,853)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments		
40-880 deductions	<u>(24)</u>	(23)
Australian held assets	-	2
Non-deductible expenses — Australian parent	<u>1,467</u>	226
Non-deductible expenses — United States subsidiaries	<u>15</u>	<u>32</u>
	<u>(1,710)</u>	<u>(13,616)</u>
Difference in overseas tax rates	<u>(412)</u>	(1,825)
Previously unrecognised tax losses used to reduce deferred tax expense	<u>(18)</u>	(42)
Net deferred tax asset not brought to account, including impact of United States tax rate change on losses previously not recognized	<u>2,061</u>	15,483
Income tax (benefit) expense	<u>(79)</u>	<u>-</u>

The income tax expense for the year ended 31 December 2017 and 31 December 2016 relates solely to the United States entities.

The United States tax expense, a benefit of \$79,000, is derived from the accounting loss of the United States incorporated entities adjusted for non-deductible United States based expenditures, state taxes and credits and deferred tax asset not brought to account at the prevailing United States corporate tax rate of 34%. Due to the intangible drilling cost deductions available under United States tax legislation, no amount of United States tax is payable in the current period. The current tax benefit relates to an estimated refund available to the Company due to changes in United States tax law in 2017, classified as non-current based on the timing of anticipated recoupment. There is no Australian component of income tax benefit or expense, due to the application of previous losses not brought into account against deferred tax.

On December 22, 2017, the United States government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the United States tax code that affected 2017, including, but not limited to a change in United States deferred tax assets and liabilities relating to the United States tax rate reduction from 35% to 21%. Upon enactment, the Company remeasured its deferred tax balances to reflect the new 21% United States federal tax rate. As Freedom has substantial net operating loss carryforwards and minimal net tax assets or liabilities, this change had minimal impact as at 31 December 2017. The United States tax benefit of \$79,000 and related deferred tax asset as at 31 December 2017 includes the impact of the tax law change for tax credits expected to be fully refunded between 2018 and 2021.

7 Income tax expense (benefit) (continued)

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
(c) Tax losses		
Unused income tax losses for which no deferred tax asset has been recognised	<u>93,221</u>	<u>91,174</u>
Unrecognised net deferred tax asset relating to the above tax losses at 27.5%	<u>25,636</u>	<u>27,352</u>
(d) Unrecognised temporary differences		
Temporary difference relating to net foreign exchange losses	<u>(23)</u>	<u>23</u>
Unrecognised net deferred tax asset relating to the above temporary difference at 27.5%	<u>(6)</u>	<u>7</u>

The tax losses noted above expire at various dates from 2031 to 2037.

8 Current assets - Cash and cash equivalents

Reconciliation to cash at the end of the year:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash at bank and in hand	<u>25,971</u>	<u>18,454</u>
	25,971	18,454

Risk exposure

Information about Freedom's exposure to credit risk, interest rate risk and foreign currency risk in relation to cash and cash equivalents is provided in note 26. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9 Current assets - Trade and other receivables

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Trade receivables	1,613	-
Prepayments	219	302
Other receivables	71	87
Total trade receivables and other current assets	<u>1,903</u>	<u>389</u>

(a) Trade receivables

Trade receivables include receivables for sales of oil, natural gas, and natural gas liquids of \$1.6 million as at 31 December 2017 (31 December 2016: \$0).

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of Freedom. All other receivables are current as at 31 December 2017 and 31 December 2016.

(c) Foreign exchange and interest rate risk

Information about Freedom's exposure to credit risk, interest rate risk and foreign currency risk in relation to trade and other receivables is provided in note 26.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. Freedom does not hold any significant collateral in relation to any of these receivables.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 26 for more information on the risk management policy of Freedom and the credit quality of the entity's trade receivables.

10 Non-current assets - Property, plant and equipment

	Land and buildings \$'000	Drilling rigs and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
At 31 December 2015					
Cost	598	13,376	1,333	1,052	16,359
Accumulated depreciation	(224)	(10,832)	(758)	(349)	(12,163)
Net book amount	<u>374</u>	<u>2,544</u>	<u>575</u>	<u>703</u>	<u>4,196</u>
Year ended					
31 December 2016					
Opening net book amount	374	2,544	575	703	4,196
Additions				10	10
Dispositions and transfers, net of accumulated depreciation	(6)	(141)	(112)	(82)	(341)
Transfers out, net of accumulated depreciation	-	(27)	-	(2)	(29)
Depreciation charge	(37)	(385)	(114)	(251)	(787)
Impairment	(331)	(1,991)	(328)	(7)	(2,657)
Closing net book amount	<u>-</u>	<u>-</u>	<u>21</u>	<u>371</u>	<u>392</u>
At 31 December 2016					
Cost	-	-	56	826	882
Accumulated depreciation	-	-	(35)	(455)	(490)
Net book amount	<u>-</u>	<u>-</u>	<u>21</u>	<u>371</u>	<u>392</u>
Year ended					
31 December 2017					
Opening net book amount	-	-	21	371	392
Additions	-	-	61	-	61
Dispositions and transfers, net of accumulated depreciation	-	-	(7)	2	(5)
Depreciation charge	-	-	(9)	(302)	(311)
Closing net book amount	<u>-</u>	<u>-</u>	<u>66</u>	<u>71</u>	<u>137</u>
At 31 December 2017					
Cost	-	-	84	826	910
Accumulated depreciation	-	-	(18)	(755)	(773)
Net book amount	<u>-</u>	<u>-</u>	<u>66</u>	<u>71</u>	<u>137</u>

10 Non-current assets - Property, plant and equipment (continued)

(a) Non-current assets pledged as security

Refer to note 14 for information on non-current assets pledged as security by the Company.

Impairment

In the first half of 2016, the Company recognised impairment of \$2.7 million in relation to property, plant and equipment used in oil and gas drilling and production. The impairment reflected management's expectation that the Company would be unable to utilize the equipment if the Blue Ridge field were sold. The equipment was written down to an estimated market value. This is considered a Level 3 valuation, as these items of used equipment are not traded in a highly liquid market. Therefore the estimate of value depends on unobservable inputs. See Note 26 (d) below for discussion of fair value levels. The equipment was subsequently sold.

Impairment expense for 2016 is included in Gain (Loss) from discontinued operations in our Consolidated income statements.

Depreciation and amortisation expenses of \$0.5 million for the year ended 31 December 2016 are included in Gain (Loss) from discontinued operations in our Consolidated income statements. This represents depreciation and amortisation of assets sold in 2016. Depreciation and amortisation expenses of \$0.7 million and \$0.7 million for the years ended 31 December 2017 and 2016, respectively, are included in Income from continuing operations in our Consolidated income statement.

11 Non-current assets - Oil and gas assets

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cost		
Opening balance	8,992	79,832
Additions	16,471	8,440
Impairment	-	(29,449)
Disposal, sale of Blue Ridge field	-	(49,831)
Closing balance at period end	<u>25,463</u>	<u>8,992</u>
Accumulated depletion		
Opening balance	-	35,417
Depletion expense	1,245	3,036
Disposal, sale of Blue Ridge field	-	(38,453)
Closing balance at period end	<u>1,245</u>	<u>-</u>
Net book amount		
At beginning of period	<u>8,992</u>	<u>44,415</u>
At period end	<u>24,218</u>	<u>8,992</u>

Depletion expense

As detailed in accounting policy note 1(o)(iii) costs of producing assets are amortised on a production output basis via a depletion charge. Exploration and development costs, along with any future expenditure necessary to develop the assumed reserves, are amortised over the remaining estimated units of the fields. The remaining estimated units of the fields are based on Freedom's proved developed reserves.

For the year ended 31 December 2017 the estimated remaining units of the field were based on the Eagle Ford reserve report balances as at 31 December 2017. For the year ended 31 December 2016 the estimated remaining units of the field were based on the Blue Ridge reserve report balances as at 30 June 2016. The Blue Ridge field was sold in the second half of 2016. Depletion expense of \$3.0 million for the Blue Ridge field operation is included in Gain (Loss) from discontinued operations in our Consolidated income statement in 2016. Current reserve report balances are presented in the Operating and Financial Review on page 21.

11 Non-current assets - Oil and gas assets (continued)

Impairment

The Company performed impairment testing of the Eagle Ford acreage as at 31 December 2017. No impairment was identified. Oil and gas properties are impaired when the carrying value of the properties exceeds the recoverable amount as estimated in the current reserve report. The reserve report represents the present value of estimated cash flows of proved oil reserves expected to arise from the continued use of the asset as at 31 December 2017. This is considered a Level 3 valuation, as it utilizes a discounted cash flow model with unobservable inputs. See Note 26 (d) below for discussion of fair value levels. The recoverable value for the Company's Eagle Ford proved reserves as at 31 December 2017 was \$79.5 million. Significant assumptions and key estimates included in the cash flow model are:

- Volume of proved oil reserves are based on deterministic methods including performance analysis and volumetric analysis, relying on various forms of well data such as well logs, geologic maps, seismic data, and well test data and production data;
- Timing of future production is based on estimated production decline curves and the Company's plans and expectations regarding future development;
- Future expenses of operation, future capital expenditures to develop undeveloped proved reserves, and the timing of these expenditures is based on the Company's historical and projected costs and on its development plans; and
- A standard discount rate of 10% was used.
- Projected prices of products were based on an average of projections by industry analysts in December 2017, adjusted for location and quality differentials.

	Estimated future prices				
	2018	2019	2020	2021	thereafter
Oil price, per BBL	\$62.36	\$62.28	\$61.94	\$61.75	\$61.66
Natural gas price, per mcf	\$3.23	\$3.18	\$3.21	\$3.26	\$3.25
Avg price of natural gas liquids, per BBL	\$21.81	\$21.78	\$21.66	\$21.59	\$21.56

The Blue Ridge field was impaired in the first half of 2016 when management determined it was likely to sell the asset. Management subsequently offered the field for sale. The field was impaired \$29.4 million to the estimated sales price less costs to sell, based on market information obtained from the Company's consultant in initial discussions regarding the potential sale. The estimated value of the field was a Level 3 valuation. The impairment expense is included in Gain (Loss) from discontinued operations in our Consolidated income statement in 2016.

Further information about the reserve report can be found in the operating and financial review on pages 20-22 of this annual report.

12 Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Tax losses	1,464	-
Tax credit	79	85
Trade and other payables	528	33
Total deferred tax assets	<u>2,071</u>	<u>118</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(1,992)</u>	<u>(118)</u>
Net deferred tax assets	<u>79</u>	<u>-</u>
Deferred tax assets expected to be recovered within 12 months	-	-
Deferred tax assets expected to be recovered after more than 12 months	2,071	118
	<u>2,071</u>	<u>118</u>

Movements	Tax Credit \$'000	Tax losses \$'000	Trade and other Payables \$'000	Total \$'000
At 31 December 2015	85	7,829	232	8,146
(Charged) / credited to income statement	-	(7,829)	(199)	(8,028)
At 31 December 2016	<u>85</u>	<u>-</u>	<u>33</u>	<u>118</u>
(Charged) / credited to income statement	(6)	1,464	495	1,953
At 31 December 2017	<u>79</u>	<u>1,464</u>	<u>528</u>	<u>2,071</u>

13 Current liabilities - Trade and other payables

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Trade payables	770	649
Other payables	1,105	862
	<u>1,875</u>	<u>1,511</u>

(a) Risk exposure

Due to the short-term nature of these payables, their carrying amount is assumed to approximate their fair value.

14 Borrowings

	31 Dec 2017			31 Dec 2016		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Secured borrowings						
Credit cards	-	-	-	3	-	3
Short-term financing	3,778	-	3,778	-	-	-
Total secured borrowings	<u>3,778</u>	<u>-</u>	<u>3,778</u>	<u>3</u>	<u>-</u>	<u>3</u>
Unsecured borrowings						
Insurance financing	-	-	-	18	-	18
Mandatorily redeemable preferred stock	-	6,966	6,966	-	-	-
Total unsecured borrowings	<u>-</u>	<u>6,966</u>	<u>6,966</u>	<u>18</u>	<u>-</u>	<u>18</u>
Total borrowings	<u>3,778</u>	<u>6,966</u>	<u>10,744</u>	<u>21</u>	<u>-</u>	<u>21</u>

(a) Financing arrangement

On 22 August 2014 the Company executed a five year, \$500 million lending facility with Wells Fargo Bank, N.A (Wells Fargo). The reserves-based facility provides the lender a secured interest in all of the Company's assets, including its oil and gas properties. As at 31 December 2017 and 31 December 2016 there were no outstanding borrowings against the facility, and the borrowing base was zero. The borrowing base is determined by reference to the Company's proved reserves. It has not been accessed in the initial stages of the Eagle Ford field development.

14 Borrowings (continued)

(b) Current borrowings

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Current borrowings		
Short-term financing	3,778	21
Total short-term financing	<u>3,778</u>	<u>21</u>

Short-term financing facility

On 4 July 2017 a 100%-owned Company subsidiary, Freedom Eagle Ford, Inc. (Freedom Eagle Ford), entered into an A\$5 million term note due 28 February 2018. The interest rate is based on the US LIBOR plus 12% with interest amounts payable quarterly in arrears. The note is secured by a general security charge over all assets of the Company and by a charge over all assets of Freedom Eagle Ford. The security interest was subordinate to that of Wells Fargo under its facility. The Company unconditionally guaranteed the loan. The funds were used to provide financial flexibility while the Company worked to obtain further field development funding.

The loan was also secured with negative covenants to ensure the seniority of the term note's security interest.

The Company also issued 25 million options with an exercise price of A\$0.20 expiring 30 June 2019 to the lender. See note 20 for further information. The table above reflects the face value of the debt, less cash financing costs and the \$0.2 million non-cash cost to the Company of the options, all of which are amortized over the life of the debt using the effective interest rate method.

The face value of the debt in US\$ as at 31 December 2017 was \$3.9 million. The note was repaid on 5 February 2018.

The fair value of the term note as at 31 December 2017 was approximately equal to its carrying value, due to its short term and its floating interest rate.

(c) Non-current borrowings

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Non-current borrowings		
Mandatorily redeemable preferred stock	6,966	-
Total redeemable preferred stock	<u>6,966</u>	<u>-</u>

Mandatorily redeemable preferred stock

On 19 September 2017 Freedom Eagle Ford authorized 20,000 shares of \$.001 par value mandatorily redeemable Series A Preferred stock, of which 10,000 shares were then sold to Ramas Energy Capital, Inc. (Ramas) for \$1,000 per share for a total of \$10 million. The shares are redeemable at \$2,000 per share (for a total of \$20 million) on the earlier of 18 March 2022, the date the Company becomes listed on a United States exchange, or the date of any fundamental change to the capitalization or ownership of Freedom Eagle Ford. The shares are not secured by Company assets. The Company has guaranteed the redemption payment. Early redemption is permitted at \$2,000 per share.

The agreement with Ramas limits further borrowing by Freedom Eagle Ford such that prior to 30 June 2018 consolidated debt may not exceed \$15 million, and after 30 June 2018 additional debt cannot be incurred if it would result in a consolidated leverage ratio of 3.0 or greater. Debts used to redeem the Series A shares are permitted.

The funds from sale of the preferred stock will be used primarily for drilling and development of the Company's Eagle Ford acreage.

Because the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

The Company also issued 46,777,734 warrants for ordinary shares to Ramas. See note 20 for further information. The warrants' value was calculated at \$2.8 million.

The table above reflects the face value of the debt, less cash financing costs and the \$2.8 million non-cash cost to the Company of the warrants, all of which are amortized over the life of the debt using the effective interest rate method. Also included is the accretion of the discount of \$10 million, which is the difference between the sales price of the shares (\$10 million) and their redemption value (\$20 million). Accretion is calculated using the effective interest rate method.

14 Borrowings (continued)

(c) Non-current borrowings (continued)

The fair value of the redeemable preferred stock at 31 December 2017 is \$10.3 million. See note 26 for further information on the calculation of this fair value.

(d) Assets pledged as security

As noted in (a) and (b) above, all the Company's assets are securitized as collateral for the Wells Fargo facility and for the short-term financing due in 2018. There were no borrowings under the Wells Fargo facility at either 31 December 2017 or 31 December 2016. The carrying amounts of assets pledged as security for borrowings are:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	25,971	-
Trade and other receivables	1,903	-
Inventory	3	-
Total current assets pledged as security	<u>27,877</u>	<u>-</u>
Non-current assets		
Property, plant and equipment	137	-
Oil and gas assets	24,218	-
Total non-current assets pledged as security	<u>24,355</u>	<u>-</u>
Total assets pledged as security	<u>52,232</u>	<u>-</u>

(e) Risk exposures

Details of Freedom's exposure to risks arising from current and non-current borrowings are set out in note 26.

15 Current liabilities – Restoration provision

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
At beginning of period	-	85
Expenditure charged to provision	-	(170)
Transfers from non-current to current	-	85
At end of period	-	-

16 Non-current liabilities – Restoration provision

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
At beginning of period	-	1,396
Additional provision recognized	325	-
Discount on unwind of provision	2	171
Transfers from non-current to current	-	(85)
Disposal of oil and gas property	-	(1,482)
At end of period	327	-

A total provision of \$0.3 million was recognised for restoration of wells related to the Eagle Ford field, including both the current and non-current portions. The provision was estimated based on existing technology and procedures, current prices, and discounted using a discount rate of 3%.

In 2016, a total provision of \$1.5 million was derecognized for restoration of wells related to the Blue Ridge field. The field was sold in 2016 and there were no continuing restoration obligations. A total of \$0.2 million was included in Gain (Loss) from discontinued operations on the Consolidated income statement for unwinding of discount for the 10 months ended 31 October 2016. The properties were sold effective 1 November 2016.

17 Non-current liabilities - Deferred tax liabilities

The balance comprises temporary differences attributable to:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Property, plant and equipment	29	81
Oil and gas assets	1,963	37
Total deferred tax liabilities	1,992	118
Set-off of deferred tax liabilities pursuant to set-off provisions (note 12)	(1,992)	(118)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	-	-
Deferred tax liabilities expected to be settled after more than 12 months	1,992	118
	1,992	118

Movements	Property, plant and equipment \$'000	Oil and gas assets \$'000	Total \$'000
At 31 December 2015	1,207	6,939	8,146
Charged/(credited)			
-to income statement	(1,126)	(6,902)	(8,028)
At 31 December 2016	81	37	118
Charged/(credited)			
-to income statement	(52)	1,926	1,874
At 31 December 2017	29	1,963	1,992

18 Equity

(a) Share capital

	Notes	31 Dec 2017 shares	31 Dec 2016 shares	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Ordinary shares					
Fully paid	(b)	907,500,115	795,000,115	159,146	143,035
		<u>907,500,115</u>	<u>795,000,115</u>	<u>159,146</u>	<u>143,035</u>

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue Price	\$'000
31 Dec 2015	Balance		<u>545,000,115</u>		<u>132,190</u>
9 Sep 2016 and 9 Nov 2016	Institutional and sophisticated investor placement Less: Transaction costs arising on shares issued		250,000,000	\$0.05	11,572 (727)
31 Dec 2016	Balance		<u>795,000,115</u>		<u>143,035</u>
13 Dec 2017	Institutional and sophisticated investor placement Less: Transaction costs arising on shares issued		112,500,000	\$0.15	16,922 (811)
31 Dec 2017	Balance		<u>907,500,115</u>		<u>159,146</u>

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

18 Equity (continued)

(d) Institutional and sophisticated investor placement-December 2017

The Company issued 112,500,000 shares in the period at A\$0.20 per share, raising \$16.9 million (A\$22.5 million) which netted \$16.1 million after related costs. This capital was raised principally to fund additional investment in the Eagle Ford property.

(e) Options

On 4 July 2017, the Company issued 25,000,000 options to the lender under the short-term financing term loan at no cost to the option holder. The options are immediately exercisable with an exercise price of A\$0.20 and expire 30 June 2019. See note 20 for additional information.

(f) Warrants

On 19 September 2017 the Company issued 46,777,734 warrants for its fully paid ordinary shares to Ramas, the holder of the mandatorily redeemable preferred shares in Freedom Eagle Ford described in note 14. The warrants were issued at no cost to Ramas and become exercisable on the earlier of 18 March 2022 or such date as Freedom's ordinary shares become listed on a United States exchange. The warrants include a put right allowing the holder to force redemption of the warrants by the Company if the Company's ordinary shares are not listed on a US exchange by March 2022.

See notes 14 and 20 for additional information regarding the warrants.

(g) Institutional and sophisticated investor placement-September-November 2016

The Company issued 250,000,000 shares in the year ended 31 December 2016 at A\$0.06 per share, raising \$11.6 million (A\$15 million) which netted \$10.8 million after related costs. This capital was raised principally to fund additional investment in the Eagle Ford property, including further acquisition of leasehold and drilling of initial wells.

(h) Capital risk management

Management controls the capital of Freedom in order to maintain a good debt to equity ratio, provide the shareholders with adequate return and to ensure that Freedom can fund its operations and continue as a going concern.

Freedom's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital ratio requirements at 31 December 2017.

Management effectively manages Freedom's capital by assessing Freedom's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

During the years ended 31 December 2017 and 31 December 2016, Freedom did not have any specific strategy in respect of gearing ratios. The gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Total borrowings	14	10,744	21
Less: cash and cash equivalents	8	<u>(25,971)</u>	<u>(18,454)</u>
Net debt		<u>(15,227)</u>	<u>(18,433)</u>
Total equity		<u>39,468</u>	<u>27,039</u>
Total capital		<u>24,241</u>	<u>8,606</u>
Gearing ratio		(63)%	(214)%

The change in gearing ratio as at 31 December 2017 is the result of increased borrowings as described in note 14.

19 Retained earnings

Movements in Retained earnings were as follows:

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Balance beginning of period	(115,996)	(69,821)
Net (loss) for the year	(11,446)	(46,175)
Balance end of period	<u>(127,442)</u>	<u>(115,996)</u>

20 Other equity reserves

Movements in Other equity reserves were as follows:

	Notes	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Balance beginning of period		-	-
Options issued, at fair value	(a)	266	-
Warrants, transfer of initial fair value from derivative liabilities	(b)	2,770	-
Remeasure of fair value on modification	(b)	4,728	-
Balance end of period		<u>7,764</u>	<u>-</u>

(a) Options

On 4 July 2017, the Company issued 25,000,000 options to the lender under the short-term financing term loan at no cost to the option holder. The options are immediately exercisable with an exercise price of A\$0.20 and expiration date of 30 June 2019. The Company calculated the value of the options upon issue using the Black Scholes model. The inputs to the model were:

31 Dec 2017								
	Grant Date	Expiry Date	Share Price at Grant Date A\$ per share	Share Price Discount Factor	Exercise Price A\$ per share	Expected Volatility	Risk- free interest rate	Fair Value per option US\$
Stock options	4 Jul 2017	30 Jun 2019	\$0.105	25%	\$0.20	75%	1.69%	\$0.0107

A share price discount factor was used to reflect the estimated market discount from the closing price on the grant date that would have been required for a successful equity raise of new shares at the time. The computed fair value of the options was \$266,000 and was recorded to Other equity reserves.

As at 31 December 2017 no options had been exercised and all 25,000,000 remained outstanding and exercisable.

20 Other equity reserves (continued)

(b) Warrants

On 19 September 2017 the Company issued 46,777,734 warrants for its ordinary shares to Ramas, the holder of the mandatorily redeemable preferred shares in Freedom Eagle Ford described in note 14. The warrants were issued at no cost to Ramas and become exercisable on the earlier of 18 March 2022 or such date as Freedom's ordinary shares become listed on a United States exchange. The warrants include a put right allowing the holder to force redemption of the warrants by the Company if the Company's ordinary shares do not become listed on a US exchange by 18 March 2022. The Company calculated the value of the warrants upon issue using an arithmetic approach with the following inputs:

31 Dec 2017						
Grant Date	Expiry Date	Share Price at Grant Date A\$ per share	Share Price Discount Factor	Exercise Price A\$ per share	Fair Value per warrant US\$	
Warrants	19 Sep 2017	none	\$0.100	25%	\$0.001	\$0.0592

A share price discount factor was used to reflect the estimated market discount from the closing price on the grant date that would have been required for a successful equity raise of new shares at the time. The computed fair value of the options was \$2.8 million.

The warrants were determined to be derivative liability instruments carried at fair value. Agreement was reached with the warrant holder on 29 December 2017 that the warrant terms be varied to have the warrants meet the definition of an equity instrument from 29 December 2017 onward, subject to the required approvals being obtained. Accordingly, the warrants were revalued as at 29 December 2017, using the same methodology and an updated share price of A\$0.275. The fair value of the warrants was then transferred to Other equity reserves. The increase in fair value through 29 December 2017 was \$4.7 million, recorded as a non-cash expense in Other (gains)/losses – net. Foreign exchange gain of \$61,000 was also recorded. After the modification in terms the warrants will not require periodic revaluation, and will be carried in equity at their 29 December 2017 value.

As at 31 December 2017 no warrants had been exercised and all 46,777,734 remained outstanding but not exercisable.

21 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2017 \$	2016 \$
(a) PricewaterhouseCoopers Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	126,724	166,979
Total remuneration for audit and other assurance services	126,724	166,979

22 Contingencies

(a) Contingent liabilities

The Company had no contingent liabilities at 31 December 2017 or 31 December 2016.

(b) Contingent assets

The Company had no contingent assets at 31 December 2017 or 31 December 2016.

23 Commitments

(a) Capital commitments

The Company had no capital commitments at 31 December 2017 or 31 December 2016.

(b) Other commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases, primarily for office rent, are as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Within one year	492	493
Later than one year but not later than five years	82	576
Total operating lease commitments	574	1,069

The office lease was entered into 1 March 2014 for a period of five years.

24 Related party transactions

(a) Parent entities

The parent entity within the consolidated entity is Freedom Oil and Gas Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Short-term employee benefits	1,197,339	1,735,998
Post-employee benefits	13,509	14,154
	<u>1,210,848</u>	<u>1,750,152</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 8 to 11.

(d) Transactions with related parties

A director, R B Clarke, is a shareholder of Morgans Financial Limited. R B Clarke's shareholding in Morgans Financial Limited is less than 1%. Morgans Financial Limited acted as lead manager and underwriter of the entity's institutional and sophisticated investor placement in December 2017 and was paid a fee of \$778,838 for these services. The contract for these services was based on normal commercial terms and conditions.

A director, L A Clarke, is the director of Lee Clarke & Co Pty Ltd. In July 2017 Lee Clarke & Co was paid a fee of \$190,200 in connection with provision of the A\$5 million debt facility. The contract for these services was based on normal commercial terms and conditions. In December 2017 Lee Clarke & Co Pty Ltd took a firm allocation of stock from the lead manager of the December 2017 capital raise. The agreement between the lead managers and Lee Clarke & Co Pty Ltd and the fees paid by the lead manager to Lee Clarke & Co Pty Ltd were based on normal commercial terms and conditions.

A J Crawford is the Director of Box One Corporate Pty Ltd. Box One Corporate Pty Ltd charges Freedom entities for A J Crawford's services to the Company, a total of \$45,384 for 2017. The agreement for these services was based on normal commercial terms and conditions.

	Year Ended 31 Dec 2017 \$	Year Ended 31 Dec 2016 \$
Amounts recognised directly in equity		
Transaction costs arising on share issue	778,838	638,833
	<u>778,838</u>	<u>638,833</u>
Amounts recognised directly in short-term financing		
Transaction costs arising on short-term financing	190,200	-
	<u>190,200</u>	<u>-</u>
Amounts recognised as expense		
Travel expense	35,634	-
Professional fees	45,384	31,882
	<u>81,018</u>	<u>31,882</u>

24 Related party transactions (continued)

(d) Transactions with related parties (continued)

Aggregate amounts payable to key management personnel of the Company and other related parties at the end of the reporting period relating to the above types of other transactions:

	Year Ended 31 Dec 2017 \$	Year Ended 31 Dec 2016 \$
Current liabilities	<u>6,406</u>	<u>1,757</u>

All other related parties of the Company are wholly owned subsidiaries of the parent. As a result there are no additional transactions to be disclosed as all transactions between subsidiaries and the parent have been eliminated on consolidation.

(e) Outstanding balances arising from sales/purchases of goods and services

All other related parties of the Company are wholly owned subsidiaries of the parent. As a result there are no additional balances outstanding to be disclosed as all balances between subsidiaries and the parent have been eliminated on consolidation.

(f) Loans from related parties

There are no loans from related parties as at 31 December 2017 nor 31 December 2016, and no related party interest income or expense.

All subsidiaries are wholly owned subsidiaries of the parent. As a result there are no additional loans to be disclosed as all loans between subsidiaries and the parent have been eliminated on consolidation.

(g) Guarantees

The consolidated entity has not provided any guarantees in respect of any related parties.

(h) Terms and conditions

Terms and conditions in relation to key management personnel transactions are provided in the remuneration report on pages 8 to 11.

All other related parties of the Company are wholly owned subsidiaries of the parent. As a result there are no additional terms to be disclosed as all transactions between subsidiaries and the parent have been eliminated on consolidation.

25 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity Holding *	
			31 Dec 2017 %	31 Dec 2016 %
Freedom Oil & Gas, Inc. (formerly Maverick Drilling & Exploration USA, Inc.)	United States	Ordinary	100	100
Freedom Oil & Gas USA, Inc.	United States	Ordinary	100	100
Freedom Eagle Ford, Inc.	United States	Ordinary	100	100
Freedom Production, Inc. (formerly Maverick Holdings, Inc.)	United States	Ordinary	100	100
Maverick Drilling Company	United States	Ordinary	100	100
Maverick Production Company, Inc.	United States	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

** Freedom Oil & Gas USA, Inc. and Freedom Eagle Ford became active during the 31 December 2016 financial year.

26 Financial risk management

Freedom's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Freedom's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out by executive directors and management. Freedom had no hedges at either 31 December 2017 or 31 December 2016. Freedom does not hedge any other risk exposures other than foreign currency exchange with derivative financial instruments. Freedom uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Freedom holds the following financial instruments:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Financial assets		
Cash and cash equivalents	25,971	18,454
Trade and other receivables	1,903	541
	<u>27,874</u>	<u>18,995</u>
Financial liabilities		
Trade and other payables	1,875	1,511
Borrowings	10,744	21
Other financial liabilities	-	168
	<u>12,619</u>	<u>1,700</u>

26 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

Freedom operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar / Australian dollar exchange rate.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. All operations are carried out in the functional currency which results in minimal exposure to foreign exchange risk.

The risk is measured using sensitivity analysis and cash flow forecasting. As the functional and presentation currency of all entities within the Company is US dollars, the foreign exchange risk relates to assets and liabilities denominated in Australian dollars.

Freedom had no hedges at either 31 December 2017 or 31 December 2016.

Freedom's exposure to Australian dollar foreign currency risk at the end of the reporting period, expressed in US dollars, was as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash and cash equivalents	4,425	20
Trade and other payables	(149)	(134)
Short-term financing	(3,778)	-

Sensitivity

Based on the financial instruments held at 31 December 2017 and 31 December 2016, had the US dollar weakened/strengthened by 10% against the Australian dollar with all other variables held constant there would have been no material impact on Freedom's pre-tax loss for the year ended 31 December 2017 or the year ended 31 December 2016. Freedom did not have exposure to any other foreign currencies in the years ended 31 December 2017 or 31 December 2016.

(ii) Cash flow and fair value interest rate risk

As at 31 December 2017, Freedom had \$3.9 million in short-term borrowings subject to interest rate risk as defined in AASB 7 (31 December 2016: \$0). At 31 December 2017, a 10% increase or decrease in the US 12 month LIBOR rate would have a minimal impact on future profit/loss (\$3,400 increase or decrease to interest expense). See note 14 for further information on short-term financing. All other borrowings and receivables are fixed rate and are carried at amortised cost.

Freedom does not currently use any derivatives to manage cash flow interest rate risk.

(iii) Commodity price risk

Freedom's revenue is exposed to commodity price fluctuations, in particular oil prices. Freedom has not historically hedged existing oil production with financial derivatives. Capital expenditures are scenario-tested utilizing lowest anticipated pricing. As at reporting date, Freedom had no financial instruments with material exposure to commodity price risk.

26 Financial risk management (continued)

(b) Credit risk

Credit risk is managed on a consolidated basis. Credit risk arises from cash and cash equivalents, credit exposures to customers including outstanding receivables and committed transactions, as well as from other receivables outside the normal course of operations. Credit risk is assessed by executive directors and management based on past experience and other factors.

Details on cash and cash equivalents subject to credit risk is included below:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash at bank and cash equivalents		
National Australia Bank	468	20
Wells Fargo	25,503	18,434
Total	25,971	18,454

The directors are comfortable with the credit quality of the above financial institutions, based on their past dealings with these parties.

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Trade receivables and accrued income		
Existing customers with no past defaults	1,613	-
Total trade receivables and accrued income	1,613	-
Other items disclosed as part of trade and other receivables		
Receivable for sale of equipment	-	60
Other receivables and prepayments	290	329
Total trade and other receivables	1,903	389

All trade receivables as at 31 December 2017 were aged 1 to 3 months and no impairments against them had been recorded through profit and loss. The Company has two customers as at 31 December 2017. One is a Fortune 500 company subsidiary. The other is a very large regional natural gas pipeline and processing company. The Company has experienced no losses with these customers. Management is comfortable with the credit quality of these customers.

The amounts disclosed as other totalling \$290,000 (31 December 2016: \$329,000) include prepayments of \$219,000 (31 December 2016: \$302,000), and other various receivables \$71,000 (31 December 2016: \$27,000). Freedom is comfortable with the credit quality of these suppliers based on their past dealings with these parties.

26 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At 31 December 2017 the Company held cash and cash equivalents of \$26.0 million (31 December 2016: \$18.5 million) that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors the Company's cash and cash equivalents (note 8) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

Financing arrangements

On 22 August 2014 the Company executed a five year, \$500 million lending facility with Wells Fargo Bank, N.A. The facility provides Freedom with a further instrument to pursue its acquisition strategy to grow into a multi-asset exploration and production company. As at 31 December 2017 and 31 December 2016 there were no outstanding borrowings against the facility, and the borrowing base was zero.

Until 16 March 2018 Freedom Eagle Ford may, at its discretion and without prior approval of Ramas, sell additional Series A mandatorily redeemable shares in blocks of 5,000 shares to Ramas on the same terms as the first sale, so long as certain conditions are met, up to the authorized total of 20,000 shares (10,000 additional shares). The conditions relate to the price of oil and to Freedom Eagle Ford's proved reserves and per well cost. The additional shares would be augmented by additional warrants for Company ordinary shares, determined by a contractual formula.

Maturities of financial liabilities

The tables below analyse Freedom's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

26 Financial risk management (continued)

Contractual maturities of financial liabilities:

	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 31 December 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables and other commitments	1,678	27	-	-	-	1,705	1,705
Borrowings	3,903	-	-	20,000	-	23,903	10,744
Restoration	-	-	-	-	327	327	327
Total	5,581	27	-	20,000	327	25,935	12,776

At 31 December 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables							
other commitments	1,108	263	-	-	-	1,371	1,371
Borrowings	21	-	-	-	-	21	21
Restoration	-	-	-	-	-	-	-
Total	1,129	263	-	-	-	1,392	1,392

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 31 December 2017 and at 31 December 2016 Freedom had no financial assets measured at fair value.

At 31 December 2017 and at 31 December 2016 Freedom had no financial liabilities measured at fair value.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by Freedom is the current bid price. Such instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain forward exchange contracts.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities carried at amortized cost is estimated for disclosure purposes (note 14, non-current borrowings from Ramas, estimated fair value of \$10.3 million). The fair value of the Ramas mandatorily redeemable preferred stock was calculated by discounting the future contractual cash flows at an estimated market interest rate available to Freedom for similar financial instruments as at 31 December 2017. This is a level 3 valuation.

The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant and the interest rate was floating.

27 Events occurring after the reporting period

The short-term debt of A\$5 million was repaid 5 February 2018 as planned.

On 14 February 2018, key employees were granted 2,855,770 ordinary shares (\$697,000 at A\$0.31 per share) for \$nil consideration. Also on 14 February 2018, cash bonuses totalling \$646,000 were paid to employees. No constructive obligation existed at 31 December 2017 in relation to either the grant of shares or cash bonus, and both amounts have been expensed in February 2018.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in the report or financial statements that have significantly, or may significantly affect the operations of the Company or the Company, the results of the operations of the Company or the Company, or the state of affairs of the Company or the Company in subsequent financial years.

28 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Loss for the year	(11,446)	(46,175)
Depletion expense	1,245	3,036
Depreciation and amortisation expense	681	1,198
Impairment of non-current assets and inventory	-	33,055
Amortisation of debt costs	870	-
Other expense, warrants revaluation	4,789	-
Loss on sale of discontinued operation, excluding transaction costs	-	826
Loss on sale of property plant and equipment	-	26
Gain on sale of assets held for sale	-	(13)
Interest income	(8)	(5)
Net exchange differences	(21)	(2)
Other		
Change in operating assets and liabilities		
(Increase) Decrease in trade debtors and other receivables	(1,514)	1,270
(Increase) in inventory	(3)	-
Increase (Decrease) in other assets	152	42
Increase (Decrease) in trade and other payables	210	(318)
Increase (Decrease) in other liabilities	(168)	128
Deferred tax benefit	(79)	-
Increase in provisions	2	171
Net cash (outflow) from operating activities	<u>(5,290)</u>	<u>(6,761)</u>

The above table includes operating cash flows from both continuing and discontinued operations.

(b) Reconciliation of net debt

	Assets	Liabilities		Net
	Cash \$'000	Borrowings due within one year \$'000	Borrowings due after one year \$'000	Total \$'000
Net debt as at 1 Jan 2017	18,454	(21)	-	18,433
Cash flows	7,412	(3,527)	(9,267)	(5,382)
<i>Non-cash adjustments:</i>				
Foreign exchange adjustments	105	(99)	-	6
Non-cash deferred debt costs	-	266	2,774	3,040
Amortization of deferred debt costs	-	(397)	(473)	(870)
Net debt as at 31 Dec 2017	<u>25,971</u>	<u>(3,778)</u>	<u>(6,966)</u>	<u>15,227</u>

Net debt is positive, as cash on hand exceeds debt obligations.

29 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity, Freedom Oil and Gas Ltd, show the following aggregate amounts:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Balance sheet		
Current assets	533	69
Total assets	155,215	131,673
Current liabilities	149	134
Total liabilities	149	134
<i>Shareholders' equity</i>		
Issued capital	166,910	143,035
Retained earnings	(11,844)	(11,496)
	155,066	131,539
(Loss) for the year	(348)	(601)
Total comprehensive loss	(348)	(601)

(b) Guarantees entered into by the parent entity

As at 31 December 2017 the parent entity had guaranteed the short-term financing (A\$5 million) and the mandatorily redeemable preferred stock (redemption price \$20 million). Both these instruments are liabilities of Freedom Eagle Ford, as described in note 14.

As at 31 December 2016 the parent entity had no outstanding guarantees.

(c) Contingent liabilities of the parent entity

As at 31 December 2017 and 31 December 2016 the parent entity had no contingent liabilities.

(d) Contractual commitments

As at 31 December 2017 and 31 December 2016 the parent entity had no contractual commitments.

30 Loss per share

(a) Basic loss per share

	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(1.4)	(1.6)
From discontinued operations	0.0	(6.2)
Total basic loss per share attributable to the ordinary equity holders of the Company	(1.4)	(7.8)

(b) Diluted loss per share

From continuing operations attributable to the ordinary equity holders of the Company	(1.4)	(1.6)
From discontinued operations	0.0	(6.2)
Total diluted loss per share attributable to the ordinary equity holders of the Company	(1.4)	(7.8)

(c) Reconciliations of loss used in calculating loss per share

	2017 \$'000	2016 \$'000
<i>Basic loss per share</i>		
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share:		
From continuing operations	(11,588)	(9,433)
From discontinued operations	142	(36,742)
	(11,446)	(46,175)
<i>Diluted loss per share</i>		
Loss attributable to the ordinary equity holders of the Company used in calculating diluted loss per share:		
From continuing operations	(11,588)	(9,433)
From discontinued operations	142	(36,742)
	(11,446)	(46,175)

(d) Weighted average number of shares used as the denominator

	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	800,548,060	590,583,450
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	800,548,060	590,583,450

The 25,000,000 options granted on 4 July 2017 and the 46,777,734 warrants granted on 19 September 2017 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2017. The options and warrants are antidilutive by definition when the Consolidated income statement reflects a loss for the period.

These options and warrants could potentially dilute basic and/or diluted earnings per share in the future.

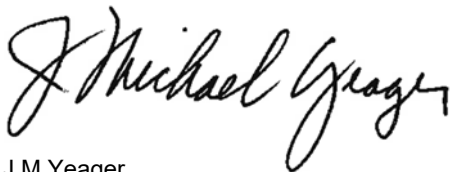
In the directors' opinion:

- (a) the financial statements and notes set out on pages 24 to 76 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 and consolidated entity's financial position as at 31 December 2017 and of their performance for the financial year ended on that date; and
- (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, and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief financial officer required by section 295A of the *Corporations Act 2001*.

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



J M Yeager
Chief Executive Officer and Executive Chairman

Houston, Texas
28 February 2018



Independent auditor's report

To the members of Freedom Oil and Gas Ltd

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Freedom Oil and Gas Ltd (the Company) and its controlled entities (together, Freedom) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of Freedom's financial position as at 31 December 2017 and of its financial performance for the year then ended
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

Freedom financial report comprises:

- the consolidated balance sheet as at 31 December 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

Independence

We are independent of Freedom 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.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Freedom, its accounting processes and controls and the industry in which it operates.

Freedom currently holds oil and gas assets in the Eagle Ford region in South Texas. These assets are in the initial production phase at 31 December 2017. The accounting and finance functions reside in the USA.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall materiality of \$0.3 million, which represents approximately 5% of Freedom's adjusted losses before tax. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose losses before tax because, in our view, it is the benchmark against which the performance of Freedom is most commonly measured. We also adjusted for the fair value movement of derivatives as they are unusual or infrequently occurring items impacting profit and loss. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where Freedom made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. Our audit procedures are performed by engaging directly with the US finance team, the Board and Executive Team as necessary. Our team included valuation experts and accounting technical specialists. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Assessment of the recoverable amount of Oil and Gas assets New financing arrangements These are further described in the <i>Key audit matters</i> section of our report.



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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of recoverable amount of Oil and Gas assets</p> <p><i>Refer to note 11 \$24.2m</i></p> <p>As at 31 December 2017, Freedom held \$24.2m of oil and gas assets. \$13.7m related to producing Oil and Gas wells and \$10.5m in capitalised leasehold assets.</p> <p>Freedom engages an independent reserve engineering expert who issues an Oil & Gas Reserve Report ('Reserve Report'). This calculates the discounted cash flows associated with proven and probable Oil and Gas reserves controlled by the Company.</p> <p>This was a key audit matter as the oil and gas assets are material assets on the balance sheet, are the primary source of future revenue and there is judgement used in assessing the discounted future cash flows and in deriving the key assumptions.</p>	<p>Assisted by PwC valuation experts, we assessed the reasonableness of key assumptions within the discounted cash flow model, including:</p> <ul style="list-style-type: none"> • Comparing oil prices to market data • Performing a recalculation of the discount rate • Performing a sensitivity analysis over the cash flows • Reading the report of the independent engineering expert to ensure their findings were consistent with Freedom's conclusion. <p>In addition, for capitalised leasehold assets, we compared the discounted cash flow model calculated by the independent engineering expert for probable reserves with the carrying value of non-producing Oil and Gas leasehold assets.</p> <p>We assessed Freedom's production plans across the leasehold asset portfolio not currently developed for production to determine if indicators of impairment existed.</p>
<p>New financing arrangements</p> <p><i>Refer to note 14 and note 20</i></p> <p>In order to finance Freedom's investment in the development and preparation of its initial wells, the company raised various funds:</p> <ul style="list-style-type: none"> • AU\$5m short-term financing facility with attached options • \$US10mill of funds were obtained through the issuance of preference shares and financial warrants, and • AU\$22.5m was raised through a private placement of shares. 	<p>We agreed the proceeds obtained in the year to bank accounts and financing documents.</p> <p>We read the financing agreements and tested the recognition and classification of the financial instruments.</p> <p>We agreed the shares and options issued as part of the capital raise to regulatory records and agreements.</p> <p>With assistance from our technical accounting specialists, we interpreted the financing agreements and the options</p>



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>This was a key audit matter due to the complexities and judgements associated with the valuation, timing of recognition and classification of the financial instruments into the underlying debt and equity components.</p>	<p>and warrants attached to the instruments to assess the accounting treatment, including the recognition and classification, was in accordance the accounting standards.</p> <p>Together with valuation experts, we assessed the key inputs and assumptions in determining the fair value of the financial instruments.</p> <p>We evaluated the adequacy of disclosures made by Freedom in the financial report in view of the requirements of Australian Accounting Standards.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in Freedom’s annual report for the year ended 31 December 2017, including Corporate directory, Executive Chairman and Chief Executive Officer Letter, Director's Report, Corporate Governance Statement, Operating and Financial Review and Shareholders Information, 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 identified above 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 *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 Freedom 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 Freedom 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 the 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.

This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 8 to 11 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Freedom Oil and Gas Ltd for the year ended 31 December 2017 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

C. Mara

Caroline Mara
Partner

Newcastle
28 February 2018

The shareholder information set out below was applicable as at 16 February 2018.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding

Holding	Class of equity security		
	Ordinary shares	Options	Warrants
1 - 1,000	439	-	-
1,001 - 5,000	877	-	-
5,001 - 10,000	660	-	-
10,001 - 50,000	1,523	-	-
50,001 - 100,000	571	-	-
100,001 and over	945	17	1
	5,015	17	1

There were 540 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	58,963,827	6.50%
J. MICHAEL YEAGER	28,920,935	3.19%
SMP DAWSON PTY LTD	16,984,059	1.87%
OH BOSS PTY LTD	16,900,000	1.86%
LEXBAND PTY LTD	16,331,186	1.80%
MR PETER MURRAY JACKSON	14,090,000	1.55%
MR JOHN CAMUGLIA & MRS NATASHA CAMUGLIA	13,500,000	1.49%
MR ANTHONY CAMUGLIA & MRS ROSEMARIE CAMUGLIA	13,400,000	1.48%
S M PROVIDENT PTY LTD	12,843,860	1.42%
CITICORP NOMINEES PTY LIMITED	11,512,524	1.27%
MR JOSEPH CAMUGLIA & MRS KIRSTEN CAMUGLIA	11,315,064	1.25%
KOALA SUPER FUND PTY LIMITED	10,225,000	1.13%
GEORGIA HENRICH	8,431,002	0.93%
MR ROBERT DUNN & MR NOEL BRUCE HOSKING	8,000,000	0.88%
CLERICUS PTY LTD	8,000,000	0.88%
REDLINE ASSOCIATES PTY LTD	7,000,000	0.77%
BARRY FITZGERALD & HELEN FITZGERALD	6,666,667	0.73%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,644,342	0.73%
HDF INVESTMENT PTY LTD	6,587,691	0.73%
LUCALI PTY LIMITED	6,500,000	0.72%
TOTAL	282,816,157	31.16%

Shareholder information (continued)

Unquoted equity securities

All of the 46,777,734 warrants for ordinary shares are held by Ramas Energy Capital I, L.P.

Of the 25,000,000 ordinary share options, there are two parties owning 20% or more of the outstanding options:

	Number Held
BRANTAZ PTY LIMITED ACN 003 811 916	5,000,000
J&J PENSIONS PTY LTD ACN 617 346 577 ATF ABLE PENSION FUND	6,000,000

C. Substantial holders

There were no substantial holders in the Company as at 16 February 2018.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

(c) Warrants

No voting rights.

(d) Redeemable preferred shares in 100% owned subsidiary Freedom Eagle Ford, Inc.

No voting rights. The owner of the redeemable preferred shares, Ramas Energy Capital I, L.P has the right to appoint a non-voting observer to the board of directors of the Company, and has done so.