

LONGREACH OIL LIMITED

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PLEASE ADDRESS ALL CORRESPONDENCE TO GPO BOX 4246, SYDNEY NSW 2001

20 October 2008

e-Lodgement

FOR PUBLIC RELEASE

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

Dear Madam

Re Annual Report - 2008

The company's Annual Report, including the Financial Report, Directors' Report and Auditor's Report, for the year ended 30 June 2008 is attached, together with the Proxy Form.

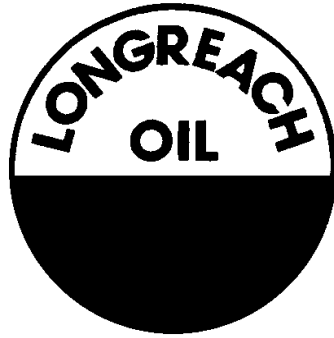
Copies of these documents are being mailed to shareholders.

For and on behalf of

Longreach Oil Limited

P Hetherton
Secretary

-ks/978.108



Longreach Oil Limited

55th Annual Report

2008

Corporate directory

Directors

B Ganke (Chairman)
P C Hetherton
P K Philip (Ms)

Company Secretary

P C Hetherton

Registered and Principal Office

9th Floor
82 Elizabeth Street
Sydney NSW Australia

Telephone: 9233 6022
Fax: 9233 6475

Postal address: GPO Box 4246
Sydney NSW 2001 Australia

e-mail: lgo@longreachoil.com
web site: www.longreachoil.com

Share Registry

Registries Limited
207 Kent Street
Sydney NSW Australia
Telephone: 9290 9600
Fax: 9279 0664

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

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Notice of annual general meeting

Notice is hereby given that the fifty-fifth Annual General Meeting of Shareholders of **Longreach Oil Limited** will be held at the International Nippon Australia & New Zealand Club, Lower Ground Floor, 229 Macquarie Street, Sydney on **Tuesday, 18 November 2008 at 5.00 p.m.**

Business

Item To receive and consider the Financial
1. Report and the Reports of the Directors and Auditors for the year ended 30 June 2008.

Ordinary Resolutions

Item To adopt the Remuneration Report of the
2. company and the entities it controlled during the year for the year ended 30 June 2008.

Item To elect a Director:

3. Mr P C Hetherton retires as a Director in accordance with the company's constitution and being eligible, offers himself for re-election.

Special Business

To consider, and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution:

Item "THAT the Directors be authorised to
4. make placements of up to three hundred million (300,000,000) ordinary fully paid shares in the capital of the company at a price of six (6) cents each or at a price of not less than 80% of the average market price and to grant up to three hundred million (300,000,000) free options to subscribe for ordinary fully paid shares exercisable not later than five years from date of issue at an exercise price of not less than eight (8) cents each, within three months from the date of this meeting, to persons, companies and institutions as the Directors may determine, other than related parties as defined in the Corporations Act".

Item To transact any other business which may
5. be brought forward in accordance with the Company's Constitution.

Explanation re: Resolution 2

Adoption of Remuneration Report

In accordance with Section 250R(2) of the Corporations Act 2001, the Remuneration Report is put to shareholders for adoption. The Remuneration Report is included in the Directors' Report on page 6 of the Annual Report. The vote on this Resolution is advisory only and does not bind the Directors or the company. Reasonable opportunity for shareholders to ask questions about or comment on the Remuneration Report will be given at the meeting.

Explanation re: Resolution 4

Intended use of funds raised

When any capital will be raised by way of placements, the funds raised will be used for general purposes and for the acquisition of oil and gas and energy interests by farm-ins or by direct applications.

Allottees

There is at present no definite basis on which Directors will decide who the allottees will be. If any issue of shares is to be made, Directors will allot the shares to any investors (other than related parties) who are prepared to take up shares in the company at the best price obtainable but not less than the minimum issue price of 80% of the average market price calculated over the last five days on which sales were recorded before the day on which the issue will be made in accordance with Australian Securities Exchange Rule 7.3.3.

When any shares are placed they will be allotted progressively. Any such shares would rank *pari passu* with existing shares.

Notice of annual general meeting *(cont'd)*

Explanation re: Resolution 4 *(cont'd)*

Option terms

The terms and conditions of any options that may be granted are detailed below:

- The amount payable on the exercise of these options will be not less than eight (8) cents per share.
- The options will be exercisable not later than five years from the date of issue.
- Options will be transferable at any time prior to their expiry.
- Optionholders will not be entitled to participate in new issues of securities and will not be entitled to any additional benefits which are not conferred on shareholders in the event of any capital reconstruction, in which case the options will be reconstructed in accordance with the ASX Listing Rules.
- To participate in any rights issue which may be made by the company during the currency of the options, option holders would be required as a condition precedent to exercise any options which may then be current.
- The options shall be exercisable wholly or in part only in parcels of not less than 10,000 shares by notice in writing to Longreach Oil Ltd at any time up to and including the expiry date and by returning the Option Certificate.
- Application for quotation of these options will not be sought.
- Except as required by the ASX Listing Rules, the optionholder has no rights to a change in the exercise price of the options or to the number of shares over which the options may be exercised in the case of new issues of securities.

Voting exclusion statement

Any votes cast on the Resolution by any person who may participate in the proposed share and/or option issues and any associate of that person and by any person who might obtain a benefit, except solely in the capacity of a shareholder, if the Resolution is passed and any associate of that person, shall be disregarded.

Subject to the previous paragraph, if a vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides, the vote will not be disregarded.

By Order of the Board

P C Hetherton
Secretary

8 October 2008

PROXIES

Members unable to attend the Meeting are invited to complete and lodge the Proxy Form enclosed. A Member entitled to attend and vote may appoint not more than two proxies, who need not be members. When more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member's voting rights. To be valid, proxies may be lodged at the company's Registered Office - 9th floor, 82 Elizabeth Street, Sydney, NSW, Australia - or may be transmitted to FAX number (02) 9233 6475 and must be received no later than forty-eight (48) hours before the scheduled start of the Meeting.



The company

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 Stock 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 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 an expenditure of US\$5 million to earn a 50% interest. The joint venture withdrew from this project after two wells were drilled.

1996 - Longreach entered into agreements for three diamond concessions in Angola.

1999 - force majeure was invoked by Longreach in respect of the Angolan joint ventures, in view of renewed hostilities in that country.

2000 - various exploration prospects in Australia and overseas were examined.

2001 - June - Directors resolved to refocus on the principal objectives of oil and gas exploration.

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

2001 - December - Longreach acquires a 19.8% equity interest in Brisbane Petroleum N L, which holds Petroleum Leases 18 & 40 in Queensland.

2002 - Longreach 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 applied for an "hot rock" Licence in NSW, which was granted in early 2004.

2003 - March - Longreach acquires a 100% interest in three Exploration Permits in Western Australia.

2004 - October - Drilling by Enterprise Energy N L commenced under a farm-out agreement with Brisbane Petroleum N L on a development well, Yellowbank Creek #4, on Petroleum Lease 18 in the Surat Basin, QLD.

2004 - November - Longreach increased its interest in share capital of Brisbane Petroleum N L to 22%.

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

2005 - Longreach decides to suspend operations on Angolan diamond areas.

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

2005 - May - A new subsidiary, Offshore Oil Pty Ltd, was incorporated for the purpose of acquiring overseas oil projects.

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 Permit Applications 5/06-7 (now EP-460) and 6/06-7 (now EP-461) in Western Australia applied for by joint venture.

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

2008 - February - 20% interest acquired in uranium joint venture project in Burkina Faso.

2008 - May - three Exploration Permits in Western Australia cancelled.

2008 - July - Star Finch #1 well, EP-460, W.A. drilled - plugged and abandoned.

2008 - October - Lake Macleod #1 well, EP-461, W.A. - drilling commences.

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.

Directors' report - 2008

Your Directors present the 55th Annual Report for the year ended 30 June 2008.

Financial

The operations of the consolidated entity resulted in a consolidated net loss of \$1,271,418 during the year. The company issued 52 million ordinary shares and the share capital increased by \$1,351,277. Also, 18,200,000 free options were granted at an exercise price of ten (10) cents, which are exercisable on or before 30 November 2009. Net Assets stood at \$6,683,601.

Investments

The company has had a policy of using surplus funds for share and other investments.

Longreach held several strategic parcels of shares in listed companies. Amongst the more significant holdings were: AusTex Oil Ltd (AOK), Sunvest Corporation Ltd (SVS) and Bell IXL Investments Ltd (BXL) (which is listed on the National Stock Exchange). A substantial shareholding is also held in the unlisted public company, Brisbane Petroleum Ltd, which has significant proven oil resources in Queensland.

Exploration Interests

The company's current oil, gas and renewable energy interests are set out in the Exploration Review, prepared by the company's Consultant Geologist, Mr Kin Tjhin.

- Oil & Gas

Longreach continued to concentrate its efforts during the year on acquisition of oil and gas projects and has direct interests in oil and gas joint ventures as shown in the Exploration Review.

Longreach also has indirect interests in oil exploration and production through its shareholdings in the unlisted **Brisbane Petroleum Ltd** and in the recent listed **AusTex Oil Ltd (AOK)**.

AusTex Oil was incorporated in March 2006. After raising about \$3 million in seed capital, AusTex Oil raised a further \$20 million in an IPO and listed on the ASX in January 2008. Longreach Oil shareholders had priority rights to apply for shares when the Prospectus was issued.

AusTex Oil is currently operating through subsidiaries which are developing oil leases in Oklahoma and Kansas, USA. At balance date, Longreach had an equity interest of about 10% in AusTex Oil Ltd.

Austar Petroleum Ltd and **Offshore Oil Pty Ltd** are wholly-owned subsidiaries which were incorporated for participation in joint ventures in Indonesia and/or larger overseas oil projects.

- Diamonds

The diamond project in Russia, which has been held for some years in a joint venture with Russian interests, had no progress reported. Directors have resolved to make a full provision in respect of that project.

- Gold

Longreach Oil participated in an application made some years ago for an Exploration Licence near Woods Point. It was refused by the Victorian Government for no valid reason. The gold mines at Woods Point were proposed to be explored and developed but due to unresolved Native Title claims, long delays occurred. The matter remains under review.

- Uranium

A 20% interest in two uranium exploration areas in the West African republic of Burkina Faso was acquired in a joint venture with Southern Cross Exploration N L and Crosscontinental Uranium Ltd (a Canadian company owned 50% by ASX listed company Crossland Uranium Mines Ltd and 50% by Toronto listed Pancontinental Uranium Corp).

Share Price on the Stock Exchange

Shares in Longreach Oil continued to trade at very low levels, at around 3 cents, and more recently below two cents, although this occurred on very low volumes and low dollar values.

However, Directors still consider that with the proposed expansion of operations through the company's strategic investments and participation in other joint ventures and drilling programmes, there is good potential for a significant improvement.

Shareholders should be aware that large percentage gains are possible in the event of any exploration success or with any significant increase in the value of the company's investments, such as its substantial shareholdings in AusTex Oil or Brisbane Petroleum.

B Ganke
Director

Sydney
8 October 2008



Directors' statutory report - 2008

1. Review of operations

The operations of the group for the year were managing the group's existing exploration projects and investments and investigating new opportunities for exploration and investment.

A detailed Exploration Review will be provided in the Annual Report.

2. Results of operations

The operations of the consolidated entity during the year resulted in a net consolidated loss of \$1,271,418 taken up in the Income Statement and \$8,981,255 taken up directly in equity, as a reduction in value on remeasurement and revaluation of investments.

3. Significant changes

There was no significant change in the state of affairs of the consolidated entity other than the issue of 52 million ordinary shares and 18,200,000 unquoted options, exercisable at ten (10) cents per share, expiring on 30 November 2009, and except as stated elsewhere in this Report.

4. Principal activities

Longreach is one of the oldest Stock Exchange listed oil exploration companies, which originally listed on the Sydney Stock Exchange. The company's principal objectives have been to explore for oil, gas and energy resources. At present it concentrates wholly on the oil, gas and energy sectors, including uranium.

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 depend on success with the company's oil and gas exploration operations, as well as the potential increase in the value of its substantial shareholding in AusTex Oil Ltd.

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. Share Options

As at the date of this Report, there are 18,200,000 outstanding options in respect of unissued shares of the company, exercisable at ten (10) cents each on or before 30 November 2009. Unless the options are exercised, the optionholder has no right to participate in any share issue of the company or of any controlled entity.

10. 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 are 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: Alexanders Securities Ltd - from 1969 to May 2006; AusTex Oil Ltd - from 2006; Chapmans Ltd - since 1974 (Chairman); Southern Cross Exploration N L - since 1976 (Chairman).

Peter Hetherington - Director since 1985; Secretary since 1993. Director of other listed company - Chapmans Ltd - since 1983.

Patricia Kay Philip - Director since 1986. Director of other listed companies, Alexanders Securities Ltd - since 1985; AusTex Oil Ltd - from 2006; Proto Resources and Investments Ltd since 2006. Geophysicist. B.Sc., A.S.I.A., Chevalier de l'Ordre National du Merite.

Details of Directors' interests in the securities of the company are set out in Note 17.2 to the Financial Report.

Directors' statutory report - 2008 (cont'd)

11. Directors' meetings

The following table sets out the number of meetings of Directors held during the year ended 30 June 2008 and the number of meetings attended by each Director:

	<u>Meetings held</u>	<u>Meetings attended</u>
B Ganke	3	3
P Hetherton	3	3
P K Philip	3	3

12. Remuneration report

The consolidated entity does not have any salaried Directors or executives.

All Directors are non-executive and do not receive any remuneration except Directors' Fees, which are less than the fees approved by shareholders in 1996.

Directors' Fees		2008	2007
Name	Position	\$	\$
B Ganke	Chairman (non-executive)	8,000	8,000
P K Philip	Director (non-executive)	8,000	8,000
P Hetherton	Director (non-executive)	<u>8,000</u>	<u>8,000</u>
Total remuneration		<u><u>24,000</u></u>	<u><u>24,000</u></u>

No Director received or was entitled to receive any shares or options as part of remuneration during the year. Directors' remuneration is currently below the aggregate amount which was previously approved by shareholders and has been fixed at only a nominal amount.

13. Non-Audit Services

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

14. 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.

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

B Ganke
Director

Sydney
30 September 2008



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 2008, 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 and the entities it controlled during the period.

HLB MANN JUDD

**(NSW Partnership)
Chartered Accountants**

**D K Swindells
Partner**

**Sydney
30 September 2008**

Exploration review - 2008

Longreach Oil continued to examine and seek acquisitions of areas and/or farm-ins in Australia and abroad prospective for oil and gas and other energy resources.

New Projects

OIL & GAS - USA – Oklahoma and Kansas

Longreach holds a strategic interest of about 10% in AusTex Oil Limited (AOK). AusTex's wholly-owned subsidiary, International Energy Corporation (IEC), continued the re-working of existing oil wells on its Oklahoma leases and drilled new wells. Another subsidiary, International Energy Corporation (Kansas) acquired new oil leases in Kansas. Seismic and further oil development wells are scheduled for the second half of 2008 and onwards.

URANIUM - BURKINA FASO, WEST AFRICA

Longreach acquired a 20% interest in two Exploration Permits for uranium in Burkina Faso. The areas are grass roots exploration prospects located in a region where commercial quantities of uranium have been discovered previously. Crosscontinental Uranium Ltd (a Canadian company owned 50% by ASX listed Crossland Uranium Mines Ltd (CUX) and 50% by Toronto listed Pancontinental Uranium Corp) and Southern Cross Exploration N L (original applicant) are participating in the joint venture.

Other Projects

AUSTRALIA

Western Australia

EP-460, EP-461 and EP-439-Gascoyne Sub-basin -Onshore Carnarvon Basin

Exploration Permits EP-460 and EP-461 adjoin EP-439. Two mature prospects, which are Star Finch in EP-460 and Lake Macleod in EP-461, were scheduled for drilling in the second half of 2008. These wells were to be fully funded by the farminees (Jurassica Oil & Gas Plc, Black Fire Energy Ltd and DVM International Ltd). After interests will be earned by the farminees, Longreach will have a remaining interest of 9.35% in these three Exploration Permits (previously 23.38%).

Since balance date, the Star Finch #1 well was drilled and plugged and abandoned. The Lake Macleod #1 well is about to commence drilling.

EP- 369, EP-405 and EP-410 Gascoyne Sub-basin - Onshore Carnarvon Basin.

These frontier areas failed to attract any farminees since Longreach acquired them. As our attempts to farm-out these frontier areas have not succeeded and a commissioned survey report was delayed, the Permits were cancelled.

Queensland

PL 18 and PL 40 - Surat Basin

Longreach has 20% equity interest in Brisbane Petroleum Limited, which holds a 50% working interest in Petroleum Leases 18 and 40.

The oil production from PL 18 for the 2008 financial year was 2,108 barrels. The Louise and Narrows oil fields in PL 40 remained shut-in for the whole financial year. However, Narrows No. 1 will be put back on production towards the end of 2008.

Brisbane Petroleum is continuing to prepare an IPO to raise funds for 3D seismic surveys and the drilling of development wells to increase oil production.

EPP 755 - Surat Basin

A new 3D seismic survey over the Beardmore and McWhirter oil structures is planned for the end of 2008 or first half of 2009, depending on availability of seismic crews which are in short supply.

New South Wales

Hot Rocks - Group 8 Minerals - Sydney Basin

The approval for joint venture's application for renewal of a portion of the original Exploration Licence 6212, covering an area of 1,388 sq. kms located in the southern part of the Sydney Basin, is awaited.

The joint venture is also examining new areas for exploration adjoining the licence area which have geothermal potential.

Future Operations

Examination of energy and oil and gas projects in Australia and overseas will continue to enable either direct or indirect participation in these sectors.

Kin Tjhin
Consultant Geologist

30 September 2008



Exploration and mining interests as at 30 September 2008

Location	Total area		Interest held %
	Sq. Kms.	Hectares Acres	
<u>OIL & GAS</u>			
A. AUSTRALIA			
<i>Western Australia - Carnarvon Basin (onshore)</i>			
Exploration Permit 439	7,197	719,700 1,777,659	9.352
Exploration Permit 460	24 blocks 1,550	155,000	382,850 9.352
Exploration Permit 461	4+ blocks 270	27,000	66,700 9.352
<i>Queensland - Surat Basin</i>			
Exploration Permit for Petroleum 755	374	37,400	92,378 50
Petroleum Leases 18 and 40			
Longreach holds a 20% shareholding in Brisbane Petroleum Ltd, which in turn holds a 50% interest in both Petroleum Leases No. 18 and No. 40.			
<u>ENERGY - Hot Rocks (Group 8 Minerals)</u>			
<i>New South Wales - Sydney Basin</i>			
Exploration Licence - application	1,388	138,800	342,836
An application for renewal of a portion of the original Exploration Licence 6212 in the southern part of the Sydney Basin is pending.			
<u>URANIUM</u>			
BURKINA FASO (North-West Africa)			
Agalsa (07-209)	250	25,000	61,750 20
Tin-Dioulaf (07-205)	250	25,000	61,750 20
<u>DIAMONDS</u>			
<i>Russia - Licence No. 00022 Series ARK</i>			
North of Arkhangelsk	5	500	1,235 15
<u>GOLD</u>			
<i>Victoria</i>			
Application for Exploration Licence 4577 - Royal Standard Group of Gold Mine areas			
The application for this area near Woods Point was refused and appropriate procedures for its restoration are being examined.			

Corporate governance statement as at 30 September 2008

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 2007 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.

1. Role of 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. The management company assists in carrying out these tasks and provides day to day accounting, administration and management services.

The Board reviews the reports of the management company on 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, nor do any Directors draw any salary. Consultants are retained as and when required.

The Board comprises the minimum number of Directors, due to the size of the company and for reasons of cost-effectiveness.

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 no special procedures nor policy in place in respect of the appointment or retirement of Directors, apart from the provisions of the company's constitution.

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 recommendations 3.1 and 10.1 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?"

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.

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 the ASX Listing Rules.



Corporate governance statement *(cont'd)*

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

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 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.

8. Performance evaluation

The Board has not established any committees to evaluate the performance of Directors and has not adopted formal performance enhancement evaluation procedures, due to the size of the company.

9. Remunerate fairly and responsibly

Disclosure of remuneration policy and procedures:

9.1 The Board is responsible for determining and reviewing the remuneration for themselves, within parameters approved by shareholders, and of executives and consultants when appointed. At this stage no performance hurdles have been imposed as there are no executive Directors.

9.2 As described in the Directors' statutory report, the Board is comprised of non-executive Directors. The administration is outsourced and the company retains the services of experienced consulting Geologists on a part-time basis at competitive rates.

9.3 Directors, without a Remuneration Committee, have agreed that the present modest remuneration scale of a maximum of \$8,000 per Director per annum should remain in place, which is below the aggregate amount approved by shareholders.

9.4 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.

10. Recognise the legitimate interests of other stakeholders

The company does not have a formal Code of Conduct covering obligations to other stakeholders. However, the Board is aware of its legal and other obligations to non-shareholder stakeholders. The policy outlined under item 5. above also applies to the commitment of the company to those corporate practices affecting the community as a whole.

**Income statements
for the year ended 30 June 2008**

	<u>Note</u>	Consolidated		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	2	257,390	81,625	257,390	81,625
Finance costs	3	(25,447)	(15,265)	(25,447)	(15,265)
Administration expenses		(365,867)	(445,380)	(365,747)	(445,260)
Other Expenses	4	(1,161,488)	-	(1,161,488)	-
Profit / (Loss) from sale of investments		23,994	(127,055)	23,994	(127,055)
Loss before income tax		(1,271,418)	(506,075)	(1,271,298)	(505,955)
Income tax	27	-	-	-	-
Loss attributable to members of the parent entity		(1,271,418)	(506,075)	(1,271,298)	(505,955)
Basic earnings/(loss) per share	22	(0.0042)	(0.0021)		

The Income statements should be read in conjunction with the accompanying Notes



Balance sheets as at 30 June 2008

	<u>Note</u>	Consolidated		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	5	47,865	126,058	47,465	125,538
Available for sale financial assets	6	177,525	171,152	177,525	171,152
Receivables	7	650,253	504,923	650,253	504,923
Total current assets		875,643	802,133	875,243	801,613
Non-current assets					
Available for sale financial assets	8	6,016,209	13,892,964	6,016,309	13,893,064
Trade and other receivables	9	61,840	78,181	64,949	81,290
Plant and equipment	10	824	1,054	824	1,054
Exploration and evaluation expenditure	11	346,378	1,341,931	346,378	1,341,931
Total non-current assets		6,425,251	15,314,130	6,428,460	15,317,339
Total assets		7,300,894	16,116,263	7,303,703	16,118,952
Current liabilities					
Trade and other payables	12	177,785	194,714	177,785	194,714
Borrowings	13	439,508	336,552	439,508	336,552
Total current liabilities		617,293	531,266	617,293	531,266
Total liabilities		617,293	531,266	617,293	531,266
Net assets		6,683,601	15,584,997	6,686,410	15,587,686
Equity					
Capital and Reserves attributable to company's equity holders					
Share Capital	14	22,679,277	21,328,000	22,679,277	21,328,000
Reserves	15	2,489,425	11,446,686	2,489,425	11,446,686
Accumulated losses	16	(18,485,101)	(17,189,689)	(18,482,292)	(17,187,000)
Total equity		6,683,601	15,584,997	6,686,410	15,587,686

The Balance sheets should be read in conjunction with the accompanying notes

Statements of changes in equity for the year ended 30 June 2008

	Attributable to equity holders of the company			
	Share Capital	Other Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
CONSOLIDATED				
Balance at 1 July 2006	19,557,501	(966,632)	(16,810,669)	1,780,200
Changes in the fair value of available for sale financial assets	-	141,783	-	141,783
Share Issues	1,770,499	-	-	1,770,499
Revaluation of available for sale financial assets - unlisted shares	-	12,398,590	-	12,398,590
Transfer capital losses (to)/from Reserves	-	(127,055)	127,055	-
Loss for year	-	-	(506,075)	(506,075)
Balance at 30 June 2007	<u>21,328,000</u>	<u>11,446,686</u>	<u>(17,189,689)</u>	<u>15,584,997</u>
Balance at 1 July 2007	21,328,000	11,446,686	(17,189,689)	15,584,997
Changes in the fair value of available for sale financial assets- listed shares	-	1,028,245	-	1,028,245
Revaluation (written back) -unlisted shares	-	(10,009,500)	-	(10,009,500)
Share Issues	1,351,277	-	-	1,351,277
Transfer capital profits (to)/from Reserves	-	23,994	(23,994)	-
Loss for year	-	-	(1,271,418)	(1,271,418)
Balance at 30 June 2008	<u>22,679,277</u>	<u>2,489,425</u>	<u>(18,485,101)</u>	<u>6,683,601</u>
PARENT ENTITY				
Balance at 1 July 2006	19,557,501	(966,632)	(16,808,100)	1,782,769
Changes in the fair value of available for sale financial assets - listed shares	-	141,783	-	141,783
Revaluation of available for sale financial assets - unlisted shares	-	12,398,590	-	12,398,590
Share Issues	1,770,499	-	-	1,770,499
Transfer capital losses (to)/from Reserves	-	(127,055)	127,055	-
Loss for year	-	-	(505,955)	(505,955)
Balance at 30 June 2007	<u>21,328,000</u>	<u>11,446,686</u>	<u>(17,187,000)</u>	<u>15,587,686</u>
Balance at 1 July 2007	21,328,000	11,446,686	(17,187,000)	15,587,686
Changes in the fair value of available for sale financial assets - listed shares	-	1,028,245	-	1,028,245
Revaluation (written back) -unlisted shares	-	(10,009,500)	-	(10,009,500)
Share Issues	1,351,277	-	-	1,351,277
Transfer capital profits/(losses) (to)/from Reserves	-	23,994	(23,994)	-
Loss for year	-	-	(1,271,298)	(1,271,298)
Balance at 30 June 2008	<u>22,679,277</u>	<u>2,489,425</u>	<u>(18,482,292)</u>	<u>6,686,410</u>

The Statement of changes in equity should be read in conjunction with the accompanying Notes



Statements of cash flows for the year ended 30 June 2008

	<u>Note</u>	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities:					
Commissions received		75,000	-	75,000	-
Dividends received		273	1,199	273	1,199
Interest received		42,226	1,972	42,226	1,972
Interest paid		(9,231)	(2,097)	(9,231)	(2,097)
Management fees received		224,400	60,000	224,400	60,000
Operating expenses		(463,135)	(357,934)	(463,015)	(357,814)
Net cash flows (used in) operating activities	26	(130,467)	(296,860)	(130,347)	(296,740)
Cash flows from investing activities:					
Payments for exploration expenditure		(80,521)	(38,280)	(80,521)	(38,280)
Payments for available for sale and other financial assets		(1,205,855)	(277,396)	(1,205,855)	(277,396)
Proceeds from available for sale assets		243,331	256,518	243,331	256,518
Repayments by loan and other debtors		489,355	59,500	489,355	59,500
Loans & advances made		(622,051)	(233,930)	(622,051)	(233,930)
Net cash flows from/(used in) investing activities		(1,175,741)	(233,588)	(1,175,741)	(233,588)
Cash flows from financing activities:					
Bank Overdraft		54,485	-	54,485	-
Proceeds from issue of shares		1,141,276	683,250	1,141,276	683,250
Proceeds from borrowings		289,054	5,000	289,054	5,000
Repayment of borrowings		(256,800)	(95,631)	(256,800)	(95,631)
Net cash flows from financing activities		1,228,015	592,619	1,228,015	592,619
Net increase/(decrease) in cash held		(78,193)	62,171	(78,073)	62,291
Cash at the beginning of the financial year		126,058	63,887	125,538	63,247
Cash at the end of the financial year		47,865	126,058	47,465	125,538

The Statements 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 2008

Note 1. Summary of significant accounting policies

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 includes separate financial statements for Longreach Oil Limited as an individual entity and 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 Equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Accounting Interpretations) 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, which include the Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and accompanying notes, complies with International Financial Reporting Standards (IFRS).

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 companies are eliminated. Subsidiaries' accounting policies are changed where necessary to ensure consistency with the policies adopted by the group.

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 the Income Statement 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.



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

1.5 Investments and other financial assets

Available-for-sale financial assets

Available-for-sale financial assets comprising holdings in marketable equity securities 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 based on quoted market prices. 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 unlisted investments are subsequently revalued, the fair values are based on the underlying net asset values of the companies and estimated values based on their strategic holdings,

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

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 the income statement.

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, except as disclosed elsewhere in this Report.

Sale of Financial Assets

The net gain (loss) of 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.

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

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.

1.11 Joint ventures

Exploration Interests include the company's share of its joint venture costs. These costs relate primarily to exploration expenditure or acquisition costs of exploration areas. Other assets and liabilities of the joint venture are not shown, as they are not material to the company's accounts.

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 the Income Statement.

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 Cash Flow Statement 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 are classified as operating cash flows.



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

1.14 New Accounting Standards & Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The group will apply AASB 8 and AASB 2007 - 3 from 1 July 2009 i.e. for 30 June 2010 financial statements. Application of AASB 8 may result in different segments, segment results and types of information being reported in the segment note of the financial report. However, at this stage it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements. AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards Arising from AASB 101

A revised AASB 101 is effective for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income, and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. An income statement will no longer be required. Also, if an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The group intends to apply the revised standards from 1 July 2009, i.e. for 30 June 2010 financial statements.

(iii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is effective for annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard is not expected to have any significant impact on the group's financial report.

(iv) Revised AASB 127 Consolidated & Separate Financial Statements

The revised AASB 127 is effective for reporting periods commencing on or after 1 July 2009.

The revised AASB 127 changes the accounting for investments in subsidiaries. Key changes include:

- the re-measurement to fair value of any previous / retained investment when control is obtained/lost, with any resultant gain or loss being measured in profit or loss;
- the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders.

The group will apply the revised AASB 127 from 1 July 2009 i.e. for the 30 June 2010 financial statements. The revised Standard is not expected to have any impact on the group's financial report

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

1.14 New Accounting Standards & Interpretations (cont'd)

(v) AASB 2008 - 1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations

AASB 2008 - 1 is effective for periods commencing on or after 1 January 2009. It changes the measurement of share-based payments that contain non-vesting conditions.

The group will apply AASB 2008 - 1 from 1 July 2009 i.e. for 30 June 2010 financial statements. AASB 2008 - 1 is not expected to have any significant impact on the group's financial report.

(vi) AASB 2008 - 3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

AASB 2008 - 3 is effective for periods commencing on or after 1 July 2009.

It amends a number of Australian Accounting Standards and Interpretations. The group has not yet determined the impact of these changes on the group's financial report.

Note 2. Revenues	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Commissions	75,000	-	75,000	-
Dividends	276	1,199	276	1,199
Interest - related parties	32,168	9,050	32,168	9,050
Interest - other persons	5,946	4,831	5,946	4,831
Management Fees	144,000	66,545	144,000	66,545
	<u>257,390</u>	<u>81,625</u>	<u>257,390</u>	<u>81,625</u>

Note 3. Finance costs

Interest expense - related parties	9,286	6,732	9,286	6,732
Interest expense - other	16,161	8,533	16,161	8,533
	<u>25,447</u>	<u>15,265</u>	<u>25,447</u>	<u>15,265</u>

Note 4. Other expenses

Exploration expenditure written off	435,456	-	435,456	-
Provision for impairment - exploration areas	708,332		708,332	
Provision for doubtful debts	17,700	-	17,700	-
	<u>1,161,488</u>	<u>-</u>	<u>1,161,488</u>	<u>-</u>

Note 5. Cash and cash equivalents

Cash at bank	<u>47,865</u>	<u>126,058</u>	<u>47,465</u>	<u>125,538</u>
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Cash and cash equivalents earned interest at an average rate of 5 % per annum.



Note 6. Available for sale financial assets - Current	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Listed equity securities at market value	<u>177,525</u>	<u>171,152</u>	<u>177,525</u>	<u>171,152</u>
The market value of these securities was \$156,202 as at 29 September 2008.				

Note 7. Receivables - Current

Debtors and prepayments	286,862	356,110	286,862	356,110
Debtors and prepayments-related parties	58,075	-	58,075	-
Deposits	21,531	20,129	21,531	20,129
Deposits - from related parties	<u>283,785</u>	<u>128,684</u>	<u>283,785</u>	<u>128,684</u>
	<u>650,253</u>	<u>504,923</u>	<u>650,253</u>	<u>504,923</u>

Deposits - related parties are at 90 days call and earn interest at 9% per annum.

**Note 8. Available for sale financial assets
- Non-current**

Listed equity securities at market value	3,359,656	706,411	3,359,656	706,411
Shares in corporations not listed on Stock Exchanges - at cost	156,553	156,553	156,653	156,653
Shares in corporations not listed on Stock Exchanges - remeasured to fair value	<u>2,500,000</u>	<u>13,030,000</u>	<u>2,500,000</u>	<u>13,030,000</u>
	<u>6,016,209</u>	<u>13,892,964</u>	<u>6,016,309</u>	<u>13,893,064</u>

The Directors revalued the company's investment in Austex Oil Ltd from \$490,500 to \$8,000,000 and investment in Brisbane Petroleum Ltd from \$110,910 to \$5,000,000 in December 2006. In January 2008, AusTex Oil Ltd was listed on the Australian Securities Exchange and the securities are now included in listed investments at quoted market value. The previous revaluation of \$7,509,500 was written back in the fair value reserve. Directors have also written down the shares in Brisbane Petroleum Ltd from the revalued amount of \$5,000,000 to \$2,500,000.

The market value of the listed equity securities was \$2,245,175 as at 29 September 2008.

Note 9. Trade & other receivables - Non-current

Debtors	285,891	285,891	285,891	285,891
Provision for doubtful debts	(272,891)	(255,191)	(272,891)	(255,191)
Loans and advances - controlled entities	-	-	3,109	3,109
Security deposits on mining licences and property lease	<u>48,840</u>	<u>47,481</u>	<u>48,840</u>	<u>47,481</u>
	<u>61,840</u>	<u>78,181</u>	<u>64,949</u>	<u>81,290</u>

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

Note 10. Plant & equipment

Plant & equipment - at cost	3,768	3,768	3,768	3,768
Less: accumulated depreciation	<u>(2,944)</u>	<u>(2,714)</u>	<u>(2,944)</u>	<u>(2,714)</u>
	<u>824</u>	<u>1,054</u>	<u>824</u>	<u>1,054</u>

**LONGREACH OIL LIMITED
AND CONTROLLED ENTITIES**

Note 11. Exploration & evaluation expenditure	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
At cost	1,054,710	1,341,931	1,054,710	1,341,931
Less: Provision for impairment	(708,332)	-	(708,332)	-
	<u>346,378</u>	<u>1,341,931</u>	<u>346,378</u>	<u>1,341,931</u>
Movements during the year				
Carrying amount at beginning of year	1,341,931	1,207,816	1,341,931	1,207,816
Expenditure incurred	148,235	134,115	148,235	134,115
Expenditure written off	(435,456)	-	(435,456)	-
Provision for impairment	(708,332)	-	(708,332)	-
Carrying amount at end of year	<u>346,378</u>	<u>1,341,931</u>	<u>346,378</u>	<u>1,341,931</u>

During the year, the onshore oil and gas exploration areas in the Carnarvon Basin were relinquished and written off. A full provision of \$708,332 was made for the diamond project in Russia as the Directors have not received sufficient information to be assured of the viability of the project.

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. Trade & other payables

Trade creditors	141,785	84,360	141,785	84,360
Trade creditors - related parties (refer Notes 17.3, 17.4)	<u>36,000</u>	<u>110,354</u>	<u>36,000</u>	<u>110,354</u>
	<u>177,785</u>	<u>194,714</u>	<u>177,785</u>	<u>194,714</u>

Note 13. Borrowings (unsecured)

Bank overdraft	54,485	-	54,485	-
Loans from related parties (refer Note 17.3)	145,252	102,912	145,252	102,912
Loans - other	<u>239,771</u>	<u>233,640</u>	<u>239,771</u>	<u>233,640</u>
	<u>439,508</u>	<u>336,552</u>	<u>439,508</u>	<u>336,552</u>

**LONGREACH OIL LIMITED
AND CONTROLLED ENTITIES**

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Note 16. Accumulated losses				
Balance at beginning of year	(17,189,689)	(16,810,669)	(17,187,000)	(16,808,100)
Net loss attributable to members of the parent entity	(1,271,418)	(506,075)	(1,271,298)	(505,955)
Transfer to Capital Losses Reserve	(23,994)	127,055	(23,994)	127,055
Balance at end of year	<u>(18,485,101)</u>	<u>(17,189,689)</u>	<u>(18,482,292)</u>	<u>(17,187,000)</u>

Note 17. 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, P Hetheron and P K Philip, who were Non-Executive Directors.

Details of Director-related entities are as follows: B Ganke is a Director of Acron Pacific Ltd, Bonds & Securities (Trading) Pty Ltd, Brilliant Homes Management Pty Ltd, Chapmans Ltd and Southern Cross Exploration N L. P Hetheron is a Director of Acron Pacific Ltd, and Chapmans 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.

17.1 Directors' remuneration

Total Directors' Fees	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
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Detailed disclosures are shown under the Remuneration Report in the Directors' Statutory Report.

17.2 Directors' equity holdings

(including relevant interests and related parties)

	Balance 30 June 2007	Change	Balance 30 June 2008
Shares	Number	Number	Number
B Ganke	1,720,000	-	1,720,000
B Ganke (relevant interests)	6,555,446	-	6,555,446
B Ganke (related parties)	<u>31,402,825</u>	<u>755,000</u>	<u>32,157,825</u>
	39,678,271	755,000	40,433,271
P Hetheron	150,000	-	150,000
P K Philip	<u>150,000</u>	-	<u>150,000</u>
	<u>39,978,271</u>	<u>755,000</u>	<u>40,733,271</u>



Note 17. Disclosures relating to key management personnel and related parties (cont'd)

17.3 Directors and related party transactions and balances

Aggregate payables and borrowings at balance date	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Creditors				
B Ganke - accrued Directors' Fees	-	4,000	-	4,000
P Hetherton - accrued Directors' Fees	36,000	54,000	36,000	54,000
P K Philip - accrued Directors' Fees	-	41,000	-	41,000
P K Philip - accrued Consultant Fees	-	4,500	-	4,500
Brilliant Homes Management Pty Ltd	-	6,854	-	6,854
	<u>36,000</u>	<u>110,354</u>	<u>36,000</u>	<u>110,354</u>

Brilliant Homes Management Pty Ltd provided all accounting, administration, management, secretarial and capital raising services for the year ended 30 June 2008 for a total of \$120,000 (2007 - \$120,000).

Loans (unsecured) owing to:

Bonds & Securities (Trading) Pty Ltd	89,474	47,850	89,474	47,850
P K Philip	55,778	55,062	55,778	55,062
	<u>145,252</u>	<u>102,912</u>	<u>145,252</u>	<u>102,912</u>

Interest was charged at 9% per annum on the loans to Bonds & Securities (Trading) Pty Ltd and P K Philip, which are at 12 months 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)	6,070	3,247	6,070	3,247
Interest expense - P K Philip	3,216	3,216	3,216	3,216
Management fees expense	120,000	120,000	120,000	120,000
Rental expenses recouped	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>

Note 17. Disclosures relating to key management personnel and related parties (cont'd)

17.4 Disclosures relating to related parties	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Aggregate receivables at balance date				
Deposits - Chapmans Ltd	154,665	35,692	154,665	35,692
Deposits - Southern Cross Exploration N L	129,120	92,992	129,120	92,992

Interest was earned at 9% per annum on the deposits, which are at 60 days 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	32,168	9,050	32,168	9,050
Interest expense	-	269	-	269
Rental expenses recouped	60,000	60,000	60,000	60,000

Investments in shares

<u>Name of Company</u>	<u>Ownership Interest</u>		<u>Amount of Investment</u>	
	2008	2007	2008	2007
	%	%	\$ at market value	\$ at market value
Chapmans Ltd	4	3	103,460	97,030
Southern Cross Exploration N L	3	1.5	121,606	190,812

17.5 The company has no Executives (refer to Remuneration Report in Directors' Report).

Note 18. Transactions with controlled entities	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Aggregate amounts receivable at balance date				
Offshore Oil Pty Ltd	-	-	980	980
South Pacific Pty Ltd	-	-	2,129	2,129
	-	-	-	-
	-	-	3,109	3,109

Note 19. Commitments for future expenditure

There were no non-cancellable operating lease expense commitments

Note 20. Remuneration of auditors

Audit and review of financial reports (no other services)	24,000	18,000	21,000	18,000
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Note 21. Going concern

The company will be able to continue as a going concern as Directors believe that existing investments held will provide sufficient capital for any normal operating expenditure, whilst the company has the capacity to raise additional equity capital when required, a capacity that has been demonstrated over the years.

Note 22. Earnings per share

	Consolidated	
	2008	2007
(a) Basic earnings (loss) per share	(0.0042)	(0.0021)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	304,864,093	243,371,920
(b) Diluted Loss per share		

The company's potential ordinary shares, being its options granted are not considered dilutive as conversion of these options would result in a decrease in the net loss per share.

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.

Geographical

Segment Assets

	2008		2007		2008		2007			
	Total Consolidated Assets		Exploration		Other		Exploration		Other	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Australia	7,225,622	15,407,831	271,106	7,029,788	633,499	14,744,332				
Burkina Faso	75,272	-	75,272	-	-	-				
Russia	-	708,432	-	-	708,432	-				
	<u>7,300,894</u>	<u>16,116,263</u>	<u>346,378</u>	<u>7,029,788</u>	<u>1,341,931</u>	<u>14,744,332</u>				

Segment Liabilities

	2008		2007		2008		2007			
	Total Consolidated Liabilities		Exploration		Other		Exploration		Other	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Australia	<u>617,293</u>	<u>531,266</u>	-	617,293	23,000	508,266				

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		Book Value	
	2008	2007	2008	2007
	%	%	\$	\$
Longreach Oil Ltd - inc. in New South Wales				
Offshore Oil Pty Ltd - inc. in New South Wales	100	100	100	100
South Pacific Pty Ltd - inc. in Queensland	100	100	-	-
			<u>100</u>	<u>100</u>

Note 25. 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 company'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.

Note 26. Reconciliation of cash flows from operating activities

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loss for the financial year	(1,271,418)	(506,075)	(1,271,298)	(505,955)
Depreciation	230	283	230	283
(Profit)/Loss on sale of investments	(23,994)	127,055	(23,994)	127,055
Other non-cash items	1,161,488	71,107	1,161,488	71,107
Changes in assets and liabilities				
Decrease/(increase) in trade and other receivables	48,400	(25,453)	48,400	(25,453)
Increase/(decrease) in trade and other payables	(45,173)	36,223	(45,173)	36,223
Net cash flows from/(used in) operating activities	<u>(130,467)</u>	<u>(296,860)</u>	<u>(130,347)</u>	<u>(296,740)</u>
Non cash financing and investing				
Issue of shares for exploration costs	-	90,000	-	90,000
Issues of shares for purchase of share investments	135,000	685,500	135,000	685,500
Issues of shares as payment/prepayments for services	<u>75,000</u>	<u>311,750</u>	<u>75,000</u>	<u>311,750</u>



Note 27. Income tax

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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(Loss) before income tax	(1,271,418)	(506,075)	(1,271,298)	(505,955)
Income tax expense/(benefit) calculated at 30% (2007 30%) on the loss from ordinary activities	(381,425)	(151,822)	(381,389)	(151,786)
Non-deductible expenses	755,310	-	755,310	-
Deferred tax assets not brought to account	306,115	151,822	306,079	151,786
Income tax expense	-	-	-	-

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
- that legislation will not change in a manner which would adversely affect the consolidated entity's ability to realise the deferred tax assets.

Note 28. 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 30 September 2008. The company has the power to amend and re-issue the financial report.

Declaration by directors for the year ended 30 June 2008

In the Directors' opinion:

(a) the financial statements and the notes set out on pages 12 to 29 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Equivalent Chief Executive Officer and the Equivalent 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
30 September 2008



Independent Auditor's Report

To the members of Longreach Oil Limited:

We have audited the accompanying financial report of Longreach Oil Limited ("the company"), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration for both the company and the Longreach Oil Limited Group ("the consolidated entity") as set out on pages 12 to 30. 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, 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.

These Auditing 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 entity'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 entity'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 30 September 2008, would be in the same terms if provided to the Directors as at the time of this auditor's report.

Basis for Qualified Auditor's Opinion

As stated in Note 8, an investment in a non-listed company, Brisbane Petroleum Limited, which has a cost of \$110,910 (2007 - \$110,910), has been measured at a fair value as at 30 June 2008 of \$2,500,000 (2007 - \$5,000,000), with the increase from cost to fair value of \$2,389,090 (2007 - \$4,889,090) credited to the Fair Value Reserve. The 2008 change in fair value has been recognised as a reduction in the Fair Value Reserve. We have been unable to satisfy ourselves that the Directors' assessment of fair value is reliable, and therefore that the value attributed to the unlisted investment which has been measured at fair value is in accordance with Accounting Standard AASB 132 Financial Instruments: Recognition and Measurement, which requires such investments to be measured at cost if fair value cannot be reliably measured.

Independent Auditor's Report *(cont'd)*

The audit report for the year ended 30 June 2007 included a similar qualification in relation to the increase from cost to fair value (\$4,889,090 at that date) of this investment.

The audit report for the year ended 30 June 2007 also includes a similar qualification in relation to another investment in a then unlisted company, AusTex Oil Limited, where the increase from cost to fair value was \$7,509,500. AusTex Oil Limited is now listed on the Australian Securities Exchange and in 2008 the investment has been recorded at market value.

Our qualification in the audit report for the year ended 30 June 2007 related to the total amount of \$12,398,590 credited to the Fair Value Reserve as at 30 June 2007 in relation to investments in Brisbane Petroleum Limited and AusTex Oil Limited.

Qualified Auditor's Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in item 12 in the Directors' statutory report for the year ended 30 June 2008. 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 2008 complies with section 300A of the Corporations Act 2001.

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

D K Swindells
Partner

Sydney
30 September 2008



Australian Stock Exchange

Additional information current as at 30 September 2008

1. Shareholders and voting rights

1.1 Total number of shareholders: 2,022

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	316
1,001	to	5,000	721
5,001	to	10,000	191
10,001	to	100,000	530
over		100,000	264

2. Substantial shareholders

Bell IXL Investments Ltd (group)	54,832,418
B Ganke (including deemed relevant interests)	40,803,271
Southern Cross Exploration N L (group)	27,882,825
Sunvest Corporation Ltd	36,170,000

3. Top twenty shareholders

	<u>Shares held</u>	<u>%</u>		<u>Shares held</u>	<u>%</u>
Sunvest Corporation Ltd	36,170,000	11.0	Bonds & Securities (Trading) Pty Ltd	6,298,600	1.9
Bell IXL Investments Ltd	24,928,965	7.6	Northern Star Investments Pty Ltd	6,250,000	1.9
Southern Cross Exploration N L	21,632,825	7.8	AusTex Oil Ltd	5,000,000	1.5
K Pagnin Super Pty Ltd	17,400,000	5.3	Capital Credit Co Pty Ltd	4,363,770	1.3
Efimii Shteisel	8,063,253	2.4	Emeritus Pty Ltd	4,230,446	1.3
E Bouloukos	7,000,000	2.1	I & S Evans	4,000,000	1.2
Formula Company	6,666,666	2.0	Ray Wilkie Investments Pty Ltd	4,000,000	1.2
Tavistock International Ltd	6,600,000	2.0	Cramm Nominees Pty Ltd	3,737,064	1.1
Xining Ltd	6,600,000	2.0	C & R Thurecht Pty Ltd	3,660,000	1.1
Cellante Securities Pty Ltd	6,300,000	1.9	G Zuber	3,539,950	1.1

4. Options (not quoted)

There are 18,200,000 options on issue exercisable at ten (10) cents per share on or before 30 November 2009. None of the 24 optionholders hold 20% or more of the total issued options.

