Freedom Oil & Gas

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

30 August 2018

Half-year ended 30 June 2018

Please find attached the following documents relating to Freedom Oil and Gas Ltd's results for the half-year ended 30 June 2018:

1. ASX Appendix 4D
2. Interim report

Commentary from the Chief Executive Officer

The end of the half-year for 2018, which ended on 30 June saw our Company take another very large step in its development of our Eagle Ford Shale acreage position. We drilled another four wells from the Hovencamp pad with lateral lengths greater than 7,400 feet. The wells were successfully hydraulically fractured and the new facilities were built to process the fluids. Subsequent to the end of the half-year, we announced an initial 30-day production average of 1,128 barrels of oil equivalent per day for each well.

The Company has now drilled six consecutive wells with initial production in the 1,100 – 1,200 barrels of oil equivalent range. This well performance is among the best in the area and gives us solid confidence in continuing our planned development. Our next phase of drilling commences in August 2018 as we start operations with our new drilling rig from Orion Drilling Company on a six month contract.

To support our development, we are finalizing a Reserves Based Lending facility with Wells Fargo, and expect to commence the facility in September 2018.

We greatly appreciate the support of our shareholders, and look forward to an increase in value of the Company with our upcoming drilling operations.

Sincerely,

J Michael Yeager

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET – APPENDIX 4D

Entity	Freedom Oil and Gas Ltd
ABN	48 128 429 158
Half-year ended	30 June 2018
Previous corresponding half-year period	30 June 2017

Results for announcement to the market

				Current Period
Revenue from ordinary activities	up	NA	to	USD 3,552,000
Profit / (loss) from ordinary activities after tax attributable to members	down	53%	to	USD (5,611,000)
Net profit / (loss) for the period attributable to members	down	53%	to	USD (5,611,000)

Dividend

No dividends were paid or proposed to members during the half-year ended 30 June 2018.

Brief explanation of results

The Company is currently developing its Eagle Ford Shale project. Revenues for the half year ended 30 June 2018 are $3,552,000. Revenues for the half year ended 30 June 2017 were $nil. Loss from continuing operations for 1H 2018 is $5.6 million (1H 2017: $3.7 million), of which $3.6 million is non-cash expenses related to borrowings amortization, depletion and share based compensation.

Net tangible asset backing

	30 June 2018	31 December 2017
Net tangible asset backing per ordinary share	USD 0.04	USD 0.04

Control gained or lost during the period

There were no transactions entered into by the company during the half-year ended 30 June 2018 that resulted in control being gained or lost over any entities.

Dividend reinvestment plans

There are no dividend reinvestment plans in operation.

Associates and joint venture entities

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

Report based on reviewed accounts

This report has been based on the attached accounts which have been reviewed by PricewaterhouseCoopers.

Freedom Oil and Gas Ltd

ABN 48 128 429 158

Interim report for the half-year ended 30 June 2018

Freedom Oil and Gas Ltd ABN 48 128 429 158
Interim report – 30 June 2018

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2017 and any public announcements made by Freedom Oil and Gas Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 half-year ended 30 June 2018.

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

R B Clarke
L A Clarke
J C Camuglia
NH Smith
J M Yeager

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

REVIEW OF OPERATIONS
The directors provide the following comments on the operations of the Company for the half-year ended 30 June 2018.

During the half-year the Company recorded a loss for the year of $5.6 million (1H 2017: Loss of $3.7 million) of which $3.6 million is non-cash expenses related to borrowings amortization, depletion and share based compensation. Oil sales for the half-year were $3.6 million (1H 2017: $nil). The Company is focused on development of its Eagle Ford shale acreage, with production having commenced in the fourth quarter of 2017.

The Company continued the development of its Eagle Ford Shale acreage in Dimmit County, Texas in the first half of the year, with four new wells drilled and completed. The wells were drilled from the Hovencamp pad and subsequent to the half-year had very successful initial 30-day average production rates of 1,128 barrels of oil equivalent per day.

The Company will now commence a new phase of drilling using a rig from Orion Drilling Company. The rig is contracted for 6 months and operations are expected to commence in August 2018. The Company is also finalizing a Reserves Based Lending facility with Wells Fargo to support the development. This facility is expected to be in place in September 2018.

AUDITORS INDEPENDENCE DECLARATION
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

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 directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

J Michael Yeager

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

Houston, Texas
30 August 2018

Auditor's Independence Declaration

As lead auditor for the review of Freedom Oil and Gas Ltd for the half-year ended 30 June 2018, 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

C. Mara

Caroline Mara
Partner
PricewaterhouseCoopers

Newcastle
30 August 2018

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	Notes	Half-year 30 Jun 2018 $'000	Half-year 30 Jun 2017 $'000
Revenue from continuing operations	3	**3,552**	-
EXPENSES			
Cost of sales	4	**(1,855)**	-
Gross profit		**1,697**	-
Other income		**1**	2
General and administrative expense		**(5,513)**	(3,366)
Depreciation and amortisation expense		**(71)**	(284)
Transaction expense		**-**	4
Other gains / (losses) - net		**9**	(161)
Finance costs		**(1,733)**	(20)
Loss before income tax		**(5,610)**	(3,825)
Income tax expense		**(1)**	-
Loss from continuing operations		**(5,611)**	(3,825)
Gain (Loss) from discontinued operation (attributable to equity holders of the Company)		**-**	150
Loss for the half-year		**(5,611)**	(3,675)
Loss is attributable to:			
Owners of Freedom Oil and Gas Ltd		**(5,611)**	(3,675)
Non-controlling interests		**-**	-
		(5,611)	(3,675)
		Cents	Cents
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share		**(0.6)**	(0.5)
Diluted loss per share		**(0.6)**	(0.5)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share		**(0.6)**	(0.5)
Diluted loss per share		**(0.6)**	(0.5)

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

	Half-year 30 Jun 2018 $'000	Half-year 30 Jun 2017 $'000
Loss for the half-year	**(5,611)**	(3,675)
Other comprehensive income for the half-year	**-**	-
Total comprehensive loss for the half-year	**(5,611)**	(3,675)
Total comprehensive loss for the half-year is attributable to:		
Owners of Freedom Oil and Gas Ltd	**(5,611)**	(3,675)
Non-controlling interests	**-**	-
	(5,611)	(3,675)

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

	Notes	30 Jun 2018 $'000	31 Dec 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**9,847**	25,971
Trade and other receivables		**354**	1,903
Inventory		**3**	3
Total current assets		**10,204**	27,877
Non-current assets			
Oil and gas assets	6	**48,448**	24,218
Property, plant and equipment	5	**85**	137
Intangible assets		**84**	103
Deferred tax assets		**79**	79
Total non-current assets		**48,696**	24,537
Total assets		**58,900**	52,414
LIABILITIES			
Current liabilities			
Trade and other payables		**5,637**	1,875
Borrowings	7	**-**	3,778
Total current liabilities		**5,637**	5,653
Non-current liabilities			
Borrowings	7	**15,300**	6,966
Restoration provision		**715**	327
Total non-current liabilities		**16,015**	7,293
Total liabilities		**21,652**	12,946
Net assets		**37,248**	39,468
EQUITY			
Contributed equity	8	**159,839**	159,146
Other equity reserves		**10,462**	7,764
Retained earnings		**(133,053)**	(127,442)
Capital and reserves attributable to owners of Freedom Oil and Gas Ltd		**37,248**	39,468
Non-controlling interests		**-**	-
Total equity		**37,248**	39,468

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

	Attributable to the owners of Freedom Oil and Gas Ltd				
	Contribut-ed equity $'000	**Other equity reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Total equity $'000**
Balance, 1 Jan 2017	143,035	-	(115,996)	27,039	27,039
Total comprehensive loss for the half-year ended 30 Jun 2017	-	-	(3,675)	(3,675)	(3,675)
Balance, 30 Jun 2017	143,035	-	(119,671)	23,364	23,364
Balance, 1 Jan 2018	159,146	7,764	(127,442)	39,468	39,468
Total comprehensive loss for the half-year ended 30 Jun 2018	-	-	(5,611)	(5,611)	(5,611)
Transactions with owners in their capacity as owners:					
Shares issued – value of employee services, net of transaction costs	693	-	-	693	693
Warrants issued	-	2,698	-	2,698	2,698
Balance, 30 Jun 2018	159,839	10,462	(133,053)	37,248	37,248

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

	Half-year 30 Jun 2018 $'000	Half-year 30 Jun 2017 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**6,092**	-
Payments to suppliers and employees (inclusive of goods and services tax)	**(5,552)**	(2,379)
	540	(2,379)
Interest paid	**(143)**	-
Income taxes paid	**-**	-
Net cash (outflow) inflow from operating activities	**397**	(2,379)
Cash flows from investing activities		
Payments for property, plant and equipment	**-**	-
Payments for oil and gas assets	**(22,254)**	(4,422)
Proceeds from sale of property, plant and equipment	**-**	77
Interest received	**6**	2
Net cash (outflow) from investing activities	**(22,248)**	(4,343)
Cash flows from financing activities		
Proceeds from borrowing	**10,000**	-
Repayment of borrowings	**(3,778)**	-
Debt issue costs	**(501)**	-
Net cash inflow from financing activities	**5,721**	-
Net (decrease) in cash and cash equivalents	**(16,130)**	(6,722)
Cash and cash equivalents at the beginning of the financial year	**25,971**	18,454
Effects of exchange rate on cash and cash equivalents	**6**	1
Cash and cash equivalents at end of period	**9,847**	11,733

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

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This condensed consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Freedom Oil and Gas Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below in Note 2.

Going Concern

For the half-year ended 30 June 2018, the Company recorded a loss of $5.6 million (1H 2017: $3.7 million loss). As at 30 June 2018, the Company had net current assets of $4.6 million (31 December 2017: $22.2 million).

The Company's ability to continue as a going concern is dependent upon the timing and amount of oil and gas sales from its development program being equal to the Company's current forecast amounts and achieving additional financing, debt and/or equity, as necessary

As at 30 June 2018, the Company's first two Eagle Ford Shale wells are in production, with an additional four wells beginning production in July 2018. In early August 2018, the company successfully completed a A$25 million placement at A$0.15 per share, with the first tranche of 136,553,382 shares allotted 10 August 2018 and the balance of 30,113,285 shares to be allotted 25 September 2018, subject to shareholder approval at the Company's extraordinary general meeting to be held 18 September 2018. Additionally, the Company is actively completing the necessary requirements to establish a borrowing base within the reserves based lending facility with Wells Fargo during the second half of 2018. With the borrowing base, the completed share raise and the revenue from the developed wells, Management believes that we will have access to the necessary funds to continue the development program and current operations for the near term.

References to '1H' refer to the first half of the year, the period between 1 January and 30 June.

2 New standards adopted

The company adopted the following standards as at 1 January 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*.

(a) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new policies are set out in (iv) below.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of AASB 9), the Company's management assessed which business models apply to the financial assets held by the Company, as required by AASB 9, and classified them into the appropriate categories.

The Company's financial assets at both 31 December 2017 and 30 June 2018 consist solely of cash in cash accounts, and trade receivables resulting from the sale of oil, natural gas, and natural gas products. Management determined that cash and trade receivables meet the criteria for the category "Amortised cost." This represents no change in categorization from prior periods.

2 New standards adopted (continued)

(a)(i) AASB 9, Classification and measurement (continued)

Accordingly, there was no impact on classification or measurement of financial assets from 31 December 2017 to 1 January 2018 from the adoption of AASB 9.

(ii) Derivatives and hedging activities

The Company had no derivative financial assets or liabilities at either 31 December 2017 or 30 June 2018. Accordingly, there was no impact of adoption of the new standard for accounting for derivatives and hedging activities.

(iii) Impairment of financial assets

The Company has two types of financial asset subject to AASB 9's new expected credit loss mode for determining impairment in the value of financial assets: trade receivables and cash accounts. While cash accounts are subject to the impairment requirements of AASB 9, the identified loss was immaterial.

The Company revised its impairment methodology for trade receivables, applying the "simplified approach" described by AASB 9, which uses a lifetime expected credit loss allowance.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at both 1 January 2018 and 30 June 2018 is $nil. Oil and gas revenues in the Eagle Ford commenced in October 2017 and through June 2018, sales were limited to two customers. Based on the limited billing and collection history incurred since the Company's restart of oil and gas production activities, and on the high credit standing of the two customers with outstanding balances at both those dates, management determined that the expected loss rate for current trade receivables is immaterial. All trade receivables at both dates were current.

As the provision for expected credit losses was also $nil at 31 December 2017, the adoption of the new impairment standard in AASB 9 had no impact on the financial positon or operations of the Company.

(iv) Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the Company classifies its financial asset in the follow measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income [OCI], or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI (FVOCI). For investments in debt instruments, this will depend on the business model in which the investment is held.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2 New standards adopted (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and cash flow characteristics of the asset. Currently the Company holds these instruments at amortised cost and measures them in accordance with the following policy:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the condensed consolidated income statement.

Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(b) AASB 15 Revenue from Contracts with Customers

AASB 15 has been applied by the Company in accounting and recognising revenue. 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 employed the modified retrospective approach for adoption as at 1 January 2018.

(i) Impact of adoption

The Company reviewed sales contracts and concluded that AASB 15 required no change in the method of accounting for sales of oil, natural gas, and natural gas liquids. Sales are made at a point in time as the products are delivered on a daily basis, with no contingent features to the price or volumes delivered.

The retrospective method of adoption would have required restatement of contract assets and liabilities, if any, as at 31 December 2017. The Company's sales contracts do not give rise to contract assets or liabilities, either before or after the adoption of AASB 15. Therefore there was no impact on the Company's financial positon or operations. There was no impact on presentation of the financial statements.

(ii) Accounting policies applied from 1 January 2018

Revenue recognition

Revenue is recognised for the major business activities as follows:

Sale of oil

The company produces oil and recognises revenue when the crude oil buyer collects the oil from the field. This is the point in time when control of the product passes to the customer and the risk of loss passes to the customer. The transaction price is recognised based on the contract price agreed multiplied by the volume collected. Production tax paid to state jurisdictions is recorded as a cost of sale.

Sale of natural gas and natural gas liquids

Revenues from the sales of natural gas and natural gas liquids are recognised when the buyer purchases the hydrocarbons at the tailgate of the gas processing plant.

This is considered to be the point in time when control of the product passes to the customer and the risk of loss passes to the customer. For both natural gas and natural gas liquids, the transaction price is recognised on the contract price agreed multiplied by the volume collected. Production tax paid to state jurisdictions, the cost of transporting the gas to the plant and the cost of processing the natural gas liquids out of the raw gas stream at the plant are all included in cost of sales.

3 Segment information

(a) Description of segments

Management has identified the Company's operating segments based on the reports reviewed by the board to make strategic decisions. Operations consist of one segment, oil and gas exploration and production.

(b) Segment information provided to the board

The segment information provided to the board for the reportable segments for the half-year ended 30 June 2018 is as follows:

Oil and gas exploration and production	Half-year 30 Jun 2018 $'000	Half-year 30 Jun 2017 $'000
Total segment revenue	**3,552**	-
Revenue from external customers	**3,552**	-
Loss for the half-year	**(5,611)**	(3,675)

	30 Jun 2018 $'000	31 Dec 2017 $'000
Total segment assets	**58,900**	52,414
Total assets includes:		
Additions to non-current assets (other than financial assets and deferred tax)	**25,390**	16,532
Total segment liabilities	**21,652**	12,946

All revenue was recognized at a point in time.

Asset additions of $16,532,000 include the activity during the twelve month period ended 31 December 2017; additions of $25,390,000 include activity during the six month period ended 30 June 2018.

4 Breakdown of Cost of Sales

	Half-year 30 Jun 2018 $'000	Half-year 30 Jun 2017 $'000
Lease operating expenses	**386**	**-**
Taxes other than income	**147**	**-**
Transportation expense	**83**	**-**
Oil and gas processing	**81**	**-**
Depletion, depreciation, and amortization	**1,158**	**-**
Total cost of sales	**1,855**	**-**

5 Property, plant and equipment

The Company reported a net decrease in the balance of property, plant and equipment of $52,000 in the half-year ended 30 June 2018. This decrease was due to depreciation expense of $52,000.

6 Oil and gas assets

Oil and gas assets in production are amortised on a production output basis via a depletion charge. Production-based depletion of $1,158,000 was charged in the half-year ended 30 June 2018. There was no depletion in 1H 2017, as the field had not yet begun production.

Oil and gas assets increased $25,390,000 in 1H 2018 for costs of development of the Company's Eagle Ford acreage.

7 Borrowings

(a) Financing arrangement

Our Wells Fargo reserves-based facility provides the Company access to low cost capital by granting the lender a secured interest in the Company's oil and gas assets. As at 30 June 2018 and 31 December 2017 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 and is currently being reviewed with the lender due to the recent development activity. The borrowing base can be periodically reviewed for allowable increases as development proceeds. To further secure any borrowings, Wells will require a portion of our production to be hedged.

(b) Current borrowings

	30 Jun 2018 $'000	31 Dec 2017 $'000
Current borrowings		
Short-term financing	**-**	3,778
Total short-term financing	**-**	3,778

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 secured term note due 28 February 2018. The interest rate was based on the US LIBOR plus 12% with interest amounts payable quarterly in arrears. The funds were used to provide financial flexibility while the Company worked to obtain further field development funding. The loan was repaid 5 February 2018.

The Company also issued 25 million options with an exercise price of A$0.20 expiring 30 June 2019 to the lender. 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 were amortized over the life of the debt using the effective interest rate method.

(c) Non-current borrowings

	31 Jun 2018 $'000	31 Dec 2017 $'000
Non-current borrowings		
Mandatorily redeemable preferred stock	**15,300**	6,966
Total redeemable preferred stock	**15,300**	6,966

7 Borrowings (continued)

Mandatorily redeemable preferred stock
On 19 September 2017 Freedom Eagle Ford, Inc. (a wholly owned subsidiary of the Company) 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 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.

On 3 April 2018, the Company issued the remaining 10,000 authorized shares to Ramas at $1,000 per share, for a total of $10 million.

(c) Non-current borrowings (continued)

The funds from sale of the preferred stock are being used primarily for drilling and development of the Company's'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 with the first sale of Freedom Eagle Ford, Inc. preferred stock. An additional 16,481,696 warrants were issued with the second Freedom Eagle Ford, Inc. preferred stock sale. The warrants' value was calculated at $2.8 million and $2.7 million for the first and second sales, respectively, and was recognized to other equity reserves.

The table above reflects the face value of the debt, less cash financing costs and the 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 $20 million (31 Dec 2017: $10 million), which is the difference between the sales price of the shares (30 Jun 2018: $20 million; 31 Dec 2018: $10 million) and their redemption value (30 Jun 2018: $40 million; 31 Dec 2018: $20 million). Accretion is calculated using the effective interest rate method.

The fair value of the redeemable preferred stock at 30 June 2018 is $21.7 million. See note 9 for further information on the calculation of this fair value.

8 Contributed Equity

Share capital

Date	Details	Number of shares	Issue Price	$'000
1 Jan 2018	Opening balance	907,500,115		159,146
	Shares issued – value of employee services, net of transaction costs	2,855,770	$0.24	693
30 Jun 2018	Balance	910,355,885		159,839

Shares were issued to employees in February 2018 for $nil consideration. The $693,000 fair value of the shares on the date of issue was recognised as a non-cash general and administrative expense.

9 Other equity reserves

	Notes	**Half-year ended 30 Jun 2017 $'000**	Year ended 31 Dec 2016 $'000
Balance beginning of period		**7,764**	-
Warrants, fair value at issuance	(a)	**2,698**	
Options issued, at fair value	(b)		266
Warrants, transfer of initial fair value from derivative liabilities	(a)		2,770
Remeasure of fair value on modification	(a)		4,728
Balance end of period		**10,462**	7,764

(a) In April 2018 the company issued 16,481,696 warrants in connection with the second tranche of mandatorily redeemable preferred stock to Ramas (Note 7 above). The fair value of the warrants at date of issue was recognised in other equity reserves.

Similar warrants were issued in 2017 in connection with the first tranche of Ramas stock. Those warrants were recorded first to derivative liabilities, then revalued and reclassified to equity reserves upon agreement with Ramas to vary the warrant terms.

(b) In 2017 the Company issued 25 million options in connection with short term debt (Note 7 above). The fair value of the options at date of issue was recorded in other equity reserves.

10 Fair value measurement of financial instruments

(a) Fair value hierarchy

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 values classified according to defined "levels," which are based on the reliability of the evidence used to determine fair value, with Level 1 being the most reliable and Level 3 the least reliable. Level 1 evidence consists of observable inputs, such as quoted prices in an active market. Level 2 inputs typically correlate the fair value of the asset or liability to a similar, but not identical item which is actively traded. Level 3 inputs include at least some unobservable inputs, such as valuation models developed using the best information available in the circumstances. Disclosures under AASB 7 also require discussion of actual valuation techniques used in fair value measurements used by the Company.

At no time during the half-years ended 30 June 2018 and 30 June 2017 did the Company hold any financial instruments requiring recognition of fair values different from historical carrying values.

(b) Fair values of other financial instruments (unrecognised)

The Company has a number of financial instruments which are not measured at fair value in the balance sheet, such as cash in checking and money market accounts, and accounts receivable and payable. The fair values of these instruments are not materially different to their carrying amounts, since either the interest receivable/payable is close to current market rates or the instruments are short-term in nature. There were no significant differences noted between the carrying amount and fair value of these instruments at 30 June 2018 or 31 December 2017.

The fair value of financial liabilities carried at amortised cost is estimated for disclosure purposes (Note 7, non-current borrowings from Ramas, estimated fair value of $21.7 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 30 June 2018. This is a level 3 valuation.

11 Events occurring after the reporting period

In May 2018, the company accepted a contract with Orion Drilling Company which commences around 1 August 2018. The contract runs for 6 months and contains an option to extend for an additional 6 months. The drilling rig will be utilized by Freedom to continue its development program and the minimum commitment associated with contract is about $20,000/day. Actual development expenditure will be higher and will be recorded in accordance with our accounting policy.

On 6 August 2018 (AEST), Freedom completed an A$25 million placement at A$0.15 per share. 136,553,382 shares were allotted 10 August 2018 (AEST) with the balance of 30,113,285 shares to be allotted 25 September 2018, subject to shareholder approval at the Company's extraordinary general meeting to be held 18 September 2018.

The initial borrowing base for the Wells Fargo reserves-based lending agreement is currently being reviewed with Wells Fargo with the intent of obtaining access to a portion of the credit in the second half of 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected the Company's operations, results, or financial position or may do so in future year

In the directors' opinion:

a. the financial statements and notes set out on pages 4 to 16 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 consolidated entity's financial position as at 30 June 2018 and of its performance for the half-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.

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

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

Houston, Texas
30 August 2018

Independent auditor's review report to the members of Freedom Oil and Gas Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Freedom Oil and Gas Ltd (the Company), which comprises the condensed consolidated balance sheet as at 30 June 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and condensed consolidated income statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Freedom Oil and Gas Ltd. The group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Freedom Oil and Gas Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

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1. giving a true and fair view of the group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 30 June 2018 included on Freedom Oil and Gas Ltd's web site. The Company's directors are responsible for the integrity of the Freedom Oil and Gas Ltd web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

C. Mara

Caroline Mara
Partner

Newcastle
30 August 2018