



# **Longreach Oil Limited**

## **59<sup>th</sup> Annual Report**

**30 June  
2012**

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### **Notice of Meeting and Proxy**

*- see separate documents / inserts*



## **Corporate Directory**

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### **Directors**

Boris GANKE (Chairman)  
Bruce David BURRELL  
Peter C HETHERTON

### **Company Secretary**

Peter C Hetherton

### **Registered and Principal Office**

9th Floor  
82 Elizabeth Street  
Sydney NSW Australia

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Fax: 9233 6475

Postal address: GPO Box 4246  
Sydney NSW 2001 Australia

e-mail: [lgo@longrechoil.com](mailto:lgo@longrechoil.com)  
web site: [www.longrechoil.com](http://www.longrechoil.com)

### **Share Registry**

BoardRoom Pty Ltd  
207 Kent Street  
Sydney NSW Australia

Telephone: 1300 737 760  
Fax: 1300 653 459

### **Auditors**

HLB Mann Judd  
Chartered Accountants

### **Principal Bankers**

ANZ Banking Group Limited

### **Stock Exchange Listing**

The company's shares are quoted on the  
official list of ASX Ltd

**ASX code is: LGO**

## The Company

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### Corporate history

1954 - Longreach Oil Limited was incorporated in NSW as an oil and natural gas exploration company. It is a public company listed on the Australian Securities Exchange. In 1988 the company changed its name to Longreach Gold Oil Limited.

1993 - subsidiary, South Pacific Pty Ltd, acquired an interest in an oil licence in Myanmar.

1994 - Longreach Oil applied for an Exploration Licence in Victoria, prospective for gold and also entered into a diamond exploration joint venture project in Russia.

1995 - Overseas Petroleum Investment Corporation (OPIC) farmed into the oil project in Myanmar for US\$5 million to earn a 50% interest. Joint venture terminated after two wells were drilled.

2001 - November - the company's name reverted to Longreach Oil Limited (ASX code remains LGO).

2001 - December - Longreach Oil acquires a 20% equity interest in Brisbane Petroleum N L (BPL).

2002 - Longreach Oil was involved in the drilling of the Carlston #1 well in the Carnarvon Basin, W.A. and earned an initial interest in three Exploration Permits.

2003 - Longreach Oil applied for an "hot rock" Licence in NSW, which was granted in early 2004.

2004 - October - Drilling by Enterprise Energy N L commenced on Yellowbank Creek #4 well - PL 18, QLD.

2004 - December - Application made for a further oil exploration area in the Surat Basin, QLD - granted - APT-755.

2005 - February - Exploration Permit 439, onshore Carnarvon Basin, W.A. - granted to joint venture.

2006 - March - AusTex Oil Ltd incorporated for the purpose of re-working oil wells in the USA. Longreach's initial equity interest 25%.

2007 - January - Petroleum Exploration Permits in W.A. applied for - EP-460 and EP 461 granted to joint venture in early 2008.

2008 - January - LGO's shareholding in AusTex Oil Ltd (AOK) exceeded (10%) after IPO raised \$20 million and AOK was listed on the ASX.

2008 - Star Finch #1 well, EP-460, and Lake Macleod #1 well, EP-461, W.A. drilled by farm-inees; wells were plugged and abandoned.

2009 - Offshore Oil Ltd incorporated for the purpose of proceeding to an IPO; jointly promoted by Longreach Oil and Southern Cross Exploration N L.

2009 - EL-6212 - NSW - Hot Rocks area - Licence renewal application over part of southern portion of the lease.

2010 - EP-439 - W.A. (Carnarvon Basin) - Farm-in by Lion Petroleum Pty Ltd.

2010 - PL-280 - QLD (Surat Basin) - Petroleum Lease granted for 21 years.

2010 - November - EL-6212 (Hot Rocks - NSW) renewed till March 2013.

2011 - Longreach Oil acquires a 20% interest in Longreach Oil (International) Ltd (inc. in H.K.) - for future operation in Asia.

2012 - February - Brisbane Petroleum Ltd (BPL) sells its interests in Petroleum Leases in the Surat Basin, QLD (PLs 18, 40 and 280). Longreach Oil retains 50% interest in PL 280 and remains as a 20% shareholder in BPL.

2012 - August - Re-working on a shut-in well in PL-280 commenced.

### Corporate aims & objectives

The company's broad objectives are as follows:

1. To create shareholder wealth through capital growth.
2. To be a world explorer and a good corporate and world citizen; to play an effective role in exploring and developing oil, natural gas and energy projects in Australia and elsewhere in the world.
3. To take up investment opportunities by acquisitions, and to enter into joint ventures or mergers with entities having similar objectives.
4. To promote free enterprise; to assist the exploration and mining industry in the elimination of impractical regulations and controls which impact on development of essential resources.



## Chairman's Review - 2012

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This Review provides updated information for shareholders on corporate and financial matters and exploration interests.

### Financial

The total comprehensive loss for the year was \$375,214. After including impairment losses of \$400,000 on listed share investments previously written down in the Fair Value Reserve, the loss for the year was \$756,634. Some of these impairment losses may be reversed in future accounting periods if the market value of the share investments increases.

The Company's share capital increased by \$50,000 following the issue of 5 million shares at one (1) cent each. There are currently 515 million shares on issue. Net Assets as at 30 June 2012 were \$3,422,955.

### Investments

Longreach held several significant or strategic parcels of shares in listed companies. A substantial shareholding of about 20% is also held in the unlisted public company, Brisbane Petroleum Ltd, which until recently held interests in Petroleum Leases in Queensland, which were sold to a Canadian group for consideration of deferred cash, shares and future royalties. Longreach expects to benefit from that sale as a shareholder of BPL when final settlement occurs.

Longreach holds 10,000,000 Founders' Shares in Offshore Oil Ltd and later acquired a further 1,000,000 shares at 12.5 cents each.

### Energy Interests

Current oil and gas and renewable energy interests are described below and in the Exploration and Mining Interests Schedule.

Longreach Oil continues to hold direct interests in oil and gas joint ventures. It also has indirect interests in oil exploration and production through its shareholdings in other companies.

A new company (with an old name), Offshore Oil Ltd (OLI) was incorporated to acquire equity interests in Australian and overseas oil companies and to participate in Oil and Gas and energy joint ventures. The raising of Seed Capital for Offshore Oil has just been re-activated at 10 to 20 cents, whilst the proposed I.P.O price remains at \$1.00.

In due course, it is intended that shareholders of the promoting companies, Longreach Oil Ltd and Southern Cross Exploration N L will have priority entitlement in the I.P.O.

## Exploration Projects

### Oil & Gas

#### QUEENSLAND - Surat Basin (Onshore)

##### *Petroleum Lease 280*

P.L. 280 - which comprises 90 sq. kms (about 22,000 acres) - was granted by the Queensland Government on 1 August 2010 for a period of twenty-one years (21 years) to the joint holders which then comprised Brisbane Petroleum Ltd (BPL) - 50%, and Longreach Oil Ltd - 50%.

During the year, Brisbane Petroleum Ltd negotiated the sale of its 50% interest in PL 280 (together with its other exploration and development interests) to a Canadian group, which formed an Australian subsidiary Chelsea Oil Australia Pty Ltd, to hold those interests.

There have been several oil and gas producing wells in the area now covered by PL 280 and on the adjoining leases, PL 18 and 40. Reports of estimated recoverable oil reserves have been updated in the last few years.

The previous oil discoveries in the area comprising PL 280 were made in the McWhirter and Beardmore fields. The McWhirter No. 1 well was shut-in some years ago, when oil production dropped to an uneconomic level and when the oil price was in the region of \$15 per barrel.

Longreach Oil and Brisbane Petroleum had planned to re-work this well and a 3D seismic survey was also proposed. However, these steps were delayed by the severe floods in that part of the Surat Basin, and the lingering after effects, making it virtually impossible to carry out seismic and exploration work.

Some re-working operations have commenced recently, although no formal JVOA has been entered into as yet with the joint holders of the other 50% of PL 280.

The 50% interest held by Longreach Oil is an important asset, particularly in view of the prospectivity of the Surat Basin generally and the potential for oil and gas discoveries in the specific area covered by PL 280, where commercial oil discoveries have been made in the past.

## Chairman's Review - 2012

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### Oil & Gas

#### **QUEENSLAND - Surat Basin (Onshore)**

##### ***Petroleum Leases No. 18 and No. 40***

Brisbane Petroleum Ltd, in which Longreach has a substantial shareholding, negotiated the sale of its 50% interest in each of these Petroleum Leases to a Canadian group during the year.

#### **WESTERN AUSTRALIA**

##### ***Onshore Carnarvon Basin - EP-439, EP-460 and EP-461 - Oil and Shale Gas***

These permits, which are held in a joint venture with Empire Oil & Gas N L (Rough Range Pty Ltd - a subsidiary of EGO - is the Operator) and several other companies, remain under-explored. Longreach Oil continues to hold an 11.33% interest in EP-439 and EP-461 and an 11.69% interest in EP-460.

Exploration prospectivity for the unconventional shale oil in these three areas is being examined. Shale deposits have been identified in the Perth Basin which may extend into the South Carnarvon Basin. Any discovery, be it oil or shale gas, in any of these permits would be beneficial to all participants of this joint venture.

#### **Renewable Energy - New South Wales**

##### ***Hot Rocks (Group 8 Minerals) - Geothermal Substances - EL 6212 (Sydney)***

Exploration Licence 6212 is located in the Southern part of the Sydney Basin and covers an area of approximately 1,390 km<sup>2</sup> in the Campbelltown-Bowral-Wollongong region was renewed in November 2010 until March 2013.

A relatively small part of E.L. 6212 covers land within the Dharawal State Conservation Area, which is being resumed by the New South Wales Government and no exploration will be allowed on that part of the Licence.

E.L 6212 targets hot-rocks for potential electricity generation. The joint venture has already conducted gravity surveys and that data and other geological data is being reviewed to define possible drilling targets.

This project will require extensive capital for development and it is proposed to invite some of the large energy-related entities to participate in this potential renewable energy project.

Longreach Oil has 50% of this Exploration Licence and Hot Rock Energy Pty Ltd holds the other 50% interest and is Operator.

#### **Coal - New South Wales**

Longreach Oil had a shareholding of 20% in a private company which was applying for coal exploration areas in NSW. Due to changes in Government policy, decisions regarding the status of these exploration interests cannot be precisely determined at present and the Company has written down this investment in the Fair Value Reserve.

#### ***- Indonesia***

In 2009, the Company invested in a coal mining project in Kalimantan via acquisition of an interest in an overseas company, with rights to share a fixed sum per tonne of coal sold after sales commenced. For various reasons, mining operations and sales of coal did not commence. The Company has made virtually a full provision in respect of its Indonesian interests and it has been examining steps for possible recovery of expenditure incurred.

#### **International Operations**

In 2011, Longreach Oil participated in the formation of a private company, Longreach Oil (International) Ltd (incorporated in Hong Kong). That corporate structure can be quickly activated for future participation in resource joint venture projects with companies in mainland China and/or through Hong Kong.

#### **Future Operations**

Longreach Oil will continue with its current participation in oil and gas ventures and will continue to seek prospective oil and gas exploration projects in Australia and overseas.

#### **Proxy**

A Proxy for the Annual General Meeting to be held on Tuesday 20 November 2012 is enclosed with the Annual Report and Notice of Meeting. The continued support of shareholders will be appreciated.

B Ganke  
Chairman

Sydney  
16 October 2012



## Directors' Statutory Report - 2012

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Longreach has been listed as an oil and gas exploration company for more than 50 years (originally on the Sydney Stock Exchange).

### 1. Review of operations

The operations of the group for the year were managing the group's existing exploration projects and investments, as well as examining possible acquisitions of new projects for exploration and investment.

Since balance date, Brisbane Petroleum Ltd commenced a re-work programme on Petroleum Lease 280 in the Surat Basin, Queensland. Progress reports are pending.

### 2. Results of operations

The operations of the consolidated entity during the year resulted in a comprehensive loss of \$375,214.

### 3. Significant changes

There were no significant changes in the state of affairs of the consolidated entity except that flooding in Queensland delayed or prevented seismic surveys or drilling operations being carried out on Petroleum Lease 280. Also, Brisbane Petroleum Ltd, the 50% joint holder, did not proceed with its proposed IPO and made a trade sale of all of its exploration interests to an overseas company.

### 4. Principal activities

The Company's principal objectives have remained constant. The Company's main focus remains on exploration for Oil and Gas.

Longreach holds a 50% interest in Petroleum Lease 280 in the Surat Basin, Queensland; an 11.33% interest in EP-439 and EP-461 and an 11.69% interest in EP-460 in the Onshore Carnarvon Basin (WA) and maintains a 50% interest in Exploration Licence 6212 (New South Wales) for Hot Rocks (geothermal), in a joint venture with Hot Rock Energy Pty Ltd.

Longreach Oil has a 20% interest in a private company, Longreach Oil (International) Ltd (incorporated in Hong Kong), with the objective to participate in energy resource joint ventures with companies from China.

Longreach Oil continues to promote and arrange Seed Capital raising for an Oil and Gas Exploration and Investment company - Offshore Oil Ltd - in which it holds a significant interest. Pre-I.P.O. negotiations for Offshore Oil have involved potential acquisitions of equity and joint-venture interests in Australian and overseas Oil and Gas and Energy companies.

### 5. Significant matters after balance date

The Directors are not aware of any matter or circumstance not otherwise dealt with in this Report that has arisen since the end of the year that has significantly affected or may significantly affect the consolidated entity's operations; the results of those operations; or the entity's state of affairs in future financial years.

### 6. Likely developments in operations and expected results

Likely developments in the operations of the consolidated entity and the expected results cannot be accurately predicted, as they will depend on the successful development of the Company's existing oil and gas projects and realisation of its investments.

### 7. Environmental regulation

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

### 8. Dividends

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

### 9. Directors and Officers

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

Boris Ganke - Director since 1981, Chairman since 1988. Director of a number of other public and private companies over a period of more than 30 years, including other listed companies: Chapmans Ltd - since 1974 (Chairman); Southern Cross Exploration N L - since 1976 (Chairman).

**Directors' Statutory Report - 2012 (cont'd)**

Bruce Burrell - Director appointed 7 October 2011. Director of other public and private companies, including listed companies: Chapmans Ltd - since September 2011; Sunvest Corporation Ltd - since 1996.

Peter Hetheron - Director since 1985; Secretary since 1993. Director of other listed company - Chapmans Ltd - from 1983 to 24 September 2012.

Emma McPherson - Director - from 19 December 2008 to 7 October 2011. Investment Banker.

Details of Directors' interests in the securities of the Company are set out in Note 18.2 to the Financial Report.

**10. Directors' meetings**

The following table sets out the number of meetings of Directors held during the year ended 30 June 2012 and the number of meetings attended by each Director:

	<u>Meetings held</u>	<u>Meetings attended</u>
B D Burrell	3	3
B Ganke	3	3
P Hetheron	3	3
E McPherson	1	1

There were also 7 circular resolutions in respect of various transactions.

**11. Remuneration Report**

The Board consists of three non-executive Directors, who by definition comprise the Key Management Personnel of the consolidated entity. Ms E Goh, who provided accounting services and Ms K Skelton, who provided administration services are also defined as Key Management Personnel.

<b>Directors' Fees</b>		<b>2012</b>	<b>2011</b>
<b>Name</b>	<b>Position</b>	<b>\$</b>	<b>\$</b>
B Ganke	Chairman (non-executive)	18,000	8,000
B D Burrell	Director (non-executive)	16,000	-
P Hetheron	Director	18,000	8,000
E McPherson	Director (non-executive)	<u>2,000</u>	<u>8,000</u>
		<u>54,000</u>	<u>24,000</u>

As disclosed in the accounts, a private company of which B Ganke was a Director, provided administration and management services to the consolidated entity for the period from 1 July 2011 to 31 August 2011 for a fee of \$25,000.

For the period from 1 September 2011 to 30 June 2012, Ms E Goh provided accounting services for a fee of \$30,000, Mr P Hetheron provided company secretarial services for a fee of \$25,000 and Ms K Skelton provided administration services for a fee of \$25,000.

No Director received nor was any Director entitled to receive any shares or options as part of remuneration during the year. Directors' remuneration is below the aggregate amount which was previously approved by shareholders.

**12. Non-Audit Services**

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

**13. 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 7.

**14. Indemnification of Officers and Auditors**

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

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

B Ganke  
Director

Sydney

28 September 2012





Accountants | Business and Financial Advisers

**LONGREACH OIL LIMITED**  
**ACN 000 131 797**

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of Longreach Oil Limited:**

As lead auditor for the audit of Longreach Oil Limited for the year ended 30 June 2012 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 Longreach Oil Limited and the entities it controlled during the period.

**M D Muller**  
**Partner**

**Sydney**  
**28 September 2012**

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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HLB Mann Judd (NSW Partnership) is a member of  International. A world-wide organisation of accounting firms and business advisers.

## Exploration Interests as at 30 September 2012

Location		Sq. Kms.	Total area		Interest %
			Hectares	Acres	
<b><u>OIL &amp; GAS</u></b>					
<b>WESTERN AUSTRALIA - Carnarvon Basin (onshore)</b>					
Exploration Permit 439		7,197	719,700	1,777,659	11.33
Exploration Permit 460	24 blocks	1,550	155,000	382,850	11.69
Exploration Permit 461	4+ blocks	270	27,000	66,700	11.33
<b>QUEENSLAND - Surat Basin (onshore)</b>					
Petroleum Lease 280		90	9,000	22,239	50
This Petroleum Lease was granted on 1 August 2010 for 21 years.					
<b><u>RENEWABLE ENERGY - Hot Rocks (Group 8 Minerals)</u></b>					
<b>NEW SOUTH WALES - Sydney Basin</b>					
Exploration Licence 6212		1,388	138,800	342,836	50
This Exploration Licence was renewed in November 2010 until March 2013.					



## Corporate Governance Statement as at 30 September 2012

Pursuant to Australian Securities Exchange (ASX) listing rule 4.10.3, this statement outlines the main corporate governance practices that were in place throughout the period from 1 July 2011 to the date of this Report.

The Directors' mode of management of the Company's affairs, as embodied in the Corporate Governance Policies and Procedures shown below, has been in place in most respects for many years before any such provisions were formally required.

The specific comments on each principle are shown below.

### 1. Lay solid foundations for the Board and Management

The Board of Directors has the over-all responsibility for the management and governance of the Company. The Board sets and implements the objectives and strategy of the Company. Day to day accounting, administration and management services are provided by a small team of professionals.

The Board reviews these activities and the operational and financial performance of the Company. There are no formal statements as to the delegated authority of management. However the Board reviews all operations of the Company and monitors and manages business risk, and ensures adherence to appropriate ethical standards.

### 2. Structure of the Board

Directors' qualifications and experience are outlined in the Directors' Report. No members of the current Board are considered independent by current definitions. There are no executive Directors at present. Consultants are retained as and when required.

The Board comprises the minimum number of Directors, due to the size of the Company.

Whenever appropriate, the size and composition of the Board may be reviewed to achieve the Company's longer term aims and objectives.

It has not been considered necessary to establish a Nomination Committee, due to the size of the company. The Company has neither special procedures nor policy in place in respect of the appointment or retirement of Directors, apart from the provisions of the Company's constitution.

The Board has not established any committees to evaluate the performance of Directors and has not adopted formal performance enhancement evaluation procedures, as they are not applicable at present.

There are no set procedures for Directors to seek independent professional advice at the Company's expense but each Director would be able to seek independent advice and any request for payment of such costs would be treated on a case by case basis.

### 3. Promote ethical and responsible Decision-making

The Board expects all Directors to perform their duties in a manner which is ethical, responsible and objective and at all times endeavour to maintain and improve the performance and reputation of the Company.

A code of conduct as recommended in best practice recommendation 3.1 has not been formally established as the Board consistently ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company, its shareholders and stakeholders for their conduct.

The Company has issued a policy guideline concerning trading in company securities by Directors, officers and consultants which imposes certain restrictions on trading and which, inter alia, requires the person to pose the question: "Is it right to deal at this stage?"

#### 3.1 Diversity

The Company does not have a policy in relation to diversity regarding gender, age, ethnicity or cultural background. The board believes, after careful consideration, that in view of the small size and operations of the Company a meaningful diversity policy cannot be developed at this time.

### 4. Safeguard integrity in financial reporting

Auditors of the company can be nominated by shareholders. There are no other procedures in place at present. There is no formal Audit Committee, as the majority of Directors are involved in performing the functions of an Audit Committee and reviewing the adequacy of existing audit arrangements.

### 5. Make timely and balanced disclosure

The Board, through its continuous disclosure policy, the maintenance of a web site, and the holding of annual meetings, where shareholders are encouraged to participate, seeks to keep shareholders fully informed of significant developments in an efficient and timely manner.

## Corporate Governance Statement as at 30 September 2012 (cont'd)

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### 5. Make timely and balanced disclosure (cont'd)

The Company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under ASX Listing Rules.

The Board has established policies and procedures to ensure compliance with ASX Listing Rules disclosure requirements and accountability at Director and management level for that compliance. The Board believes that the formalisation of these policies and procedures in a written form per best practice recommendation 5.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.

The Chairman and/or the Company Secretary have been nominated as the persons responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX and the public.

### 6. Respect the rights of shareholders

The Board encourages the participation of shareholders at Annual General Meetings to ensure a sound rapport between shareholders and the Company. The Board ensures that the Auditor attends Annual General Meetings. On request, information is made available to shareholders by e-mail, facsimile or post.

### 7. Recognise and manage risk

Usual standards of identifying significant business risks are applied by the Board. Exploration for oil and gas can be viewed as high risk/high reward speculative activity. The Directors' collective experience and knowledge are relied upon in managing significant risks in such a way as to ensure that no single project would jeopardise the Company's total operations.

Specific areas of risk are identified in view of the inherently risky exploration industry and depending on the sovereign risk of any specific country in which the Company may be operating.

Appropriate confirmations were received from the Chairman and the Alternative Chief Financial Officer that the financial reports are based on sound systems of risk management and internal controls and policies developed by the Board.

Relative to its operations and size, the Board has not established a risk management committee but believes that the company has adequately identified potential business risks and continues to operate effectively in material respects in relation to financial reporting risks.

### *Business risk*

The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies. Specific areas of risk that are identified are regularly considered at Board meetings. Included in these areas are performance of activities, continuous disclosure obligations, asset protection and financial exposures.

### 8. Remunerate fairly and responsibly

Disclosure of remuneration policy and procedures:

- 8.1 Due to the size of the Company it has not been considered necessary to establish a remuneration committee.
- 8.2 The Board is responsible for determining and reviewing the remuneration of Directors, within parameters approved by shareholders, and of consultants whenever appointed. At this stage no performance hurdles have been imposed as there are no executive Directors.
- 8.3 The current remuneration of \$24,000 per annum per Director of the parent company is below the amount approved by shareholders. Mr P Hetheron, Ms K Skelton and Ms E Goh provided company secretarial, administration and accounting services respectively, at fair and reasonable commercial rates. Remuneration of executives and consultants, when appointed, is determined by market conditions. No equity based payments or other benefits were paid to Directors or consultants during the year under review.
- 8.4 Although the Chairman often acts in an executive capacity, he receives no remuneration for that function. Remuneration of executives and consultants, when appointed, would be determined by market conditions. No equity based payments or other benefits were paid to Directors or consultants during the year under review.



## Australian Securities Exchange

### Additional Information current as at 30 September 2012

#### 1. Shareholders and voting rights

1.1 Total number of shareholders: 2,075

Shareholders have one vote for each share held.

1.2 Distribution schedule showing the numbers of shareholders in the following categories:

<u>Categories</u>			<u>Shareholders</u>
1	to	1,000	334
1,001	to	5,000	705
5,001	to	10,000	185
10,001	to	100,000	500
over		100,000	351

#### 2. Substantial shareholders

B Ganke (including deemed relevant interests)	62,754,446
Southern Cross Exploration N L (group)	26,780,000
Starlight Holdings Ltd (group)	42,000,000
Sunvest Corporation Ltd	51,443,844

#### 3. Top twenty shareholders

	<u>Shares held</u>	<u>%</u>		<u>Shares held</u>	<u>%</u>
Sunvest Corporation Ltd	51,443,844	10.0	Efimii Shteisel	9,163,753	1.8
D P Anderson	25,122,835	4.9	Capital Credit Co Pty Ltd	8,363,770	1.6
Bonds & Securities (Trading) P/L	22,988,600	4.5	Country Corporation Pty Ltd	8,000,000	1.5
Southern Cross Exploration N L	21,580,000	4.2	Murraya Holdings Pty Ltd	8,000,000	1.5
Offshore Oil Ltd	18,294,000	3.5	Vogon Pty Limited	8,000,000	1.5
M J Harrison and R F Menzies			Wellington Pacific		
<Super A/c>	16,093,754	3.1	Pty Limited	8,000,000	1.5
C B Dudley	11,798,175	2.3	R G Adamson	7,346,589	1.4
J H Bass	10,000,000	1.9	Formula Company	6,666,666	1.3
Olynthos Australia Pty Ltd	10,000,000	1.9	Tavistock International Ltd	6,600,000	1.3
Starlight Holdings Limited	10,000,000	1.9	Xining Ltd	6,600,000	1.3

#### 4. Options (not quoted)

Sunvest Corporation Ltd holds 10,000,000 options exercisable at one (1) cent per share on or before 31 March 2013.

**Consolidated Statement of Comprehensive Income  
for the year ended 30 June 2012**

	<u>Note</u>	<b>30 June 2012 \$</b>	<b>30 June 2011 \$</b>
Revenue	2	280,831	235,228
Profit/(loss) from sale of investments		(78,054)	74,848
Finance costs	3	(68,216)	(29,959)
Administration expenses		(206,571)	(301,765)
Office lease expenses		(146,590)	(96,353)
Other expenses		(55,450)	(64,627)
Profit/(loss) before significant items and income tax		(274,050)	(182,628)
Significant items	4	(482,584)	(295,270)
(Loss) before income tax		(756,634)	(477,898)
Income tax expense	28	-	-
(Loss) for the year		(756,634)	(477,898)
Other comprehensive income( loss):			
Fair value adjustments on available for sale financial assets			
- listed shares		381,420	(120,640)
- unlisted shares		-	(570,000)
Write back revaluation of unlisted shares		-	(1,650,000)
Total comprehensive income/(loss) for the year		(375,214)	(2,818,538)
Basic and diluted earnings/(loss) per share	22	(0.0015)	(0.0010)

The Consolidated Statement of Comprehensive Income  
should be read in conjunction with the accompanying Notes.



## Consolidated Balance Sheet as at 30 June 2012

	<u>Note</u>	2012 \$	2011 \$
<b>Current assets</b>			
Cash and cash equivalents	5	25,427	6,384
Available for sale financial assets	6	89,291	96,700
Receivables	7	160,748	837,551
Investment in mining project	8	1,000	10,000
<b>Total current assets</b>		276,466	950,635
<b>Non-current assets</b>			
Available for sale financial assets	9	1,139,815	1,269,702
Trade and other receivables	10	2,149,857	1,600,367
Exploration and evaluation expenditure	11	346,178	339,305
<b>Total non-current assets</b>		3,635,850	3,209,374
<b>Total assets</b>		3,912,316	4,160,009
<b>Current liabilities</b>			
Trade and other payables	13	214,195	131,727
Borrowings	14	275,166	280,113
<b>Total current liabilities</b>		489,361	411,840
<b>Total Liabilities</b>		489,361	411,840
<b>Net assets</b>		3,422,955	3,748,169
<b>Equity</b>			
<b>Capital and Reserves attributable to company's equity holders</b>			
Share capital	15	24,947,777	24,897,777
Reserves	16	(724,975)	(1,028,341)
Accumulated losses	17	(20,799,847)	(20,121,267)
<b>Total equity</b>		3,422,955	3,748,169

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

**Consolidated Statement of Changes in Equity  
for the year ended 30 June 2012**

	Share Capital \$	Other Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2010	24,214,277	1,271,656	(19,568,521)	5,917,412
Total comprehensive income/(loss)	-	(2,340,640)	(477,898)	(2,818,538)
Share issues	683,500	-	-	683,500
Transfer capital profits/(losses) (to)/from Reserves	-	74,848	(74,848)	-
Increase in Share Treasury Reserve	-	(34,205)	-	(34,205)
Balance at 30 June 2011	24,897,777	(1,028,341)	(20,121,267)	3,748,169
Balance at 1 July 2011	24,897,777	(1,028,341)	(20,121,267)	3,748,169
Total comprehensive income/(loss)	-	381,420	(756,634)	(375,214)
Share Issues	50,000	-	-	50,000
Transfer capital profits/(losses) (to)/from Reserves	-	(78,054)	78,054	-
Balance at 30 June 2012	24,947,777	(724,975)	(20,799,847)	3,422,955

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





**Consolidated Statement of Cash Flows  
for the year ended 30 June 2012**

	<u>Note</u>	2012 \$	Consolidated 2011 \$
<b>Cash flows from operating activities:</b>			
Dividends received		589	307
Interest received		57,741	11,744
Interest paid		(3,635)	(2,016)
Other operating receipts		70,119	15,000
Operating expenses		(300,272)	(341,181)
Net cash flows (used in) operating activities	27	(175,458)	(316,146)
<b>Cash flows from investing activities:</b>			
Payments for exploration expenditure		(257)	(6,150)
Payments for available for sale financial assets		(9,893)	(53,446)
Proceeds from available for sale assets		56,880	545,975
Repayments by loan and other debtors		405,644	128,450
Loans & advances made		(298,199)	(524,784)
Net cash flows from investing activities		154,175	90,045
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		50,000	201,000
Proceeds from borrowings		23,500	29,800
Repayment of borrowings		(33,174)	(4,206)
Net cash flows from financing activities		40,326	226,594
Net increase in cash held		19,043	493
Cash at the beginning of the financial year		6,384	5,891
Cash at the end of the financial year		25,427	6,384

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

## Notes to and forming part of the financial statements for the year ended 30 June 2012

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### Note 1. Summary of significant accounting policies

1.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report comprises the consolidated entity consisting of Longreach Oil Limited and its subsidiaries.

#### 1.1 Basis of preparation

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

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

#### 1.2 Statement of compliance

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

#### 1.3 Consolidation

##### *Subsidiaries*

The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

#### 1.4 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### 1.5 Investments and other financial assets

##### *Available-for-sale financial assets*

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

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

Unlisted investments are initially recognised at cost where the fair value cannot be measured reliably. Where unlisted investments are subsequently revalued, the fair values are determined after considering the underlying net asset values of the companies and estimated values based on their strategic holdings.



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

**1.5 Investments and other financial assets (cont'd)**

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

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

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

**1.6 Trade and other receivables**

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

**1.7 Cash and cash equivalents**

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

**1.8 Borrowings**

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

**1.9 Revenue recognition**

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

*Dividends*

Dividends are recognised on receipt.

*Interest*

Interest is recognised as it accrues.

*Sale of Financial Assets*

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

**1.10 Exploration and evaluation assets**

Exploration costs are accounted for under the "Area of Interest" method, whereby costs are carried forward provided that rights to tenure of the area of interest are current and either there is a reasonable probability of recoupment through successful development and exploitation or by their sale, or exploration activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable mineral reserves and active and significant operations in, or in relation to, the area are continuing. The ultimate recoupment of costs carried forward in respect of areas of interest still in the exploration or evaluation phases is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. Exploration & Evaluation Assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

**1.11 Joint ventures**

The company's joint ventures with other parties are primarily in exploration activities and the share of its interest in the assets and liabilities of each joint venture is brought to account by including in the respective classifications, where material.

**1.12 Income tax**

Deferred income tax is provided on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

**1.13 Goods and Services Tax (GST)**

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

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

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

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

**1.14 Accounting standards issued not yet operative**

Certain new accounting standards and interpretations have been issued that are mandatory for periods after 30 June 2012. The Group's assessment of the impact of these new standards and interpretations is that they will have little or no impact on the recognition and measurement practices of the Group, and may change some disclosures.

**1.15 Accounting estimates and judgement**

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying nature of assets are as follows:

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

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



		Consolidated	
		2012	2011
Note 2.	Revenues	\$	\$
	Dividends	589	308
	Interest - related parties	163,230	156,557
	Interest	5,285	5,363
	Rent	<u>111,727</u>	<u>73,000</u>
		<u>280,831</u>	<u>235,228</u>
<hr/>			
Note 3.	Finance costs		
	Interest expense - related parties	3,312	2,772
	Interest expense	<u>64,904</u>	<u>27,187</u>
		<u>68,216</u>	<u>29,959</u>
<hr/>			
Note 4.	Significant items		
	Exploration expenditure written off	-	(75,270)
	Impairment loss on investments	(400,000)	(20,000)
	Bad debts written off	-	(10,000)
	GST adjustments	(55,665)	-
	Provision for impairment - mining project	(9,000)	(190,000)
	Provision for impairment - receivables	<u>(17,919)</u>	<u>-</u>
		<u>(482,584)</u>	<u>(295,270)</u>
<hr/>			
Note 5.	Cash and cash equivalents		
	Cash at bank	<u>25,427</u>	<u>6,384</u>
<hr/>			
Note 6.	Available for sale financial assets - current		
	Listed equity securities (Level 1)	<u>89,291</u>	<u>96,700</u>
<hr/>			
Note 7.	Receivables - current		
	Debtors	43,220	43,220
	Provision for impairment	(30,420)	(20,000)
	Debtors -related parties	<u>134,284</u>	<u>130,304</u>
		<u>147,084</u>	<u>153,524</u>
	Loans - related parties	-	526,904
	Loans - other entities	24,351	59,315
	Less: Provision for impairment	<u>(23,351)</u>	<u>(23,351)</u>
	GST receivables	<u>12,664</u>	<u>121,159</u>
		<u>160,748</u>	<u>837,551</u>

	Consolidated	
	2012	2011
<b>Note 8. Investment in Mining Project</b>	<b>\$</b>	<b>\$</b>
At cost	200,000	200,000
Provision for impairment	<u>(199,000)</u>	<u>(190,000)</u>
	<u>1,000</u>	<u>10,000</u>

Longreach was a participating investor in a coal mining project in Indonesia. The project did not progress as anticipated and the above provision has been made.

**Note 9. Available for sale financial assets  
- non-current**

Listed equity securities (Level 1)	118,815	207,149
Shares in corporations not listed on Stock Exchanges (Level 3)		
- at cost	161,000	202,553
- at written down value	10,000	10,000
Shares in corporations not listed on Stock Exchanges - remeasured to fair value (Level 3)	<u>850,000</u>	<u>850,000</u>
	<u>1,139,815</u>	<u>1,269,702</u>

The Shares not listed on Stock Exchanges (Level 3) are carried at cost or at fair values. They are either shares in private companies or shares in companies preparing for an I.P.O. The company's investment in Brisbane Petroleum Ltd (BPL) which held petroleum leases in the Surat Basin in Queensland was revalued in the previous year to \$850,000. The valuation is based on BPL's share issue prices in prior years and the potential return from its sale of assets and future royalties. These investments remain as long-term investments and there are no present intentions to dispose of them.

**Note 10. Receivables - non-current**

Loans - Director related entities (see Note 18.4)	2,070,573	1,553,453
Loans - other entities	37,753	-
Less: Provision for impairment	<u>(7,499)</u>	<u>-</u>
	<u>2,100,827</u>	<u>1,553,453</u>
Security deposits		
- Mining licences	<u>49,030</u>	<u>46,914</u>
	<u>2,149,857</u>	<u>1,600,367</u>

Security deposits earn interest at an average rate of 5% per annum.

Included in non-current loans to related parties is an amount of \$2,037,146 due from Southern Cross Exploration N L (SXX). Interest is being charged on this loan at a rate of 9% per annum. Interest is being capitalised to the loan and not received in cash. The Company advanced further funds to SXX during the year. No loan repayments were received during the year.

The Directors believe this loan to be recoverable as they believe the true value of the underlying, illiquid assets of SXX are not reflected in either the financial report or the current share price of that company. However, the ability of SXX to repay the loan to the Company is dependent on it realising value out of these underlying assets. Due to their illiquid nature, and the current economic environment, there is uncertainty about the timing and amount of any realisation of these assets, and therefore consequent uncertainty about the timing of the recoverability of the loan at its carrying value.



	Consolidated	
	2012	2011
<b>Note 11. Exploration &amp; evaluation expenditure</b>	<b>\$</b>	<b>\$</b>
At cost	<u>346,178</u>	<u>339,305</u>
Movements during the year		
Carrying amount at beginning of year	339,305	408,426
Expenditure incurred	6,873	6,149
Expenditure written off	<u>-</u>	<u>(75,270)</u>
Carrying amount at end of year	<u>346,178</u>	<u>339,305</u>

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

**Note 12. Interests in joint ventures and exploration projects**

The Company held the following interests in joint ventures and exploration projects:

	2012	2011
	% interest	% interest
<b>Onshore Carnarvon Basin</b>		
EP- 439 and EP - 461	11.33	11.33
EP- 460	11.69	11.69
<b>Onshore Surat Basin</b>		
PL 280	50	50
<b>Sydney Basin - Hot Rocks</b>		
E.L. 6212	50	50

The company's interests in the above projects of \$346,178 is included as exploration and valuation expenditure. There were no other material assets or liabilities.

**Note 13. Trade & other payables**

Trade creditors	127,647	120,148
Trade creditors - related parties (see Note 18.3)	<u>86,548</u>	<u>11,579</u>
	<u>214,195</u>	<u>131,727</u>

**Note 14. Borrowings (unsecured)**

Bank overdraft	9,861	9,948
Loans -related parties (see Note 18.3)	10,479	20,120
Loans	<u>254,826</u>	<u>250,045</u>
	<u>275,166</u>	<u>280,113</u>

**Note 15. Share Capital**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
<b>Issued</b>	<b>\$</b>	<b>\$</b>
515,000,000 ordinary shares, fully paid (2011 - 510,000,000)	<u>24,947,777</u>	<u>24,897,777</u>

<b>Movement in Issued Capital</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>No. of shares</b>	<b>\$</b>	<b>No. of shares</b>	<b>\$</b>
Balance at beginning of year	510,000,000	24,897,777	450,000,000	24,214,277
Share placements	5,000,000	50,000	21,000,000	201,000
Consultants, creditors and prepayments	-	-	9,000,000	112,500
Investments-unlisted shares	-	-	20,000,000	250,000
Share treasury	-	-	10,000,000	120,000
Balance at end of year	<u>515,000,000</u>	<u>24,947,777</u>	<u>510,000,000</u>	<u>24,897,777</u>

There are, 10,000,000 options over ordinary shares exercisable at 1 cent each, which expire on 31 March 2013.

**Note 16. Reserves**

Capital profits/(losses)	(200,748)	(122,694)
Fair value	(25,412)	(406,832)
Option premium	70,750	70,750
Share treasury	<u>(569,565)</u>	<u>(569,565)</u>
	<u>(724,975)</u>	<u>(1,028,341)</u>

**16.1 Movement in reserves**

**Capital Profits/(Losses)**

Balance at beginning of year	(122,694)	(197,542)
Profit/(loss) on sale of investments	<u>(78,054)</u>	<u>74,848</u>
Balance at end of year	<u>(200,748)</u>	<u>(122,694)</u>

**Fair Value Reserve**

Balance at beginning of year	(406,832)	1,933,808
Changes in fair value - listed shares	(18,580)	(120,640)
Changes in fair value - unlisted shares	-	(570,000)
Impairment losses transferred to Statement of Comprehensive Income	400,000	-
Write back revaluation - unlisted shares	<u>-</u>	<u>(1,650,000)</u>
Balance at end of year	<u>(25,412)</u>	<u>(406,832)</u>

**16.2 Nature and purpose of reserves**

**Capital Profits/(Losses) Reserve**

The Capital Profits/(Losses) Reserve includes capital profits and losses from sale of investments and other items of a capital nature.

**Fair Value Reserve**

Changes in the fair value of financial assets are taken to and from this Reserve.

**Option Premium Reserve**

The Option Premium Reserve resulted from amounts received from the granting of options to subscribe for ordinary shares in the company.

**Share Treasury Reserve**

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





	Consolidated	
	2012	2011
<b>Note 17. Accumulated losses</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of year	(20,121,267)	(19,568,521)
Net (loss)	(756,634)	(477,898)
Transfer to Capital Losses Reserve	78,054	(74,848)
Balance at end of year	<u>(20,799,847)</u>	<u>(20,121,267)</u>

**Note 18. Disclosures relating to key management personnel and related parties**

The following were key management personnel of the consolidated entity at any time during the financial year: B Ganke (Chairman), B Burrell (appointed 7 October 2011) and E McPherson (resigned 7 October 2011), who were Non-Executive Directors. P Hetherton (Director) provided part-time consulting and company secretarial services. E Goh provided part-time accounting services and K Skelton provided part-time office administration.

Details of Director-related entities are as follows: B Ganke is a Director of Acron Pacific Ltd, Activitas Investment Group Ltd, Bonds & Securities (Trading) Pty Ltd, Chapmans Ltd, Offshore Oil Ltd and Southern Cross Exploration N L. B Burrell is a Director of Chapmans Ltd. P Hetherton is a Director of Acron Pacific Ltd, Chapmans Ltd and Offshore Oil Ltd.

Apart from the transactions disclosed in this Note, there have been no material contracts during the year between the company and the related parties.

**18.1 Total Remuneration of Key Management Personnel**

Directors' Fees	54,000	24,000
Consulting and Secretarial Fees	25,000	-
Accounting and Administration Fees	55,000	-
	<u>134,000</u>	<u>24,000</u>

Detailed disclosures are shown under the Remuneration Report in the Directors' Statutory Report. Secretarial, accounting and administration services were previously provided by a private management company.

**18.2 Directors' equity holdings (including relevant interests and related parties)**

Shares	Balance	Change	Balance
	30 June 2012		30 June 2011
	Number	Number	Number
B Burrell	100,000	100,000	-
B Burrell (relevant interests)	40,000,000	40,000,000	-
B Burrell (related parties)	51,443,844	51,443,844	-
B Ganke	1,720,000	-	1,720,000
B Ganke (relevant interests)	6,555,446	-	6,555,446
B Ganke (related parties)	52,479,000	5,224,000	47,255,000
P Hetherton	150,000	-	150,000
	<u>152,448,290</u>	<u>96,767,844</u>	<u>55,680,446</u>

	Consolidated	
	2012	2011
	\$	\$
<b>18.3 Directors and related party transactions and balances</b>		
<b>Aggregate payables and borrowings at balance date</b>		
Accrued Directors Fees		
B Ganke	17,400	-
B Burrell	16,000	-
P Hetherton	14,700	1,500
Accrued Secretarial fees		
P Hetherton	25,000	-
Other		
B Ganke	13,402	-
	<u>86,502</u>	<u>1,500</u>
<b>Loans (unsecured) owing to:</b>		
Bonds & Securities (Trading) Pty Ltd	<u>10,479</u>	<u>20,120</u>

Interest was charged at 9% per annum on the loans from Bonds & Securities (Trading) Pty Ltd, which is at 60 days call.

**Aggregate amounts included in the determination of Operating Loss before Income Tax that resulted from transactions with Directors and Director related parties were as follows:**

Interest expense		
- Bonds & Securities (Trading) Pty Ltd	1,859	2,772
- B Ganke	746	-
Management fees expense	25,000	150,000
Rent revenues/(reversal)	<u>(3,368)</u>	<u>13,000</u>

A private company of which Mr Ganke was a Director provided accounting, administration, and management services for part of the year (2011 - \$150,000).

**18.4 Disclosures relating to related parties**

**Aggregate receivables at balance date**

**Debtors**

- Acron Pacific Ltd	10,800	7,500
- Brilliant Homes Management Pty Ltd	-	34,646
- Chapmans Ltd	-	36,224
-Longreach Oil International Ltd	770	-
-Offshore Oil Ltd	46,392	-
- Southern Cross Exploration N L	76,322	51,934
	<u>134,284</u>	<u>130,304</u>

**Loans**

- Activitas Investment Group Ltd	-	26,904
- Chapmans Ltd	-	200,000
- Southern Cross Exploration N L	-	300,000
	<u>-</u>	<u>526,904</u>

**Non-current Loans**

- Activitas Investment Group Ltd	33,427	-
- Chapmans Ltd	-	201,889
Southern Cross Exploration N L	2,037,146	1,351,564
	<u>2,070,573</u>	<u>1,553,453</u>



	Consolidated	
	2012	2011
18.4 Disclosures relating to related parties (cont'd)	\$	\$

**Aggregate receivables at balance date**

Interest was earned at 9% per annum on the Loans which are at 12 months call.

**Aggregate amounts included in the determination of Operating Loss before Income Tax that resulted from transactions with other related parties were as follows:**

Interest revenue	163,230	156,557
Rent revenue	<u>111,727</u>	<u>60,000</u>

**Investments in shares in related parties**

Longreach has investments in Chapmans Ltd and Southern Cross Exploration N L with quoted market value of \$192,335 as at 30 June 2012. Longreach also has investments in the following unlisted director-related entities:

Activitas Investment Group Ltd	35,000	35,000
Offshore Oil Ltd	<u>126,000</u>	<u>126,000</u>
	<u>161,000</u>	<u>161,000</u>

18.5 The Company had no Executives (refer to Remuneration Report in Directors' Report).

**Note 19. Commitments for future expenditure**

There were no non-cancellable operating lease expense commitments.

The Company has entered into a lease for two and a half years in respect of office premises at the rate of \$108,000 p.a. for the first year, with a 2% annual rent increase for the balance of the lease period.

**Note 20. Remuneration of auditors**

<b>Audit and review of financial reports</b> (no other services)	<u>39,770</u>	<u>34,000</u>
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**Note 21. Going concern**

The Balance Sheet of the Company as at 30 June 2012 shows Total Net Assets of \$3,422,955 and a deficiency of Current Assets against Current Liabilities of \$214,895 (2011: excess of \$538,795). The Statement of Comprehensive Income for the year ended 30 June 2012 shows a loss of \$756,634 and a total comprehensive loss for the year of \$375,214.

The ability of the company to pay all of its liabilities is dependent on the Company collecting its receivables and realising its financial assets, and this is dependent upon future events and market conditions, including the ability of a major debtor which is a director-related entity to raise capital through sale of investments, projects and/or capital raising. This may constitute a material uncertainty.

However, Directors believe that the company will continue as a going concern based on collecting its receivables, realising its financial assets and its capacity to raise additional capital as and when it will be required.

Note 22. Earnings per share	Consolidated	
	2012	2011
	\$	\$
Basic and diluted earnings (loss) per share	(0.0015)	(0.0010)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	511,260,274	469,643,836

**Note 23. Segment information**

**Business Segment**

The segment in which the company operates predominantly is the exploration industry, exploring for metals and other minerals and primarily for oil, gas and other energy resources, either directly and/or through equity investments in exploration companies. The "Other" segment predominantly relates to loans made to related companies also involved in the exploration industry.

**Geographical**

	Total Consolidated Assets		Mining and Exploration	Other	Mining and Exploration	Other
	2012	2011	2012	2012	2011	2011
	\$	\$	\$	\$	\$	\$
<b>Segment Assets</b>						
Australia	3,911,316	4,150,009	346,178	3,565,138	339,305	3,810,704
Indonesia	1,000	10,000	1,000	-	10,000	-
	<u>3,912,316</u>	<u>4,160,009</u>	<u>347,178</u>	<u>3,565,138</u>	<u>349,305</u>	<u>3,810,704</u>
<b>Segment Liabilities</b>						
Australia	<u>489,361</u>	<u>411,840</u>	<u>12,130</u>	<u>477,231</u>	<u>5,514</u>	<u>406,326</u>

The segmental revenue and results are not considered relevant at this stage of the group's operations.

**Note 24. Particulars of companies included in consolidated accounts**

	Parent Entity's Investment Equity Holding	
	2012	2011
	%	%
Longreach Oil Ltd (parent) - incorporated in New South Wales		
South Pacific Pty Ltd - incorporated in Queensland	100	100



	2012	2011
<b>Note 25. Summary of Parent Entity financial information</b>	<b>\$</b>	<b>\$</b>
Current Assets	276,466	950,635
Non-Current Assets	<u>3,635,850</u>	<u>3,210,666</u>
Total Assets	<u>3,912,316</u>	<u>4,161,301</u>
Current Liabilities	<u>479,765</u>	<u>403,557</u>
Total Liabilities	<u>479,765</u>	<u>403,557</u>
Net Assets	<u>3,432,551</u>	<u>3,757,744</u>
Share Capital	24,947,777	24,897,777
Reserves	(724,975)	(1,028,341)
Accumulated losses	<u>(20,790,251)</u>	<u>(20,111,692)</u>
Total Equity	<u>3,432,551</u>	<u>3,757,744</u>
(Loss) for the year	<u>(756,614)</u>	<u>(475,684)</u>

**Note 26. Risk**

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

Note 27. Reconciliation of cash flows from operating activities	Consolidated	
	2012	2011
	\$	\$
Loss for the financial year	(756,634)	(477,898)
Adjustments for:		
Profit/(loss) on sale of investments	78,054	(74,848)
Exploration expenditure written off	-	75,270
Impairment losses - listed shares	400,000	-
- unlisted shares	-	20,000
Provision for impairment - mining project	9,000	190,000
Provision for impairment - receivables	17,919	-
Other non-cash items	-	110,638
	<u>(251,661)</u>	<u>(156,838)</u>
Change in trade and other receivables	(66,038)	(362,475)
Change in trade and other payables	<u>142,241</u>	<u>203,167</u>
Net cash flows from/(used in) operating activities	<u>(175,458)</u>	<u>(316,146)</u>
<b>Non cash financing and investing activities</b>		
Issues of shares for investments	-	250,000
Issues of shares as payments to consultants, creditors and prepayment	<u>-</u>	<u>232,500</u>

**Note 28. Income tax**

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

(Loss) before income tax	<u>(756,634)</u>	<u>(477,898)</u>
Income tax expense/(benefit) calculated at 30% (2011 30%) on the loss from ordinary activities	(226,990)	(143,369)
Non-deductible expenses	24,772	57,000
Deferred tax assets (brought)/not brought to account	<u>202,218</u>	<u>86,369</u>
Income tax expense	<u>-</u>	<u>-</u>

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

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

**Note 29. Events after balance date**

There were no significant events after balance other than as disclosed in the Report.

*N.B. The Financial Report was authorised by the Directors on 28 September 2012. The Company has the power to amend and re-issue the financial report.*



## Declaration by Directors for the year ended 30 June 2012

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1. In the Directors' opinion:
  - (a) the financial statements and the notes set out on pages 12 to 28 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 2012 and its performance.
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
  
2. The Notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

The Directors have been given the declarations by the Alternative Chief Executive Officer and the Alternative Chief Financial Officer required by Section 295A of the Corporations Act, 2001.

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

B Ganke  
Director

Sydney  
28 September 2012

**LONGREACH OIL LIMITED  
ACN 000 131 797****INDEPENDENT AUDITOR'S REPORT**

To the members of Longreach Oil Limited:

**Report on the Financial Report**

We have audited the accompanying financial report of Longreach Oil Limited ("the company"), which comprises the balance sheet as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity as set out on pages 12 to 29. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' Responsibility for the Financial Report***

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

In Note 1.2 the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Longreach Oil Limited on 28 September 2012, would be in the same terms if provided to the directors as at the time of this auditor's report.



**LONGREACH OIL LIMITED**  
**ACN 000 131 797**

**INDEPENDENT AUDITOR'S REPORT**  
**(continued)**

***Basis for Qualified Auditor's Opinion***

As stated in Note 9, an investment in a non-listed company, Brisbane Petroleum Limited, which has a cost of \$110,910 (2011: \$110,910), has been measured at a fair value as at 30 June 2012 of \$850,000 (2011: \$850,000), with the decrease in fair value of \$1,650,000 during the year ended 30 June 2011 debited to the Fair Value Reserve. In 2007 this investment had been revalued to a fair value of \$5,000,000 with the increase of \$4,889,090 recorded in the Fair Value Reserve. In 2008, it was remeasured to a fair value of \$2,500,000, a reduction of \$2,500,000, recognised as a reduction in the Fair Value Reserve. The Directors have not demonstrated that their assessment of fair value is reliable. The inclusion in the financial report of the investment at fair value constitutes a departure from Australian Accounting Standard AASB 139: *Financial Instruments: Recognition and Measurement*, which requires such investments to be measured at cost if fair value cannot be reliably measured.

Had the Directors stated the investment at cost, the investment would have been recognised at \$110,910, a further reduction of \$739,090; total assets and net assets would have decreased by \$739,090; Loss on write back revaluation of unlisted investments, Total Comprehensive Loss and Fair Value Reserve debit balance would have increased by \$739,090.

The audit report for the year ended 30 June 2011 included a qualification in relation to this investment, that at that time we were unable to satisfy ourselves that the Directors' assessment of fair value at 30 June 2011 was reliable.

***Qualified Auditor's Opinion***

In our opinion, except for the effect on the financial statements of the matter referred to in the Basis for Qualified Auditor's Opinion paragraph:

- (a) the financial report of Longreach Oil Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in 1.2

***Emphasis of Matter – Going concern***

Without modifying our opinion, we draw attention to Note 21 to the financial report, which indicates that the company incurred a total comprehensive loss of \$375,214 (2011: \$2,818,538) during the year ended 30 June 2012. These conditions, along with other matters as set forth in Note 21, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

**LONGREACH OIL LIMITED**  
**ACN 000 131 797**

**INDEPENDENT AUDITOR'S REPORT**  
**(continued)**

***Emphasis of Matter – Related party loan***

Without modifying our opinion, we draw attention to Note 10 to the financial report, which indicates that the company holds a non-current loan receivable from a related party of \$2,037,146 at 30 June 2012. The directors believe the loan is recoverable, however, the conditions set forth in Note 10 indicate the existence of a significant uncertainty about the amount and timing of the realisation of the related party's underlying illiquid assets, and that therefore the consolidated entity may be unable to recover the loan in the normal course of business and at the amount stated.

**Report on the Remuneration Report**

We have audited the Remuneration Report included on page 2 of the directors' report for the year ended 30 June 2012. 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.

***Auditor's Opinion***

In our opinion the Remuneration Report of Longreach Oil Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

**HLB Mann Judd**  
**Chartered Accountants**

**28 September 2012**  
**Sydney**

**M D Muller**  
**Partner**