

COMPANY PROFILE

IPB Petroleum Limited (ACN 137 387 350) is an Australian oil and gas exploration company. IPB Petroleum has built a material position in what it believes to be in the oil prone southern margin of the Browse Basin offshore northwest Australia.

Our aim is to achieve superior returns for our shareholders, through successful exploration, or acquisition and or appraisal, and if successful development and production from oil and gas assets.

ANNUAL GENERAL MEETING

The Annual General Meeting of IPB Petroleum is proposed to be held on:

22 November 2018 at 2pm

At the offices of:

Baker & McKenzie
Level 19, 181 William Street
Melbourne VIC 3000
Australia

This report meets our compliance and governance requirements and is designed to provide easy to read information for shareholders on IPB Petroleum's performance for the year to 30 June 2018.

Front Cover:

Interpreted Top Main Reservoir surface in depth from IPB's reprocessed 3D Seismic Survey (WA-424-P)

Image of drill rig workers making a connection during drilling operations

Image of Pacific Explorer Seismic vessel courtesy PGS, acquired GMC3Dsurvey for IPB in 2011

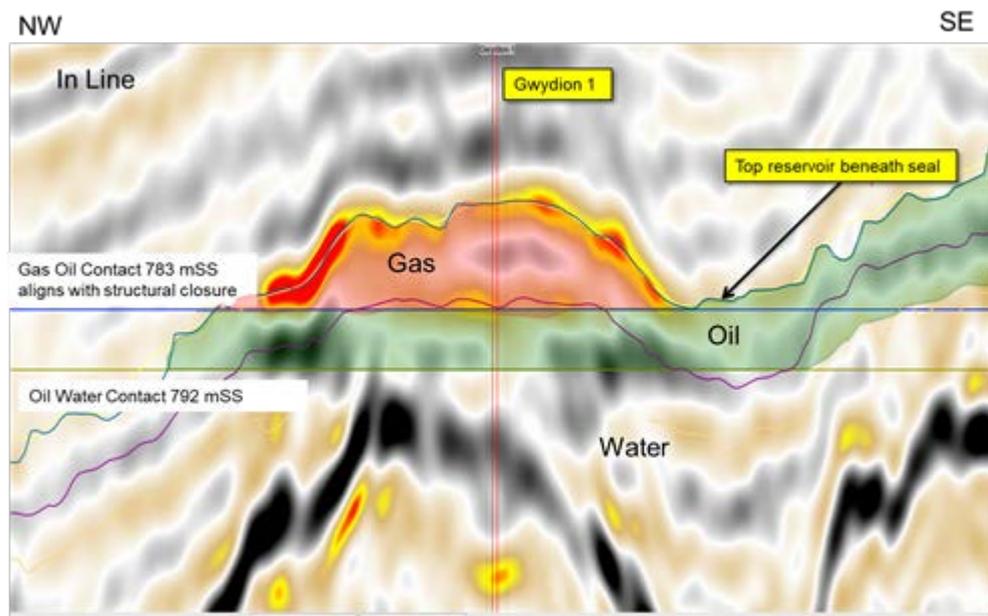
Location Map – IPB Petroleum Permits Browse Basin Australia

View from offshore rig of well operations

Background: Illustration by Roy Grinnell of Sedco 702 (Gwydion discovery well BHP 1995) courtesy of "Popular Mechanics"

Below:

3D Seismic line in depth through Gwydion oil discovery (WA-424-P) with marked gas and oil columns as measured by well logs.



CONTENTS



Image of Stacked drill casing from Pryderi well

Chairman’s Letter	<i>Page 3</i>
Managing Director’s Overview	<i>Page 5</i>
Directors’ Report	<i>Page 7</i>
Auditor’s Independence Declaration	<i>Page 26</i>
Financial Report	<i>Page 28</i>
Financial Statements	<i>Page 28</i>
Notes to the Financial Statements.....	<i>Page 32</i>
Directors’ Declaration	<i>Page 58</i>
Auditor’s Report	<i>Page 60</i>
ASX Additional Information	<i>Page 65</i>
Glossary	<i>Page 69</i>
Corporate Directory	<i>Page 70</i>



Image of a semi-submersible drill rig

Chairman's Letter



IPB Petroleum Limited
(ACN 137 387 350)
Level 1, 181 Bay Street
Brighton VIC 3186
Australia
Ph: +61 3 9598 0188
Fax: +61 3 9598 0199

7 September 2018

Dear Shareholder,

As I reflect on the past twelve months, I believe shareholders can be satisfied with the methodical progress IPB Petroleum has made. Your directors have remained focussed on preserving and growing shareholder value and while there are still a number of challenges before the company can claim to be successful, the increase in company enterprise value is an indication of growing confidence in the potential of IPB's assets which have also benefitted from an improved industry environment with a higher projected crude oil price.

In terms of permit retention, WA-424P has been renewed for a further five-year term while variations of work programme commitments on WA-471P and WA-485P have been approved by the Joint Authority providing security of tenure for another twelve months.

As the result of the application of state-of-the-art 3D pre-stack depth migration technology, the potential of the Idris prospect as a stratigraphic trap and a much larger oil accumulation than that constrained to the Gwydion structure has been endorsed and the company was able to announce a significant increase in Prospective Resources for Idris. With the benefit of this result, IPB re-commenced a farmout process taking advantage of the premier Australian industry conference in Adelaide in May.

The company is encouraged by the response from many parties, including complimentary feedback from several majors for whom Idris does not meet their current strategic plans, and the number of companies that are undertaking technical due diligence in our data room.

Concurrently the company continues to seek and review complementary strategic business development activities and while several have been seriously considered, the company has consciously declined transactions it has determined are not in the best interest of existing shareholders.

Investor interest in IPB was confirmed by a capital raising of \$800,000 in July, which was many times oversubscribed, which now allows the company to more confidently implement its strategies and pursue its objectives. We welcome the new shareholders as well as thank those participating existing shareholders and are pleased that continued market strength following the raising has delivered attractive returns for all IPB shareholders.

Personally I thank my fellow directors, capably lead by Managing Director Brendan Brown, for their ongoing commitment and diligence through some challenging years: we collectively have faith in the company's assets and potential and will continue to work towards optimisation of their value.

Bruce McKay

Non-Executive Chairman



Image of drilling rig workers making a connection during drilling operations

Managing Director's Overview

“IPB Petroleum’s strategy to preserve and continue to invest in its Browse Basin exploration acreage during a sustained downturn over recent years has placed the company in an attractive position to now benefit from an improved sentiment and industry outlook.”

IPB Petroleum entered the 2018 Financial Year facing the continuation of a pessimistic oil price outlook, and constrained industry funding. Industry funding for new exploration and appraisal opportunities is fundamental to IPB’s Petroleum’s strategy in that the company relies on farmouts and other such funding to undertake the more expensive permit work commitments such as drilling wells.

Faced with these challenges, and based on:

- a. Our own formulated view that the fundamentals over the longer term for the oil market were sound and would eventually recover leading to a more attractive industry funding opportunity; and
- b. Our confidence in our technical and commercial work on the existing Gwydion oil discovery in WA-424-P (IPB Petroleum 100%) and the substantial updip potential identified at Idris,

IPB continued to stay the course with its core strategy.

The key objectives identified to be consistent with this strategy were:

1. To preserve the company’s strategic, and potentially very valuable, acreage position until such time as industry funding and desire to explore and appraise returned; and
2. To look at what technical work could be completed within the resources available to the company to add the most value and assist a farmout process in the future.

With respect to the first objective, IPB Petroleum was successful in varying the work programme for WA-424-P, and renewing WA-424-P in June 2018 for up to a further 5 years. This was considered to be the most important short term goal for the company. This preserved the ownership of the existing Gwydion oil discovery and what IPB Directors believe the substantial upside potential on offer at Idris to a time when industry funding would be likely available to drill the commitment well at Idris and potentially unlock the substantive upside on offer.

As it relates to WA471-P and WA-485-P, the company had been successful in obtaining extensions in previous years and more recently successfully varied the work programmes

in both permits providing additional time to in which to acquire a new 3D seismic survey. These permits were initially acquired so as to secure additional upside play potential for any success achieved in WA-424-P. The company still holds true to this strategy and to the extent possible will continue to hold on to these permits, likely through ongoing environmental planning activities over the coming year.

In relation to the second objective, IPB Petroleum successfully completed a reprocessing and depth conversion imaging project. The results being that the oil encountered in the Gwydion discovery well (WA-424-P; IPB Petroleum 100%) can be very confidently interpreted to be stratigraphically trapped in a likely much larger accumulation. This work has not only increased the technical merits and lowered the likely commercial risk of an Idris well to potential farminees, it also supported a substantial increase to the prospective resources at Idris. Prospective resources now identified by IPB Petroleum are now considered to be material to even larger E & P companies.

Farmout

IPB commenced a renewed farmout process towards the end of the 2018 Financial Year. The company has received complimentary feedback from a number of larger companies on the quality and thoroughness of our technical and commercial work, even from those, who for strategic reasons, have elected not to continue with the process. Symptomatic of an industry that has downsized in recent years, IPB has found several companies requesting extensions of time to look at data due to human resource limitations.

As at the date of this report, the company is engaged with a number of companies who are currently conducting due-diligence. In addition, the company is in discussions with a number of other companies also interested in joining the process.

IPB’s farmout opportunity remains well placed on the maturity curve given it is an updip appraisal on an existing discovery that if successful is very likely to be commercial and of material size that can be brought into production relatively quickly.

Looking ahead

With a renewed industry outlook, underpinned by a strengthening oil price and combined with recent regional exploration successes, IPB Petroleum enters the new year very positive about its prospects and looks forward to a successful coming twelve months.

Brendan Brown
Managing Director

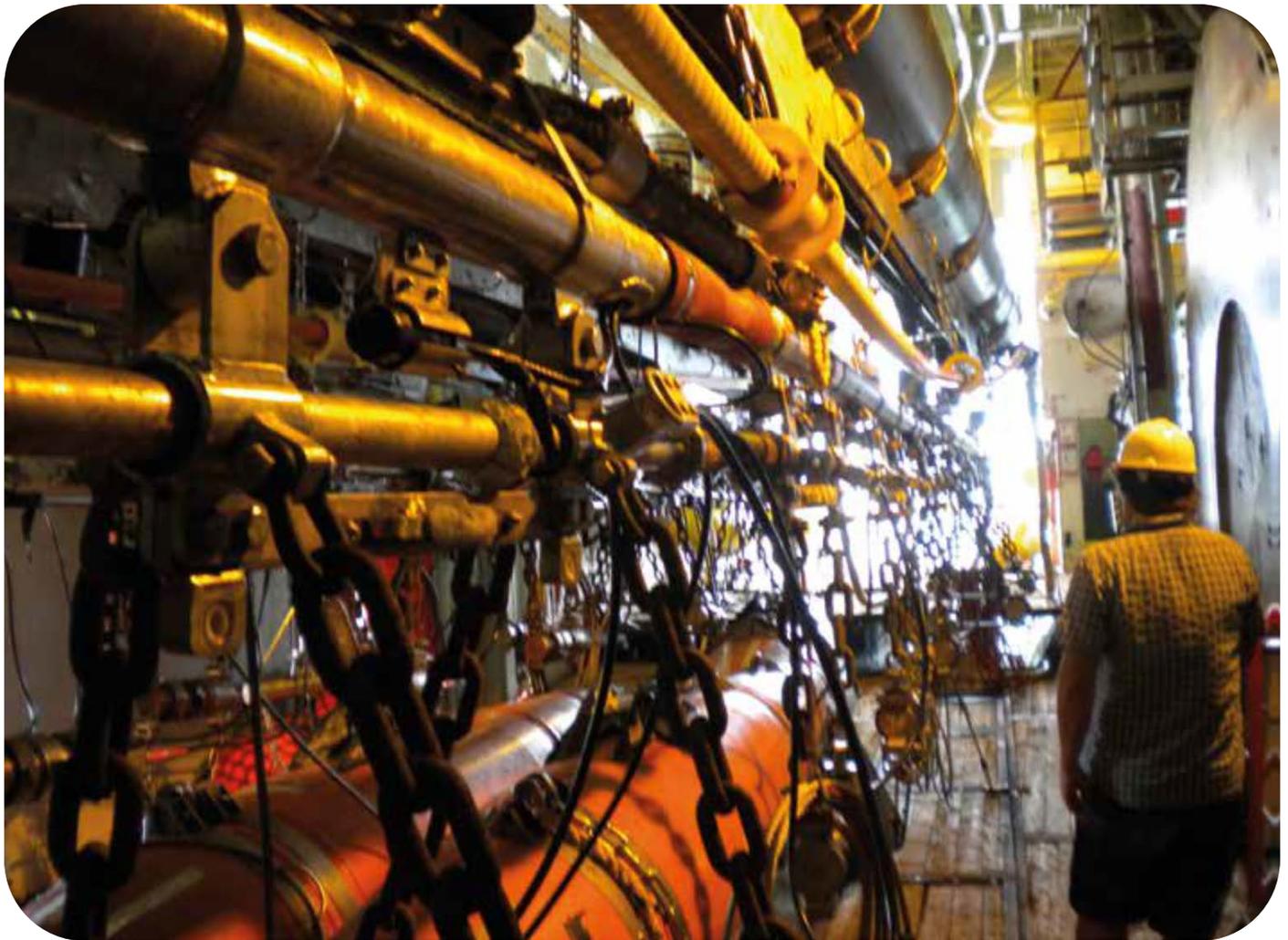


Image of Source Deck of Pacific Explorer just before WA-424-P Gwydion MC3D Survey in April 2011. Courtesy of PGS.

Directors' Report

The Directors present their report of IPB Petroleum Limited ('IPB Petroleum') and subsidiaries ('Group') for the Financial Year ended 30 June 2018 and the independent auditor's report thereon.

Board of Directors

The Board of Directors of the company ('Board') as at the end of the Financial Year and to the date of this report are:

Bruce G McKay

Non-Executive Chairman

Qualifications

BSc (Hons), FAICD, FIEAust

Experience and Expertise

Bruce McKay has over 45 years' experience in the oil and gas and resources industries. He commenced his career with Esso Australia where he worked for more than 23 years in exploration, operations and executive management in Australia and overseas. At the culmination of his career with Esso and Exxon affiliates, he held the positions of General Manager Production for Esso Australia and Chief Executive Officer of Delhi Petroleum. Subsequently he was Director of Personnel at Telstra and then was appointed Chief Executive and Head of School of the Australian Graduate School of Engineering Innovation in 1994. From 1996 to 2002 he was on the Board of Normandy Mining, then Australia's largest gold mining company. From 1997 to 2010 Bruce was Non-Executive Chairman of AWE Limited, which achieved considerable success with its growth from start-up to an ASX100 company. More recently he has been Non-executive Chairman of Epic Energy (gas pipelines), Digitalcore (technology services), KUTh Energy (geothermal) and the Advisory Board of Management for the Australian School of Petroleum at Adelaide University. He is currently chairman of ANU Enterprise. He is an Honorary Life Member of APPEA where he was Chairman between 1991-92. He is also a member of AAPG and PESA. Bruce is also a member of the Audit Committee.

Directorships Held in Other Listed Entities

Bruce McKay has not been a Director of any other publicly listed companies in the past four (4) years.

Brendan Brown

Managing Director

Qualifications

BSc, BE (Hons), MBA (Melb), F.Fin

Experience and Expertise

Brendan Brown has over 25 years' experience in the oil and gas and finance industries. He commenced his career as an engineer with BHP Petroleum, where he was involved in various projects and operations including the Jabiru, Challis, Skua and Griffin oil field developments. He has also been a successful analyst and corporate adviser with ANZ Investment Bank. Prior to establishing IPB Petroleum in 2009, Mr Brown was General Manager Finance and Business Development at Nexus Energy where he was responsible for managing the group's corporate activities and financing functions and the negotiation and maintenance of its key commercial arrangements. Mr Brown is a Life Member of The Society of Petroleum Engineers.

Directorships Held in Other Listed Entities

Brendan Brown has not been a Director of any other publicly listed companies in the past four (4) years.

Philip Smith

Technical Director

Qualifications

BSc Physics (Hons), MSc Geophysics, Grad Dip App Fin & Inv

Experience and Expertise

Philip Smith was appointed as the Technical Director in October 2010. He has over 30 years' experience working as an Exploration Geoscientist and commenced his career in London with Phillips Petroleum and Kufpec before coming to Australia to join Woodside Petroleum and then BHP Petroleum. Mr Smith's positions in his 15 years with BHP Petroleum were in senior technical and managerial roles, mainly involved in offshore basins around Australia. He was involved in oil and gas discoveries in Elang, Laminaria, Maple and Argus. Later he joined Nexus Energy where he was responsible for building the exploration portfolio and was involved in the Longtom and Crux appraisal and development projects.

Directorships Held in Other Listed Entities

Philip Smith has not been a Director of any other publicly listed companies in the past four (4) years.

Geoffrey King

Non-Executive Director

Qualifications

BSc (Hons), GAICD

Experience and Expertise

Geoffrey King was appointed to the Board in February 2013 as a Non-Executive Director and is also a member of the Audit Committee. He brings over 30 years' experience within the oil and gas industry, having commenced his career with Esso Australia. Mr King then joined BHP Petroleum where he held a number of management positions and was directly involved in oil and gas discoveries at Macedon, Pyrenees, Montara, Argus and Gwydion. He was the Vice President of Exploration Australia/Asia for four years with BHP Billiton and has experience in offshore basins around Australia. With his wealth of knowledge in the Australian market, Mr King also has experience in the oil and gas sector in the United States and South East Asia. He brings a particular insight into the area of exploration in the Browse Basin.

Directorships Held in Other Listed Entities

Mr King has not been a Director of any other publicly listed companies in the past four (4) years.

Brodrick Wray

Non-Executive Director

Qualifications

BE (Chem) SPE

Experience and Expertise

Brod joined Santos as a reservoir engineer in 1985 after graduating from Adelaide University and has worked for more than 28 years in engineering, commercial, executive management and consulting roles in the Energy Industry. After ten years in petroleum and reservoir engineering at Santos, Brod spent 5 years in a variety of commercial management roles in the electricity industry during the privatisation of the South Australian Electricity business before rejoining Santos in 2001 in gas marketing and undertook a number of different commercial roles, including Manager of LNG marketing during the evolution of Santos substantial LNG business. In 2008 Brod joined AWE Ltd as General Manager Commercial and Business and Development. Since 2012 he has been an independent consultant to the oil and gas industry. Brod is Chairman of IPB Petroleum's Audit Committee.

Directorships Held in Other Listed Entities

Brodrick Wray has not been a Director of any other publicly listed companies in the past four (4) years.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Table 1 displays the appointment and cessation dates as applicable of all directors who held office during the year.

Name	Role	Date of Appointment	Date of Cessation
Bruce McKay	Non-Executive Chairman	26 May 2014	-
Brendan Brown	Managing Director	28 May 2009	-
Philip Smith	Technical Director	5 October 2010	-
Geoffrey King	Non-Executive Director	5 February 2013	-
Brodrick Wray	Non-Executive Director	26 May 2014	-

Table 1 – Directors' dates of appointment and cessation

Company Secretary

Martin Warwick was appointed as Company Secretary on 29 January 2015. Martin is a professional Accountant and served as Company Secretary for Templeton Global Growth Fund Limited (ASX:TGG) for over 8 years until his appointment as Non-Executive Director of TGG in July 2014. Martin's credentials include being an Associate of the Governance Institute of Australia, and the Institute of Chartered Secretaries and Administrators and a Member of the Australian Institute of Company Directors.

Directors' Meetings

Table 2 below sets out the Board members who held office during the year and the Committees of the Board ('Committees'), as well as the corresponding number of meetings of the Board and Audit Committee held during 2018 and the number of meetings attended during each Director's period of office.

Director	Board		Audit Committee	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Bruce McKay	5	4	2	2
Brendan Brown	5	5	-	-
Philip Smith	5	4	-	-
Geoffrey King	5	5	2	2
Brodrick Wray	5	5	2	2

Table 2 – Directors' attendance at Board and Committee Meetings

Principal Activities

During the year, the principal activities of IPB Petroleum consisted of conventional hydrocarbon exploration and associated activities relating to its three exploration permits along the southern margin or the Browse Basin offshore northwest Australia. The company also investigated and /or pursued a number of other complementary business development activities.

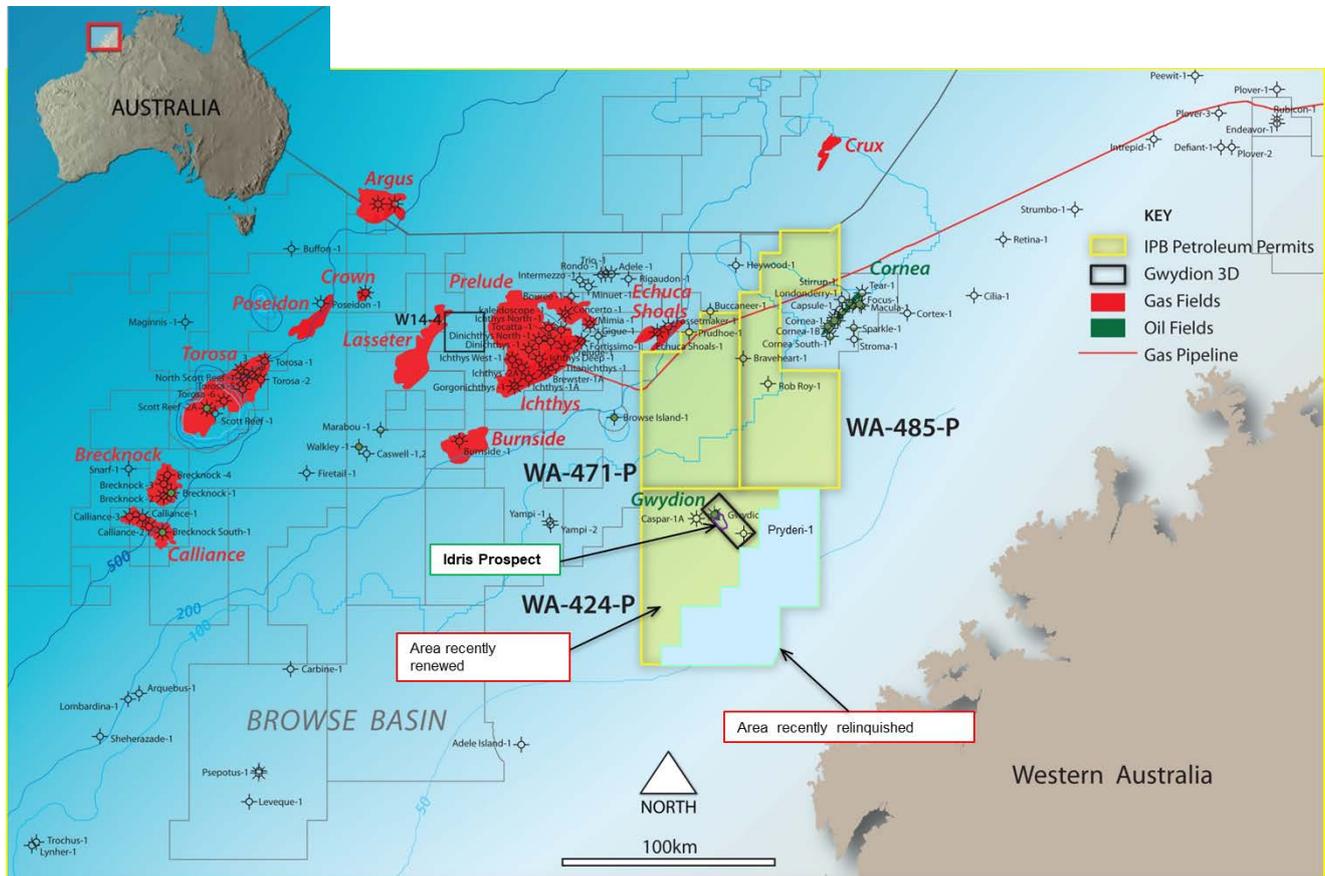


Figure 1 - IPB Petroleum's Permits in the Browse Basin offshore North-Western Australia recently relinquished

Table 3 shows IPB Petroleum's current working interest in each of its Permits.

Exploration Permit	IPB Petroleum's Interest
WA-424-P	100% interest and Operator
WA-471-P	100% interest and Operator
WA-485-P	100% interest and Operator

Table 3 – IPB Petroleum's exploration permits and current working interest

Significant Changes in State of Affairs

The significant changes in the state of affairs of IPB Petroleum that occurred during the year are summarised as follows:

Prior to the Financial Year

On 22 May 2017 the company announced a successful two tranche placement of shares at 1.5 cents per share raising approximately \$700,000 before costs.

Tranche 1 issue of approximately 28.417 million shares was settled before the commencement of the Financial Year raising approximately \$426,000 before costs.

During the Financial Year

Tranche 2 of the placement was settled on 11 July 2017 by the issue of approximately 18.250 million shares following shareholder approval. This Tranche raised approximately \$274,000 before costs.

Post Financial Year End

On 20 July 2018 IPB successfully placed 40 million new shares at 2.0 cents per share to Professional and Sophisticated investors raising \$800,000 before costs.

Review of Operations

Statement of Profit and Loss

As an exploration company, IPB Petroleum has no income generating assets, and accordingly the company's consolidated net (loss) after income tax for the Financial Year ended 30 June 2018 was (\$0.470 million) (2017: (\$2.502 million)). The 2017 net (loss) included an impairment charge of \$2.025 million against previously capitalised exploration and evaluation expenditure for WA-471-P and WA-485-P exploration permits. The underlying (loss) for 2017, excluding impairment was approximately (\$0.477 million). The 2018 net (loss) included an impairment charge of \$0.036 million against exploration and evaluation expenditure capitalised for WA-471-P and WA-485-P permits during the year. The underlying (loss) for 2018, excluding this impairment was (\$0.434 million).

During the year, IPB Petroleum received other revenue of \$409 (2017: \$3,696), relating to a modest amount of interest received.

IPB Petroleum incurs costs in performing its exploration, business development and company administration activities, which are either expensed or capitalised in accordance with the relevant Australian Accounting Standards.

Recurring expenses were reduced further during the year to a total of \$0.434 million (2017: \$0.480 million) and were related to administration, depreciation, corporate and other minor costs.

Statement of Financial Position

As at 30 June 2018, IPB Petroleum's financial position and capital structure reflects the nature of its activities, that is, no debt and two major asset classes being cash of \$0.340 million (2017: \$0.679 million) and capitalised exploration and evaluation expenditure of \$2.655 million (2017: \$2.449 million).

The net assets of the company have decreased over the 2018 Financial Year from \$3.095 million at end June 2017 to \$2.890 million as at end June 2018. The change in net assets of (\$0.205) million is substantially explained by net cash decrease of (\$0.339 million) and an increase in payables of \$0.063 million partially offset by an increase in Exploration Assets associated with permit WA-424-P of \$0.206 million.

IPB Petroleum has accumulated losses of \$13.109 million plus capitalised exploration costs of \$2.655 million (largely expensed for taxation purposes) plus Petroleum Resource Rent Tax ('PRRT') credits of \$10.742 million for which it has not recognised any future taxation benefits in its financial statements due to the company's early stage exploration status, with no commercial reserves.

Permits

Under the terms of grant by government, exploration permit holders such as IPB Petroleum are committed to complete minimum work programmes during the tenure of the permit unless varied by agreement with the relevant government authority. If a permit holder does not fulfil the agreed permit work programme the penalty for the company is potential forfeiture of the permit. As there are no financial penalties, the work commitment programmes are not recognised in the company's Financial Statements as a liability in accordance with the relevant accounting standards.

Operational Activities within IPB Petroleum's Exploration Permits

Exploration Permit WA-424-P (IPB Petroleum 100% and Operator)

Early in the year the company received confirmation from the Joint Authority that its March 2017 application for a Variation to WA-424-P Permit Year 6 work programme had been granted.

IPB Petroleum completed the revised Permit Year 6 work programme of 75 sq km of 3D seismic reprocessing and depth conversion with substantial success. The key outcome being that the oil discovered in the Gwydion exploration well is now confidently mapped to lie below structural closure such that the oil discovered is now more likely to be stratigraphically constrained in a much larger accumulation than that defined by the simple Gwydion structure.

Idris Prospective Resources Significantly Increased

Following the completion of the company's 3D seismic reprocessing and depth conversion project, IPB Petroleum completed a thorough technical review of the prospective oil resources attributed to the Idris prospect.

As a result the Prospective Resources attributed to the Idris prospect were significantly increased on a most likely basis (P50) from 33 MMBBLS to 69 MMBBLS of oil (recoverable). Similarly prospective resource estimates were increased at the Low Estimate (P90), and High Estimate (P10) levels to being 20 MMBBLS of oil (recoverable) and 159 MMBBLS of oil (recoverable) respectively. Table 2 below provides a summary of the Prospective Resources attributed to the Idris Prospect.

Prospect	Prospective Resources Million Barrels of Oil (Unrisked) ₁		
	Low Estimate	Best Estimate	High Estimate
Idris (100%)	19.8	68.6	159

Table 4: Prospective Oil Resources Attributed to Idris (WA-424-P IPB 100%)

The resources estimates contained in Table 4 have been prepared in accordance with SPE-PRMS and adherence to Chapter 5 of the ASX Listing Rules.

Subscript 1: Prospective resources are estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

For further information, including assumptions, limitations and qualifications relating to the estimation of resources publicly reported by IPB and contained within this presentation, please refer to IPB's ASX Release titled "Idris Prospective Resources Significantly Increased" dated 11 May 2018.

IPB Petroleum is not aware of any new information or data, that materially affects the information relating to these publicly disclosed resources, since this release to the market, and all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed.

Note: The subject prospective resource estimates relate to the immediate up-dip interpreted stratigraphic extension of the existing Gwydion oil discovery. With the benefit of our reprocessed 3D over the Gwydion discovery well and up dip area and our recently completed depth conversion project, Idris could be considered an appraisal well. However IPB has conservatively categorized the associated resources as Prospective given the stratigraphic nature of the interpreted hydrocarbon trap at Idris.

Permit Renewal and Partial Relinquishment

Having satisfied all requirements associated with WA-424-P's Primary and Secondary work programmes, IPB lodged an application for renewal and partial relinquishment of permit WA-424-P (IPB 100%) in March 2018.

IPB subsequently received and accepted an offer to renew its core WA-424-P permit for up to another 5 years from the Commonwealth-Western Australia Joint Authority (Joint Authority).

Under the relevant guidelines a titleholder is required to relinquish 50% of a permit's area as part of a compliant application for renewal of a exploration permit. Accordingly IPB proposed a relinquishment of that portion of WA-424-P that was considered least prospective and to not contain the key Idris exploration play.

As part of the proposed renewal terms, an exploration well is required to be drilled during the first three years of the WA-424-P Renewal from 18 June 2018. The renewal period also offers a further two optional secondary term years, providing a total permit renewal period of up to five years.

Permit Work Programme:

The renewed minimum work programme for WA-424-P is detailed as follows:

Term	Period	Remaining Minimum Work Requirements*	Estimated Expenditure A\$
Primary Years 1-3	18/6/18 - 17/6/21	Geotechnical Studies including Seismic Re-interpretation of 75km ² depth conversion around the Idris Prospect One Exploration Well	40,000 15,000,000
Secondary Year 4	18/6/21 - 17/6/22	Detailed assessment and re-interpretation of well and 3D seismic data following drilling of commitment well	100,000
Secondary Year 5	18/6/22 - 17/6/23	Technical studies to support a renewal and relinquishment strategy	100,000

Table 5: Renewed minimum work programme for WA-424-P (IPB Petroleum 100% and Operator)

The Location Map in Figure 1 details IPB Petroleum's permits including the renewed WA-424-P Permit and the area relinquished. The area relinquished is considered by IPB Petroleum to be the least prospective, and does not contain the Idris exploration play.

*If permit holders do not comply with an agreed work programme and are not able to agree with the relevant government authority to a suspension and or extension or modification of an agreed work programme, then the subject permit would lapse. If a permit does lapse the holders of the permit do not have any ongoing liability for expenditure towards the work programme in respect of the lapsed permit.

Exploration Permit WA-471-P (IPB Petroleum 100%) and WA-485-P (IPB Petroleum 100%)

During the year the company progressed a proposal with a seismic contractor relating to a future 3D survey in WA-485-P and WA-471-P permits as well as a potentially larger survey including WA-424-P. Unfortunately these negotiations did not result in a fully funded environmental plan (EP) as was initially agreed between the parties. As a result of this development IPB re-opened discussions more broadly with other contractors.

DIRECTORS' REPORT
FOR FINANCIAL YEAR ENDED 30 JUNE 2018

In response to this development IPB also committed to joining a newly proposed Seismic EP consortium. The consortium consisting of seismic and other permit operators is partially funded by government, with the objective to cost effectively and efficiently secure a broader seismic EP covering an area including all of IPB's current Permits.

IPB considers securing a valid EP approval as an important and necessary first step in maintaining requisite progress with the two permits' commitment work programmes in order to maintain these permits into the future

Variations Approved

As a consequence of not being able to complete the Permit Year 2 work programmes involving new 3D seismic surveys, the company applied for a Variation during the year to both permits' work programmes. The requested Variation to WA-471-P's work programme was approved by the Joint authority in June, with WA-485-P's requested Variation approved post year end in July 2018.

The approved Variations now combine the remaining Primary term work programmes for each Permit's Years 2 and 3, into a single Primary Term period. As a consequence IPB now has a further 12 months with which to satisfy the requirement to acquire a new 3D survey in each permit.

IPB Petroleum expects to have to also apply in the future for an extension of time to complete the required drilling activities which are part of each Permit's Primary Term Work Programme.

Permit Work Programmes

These permits were initially acquired to secure potential upside exposure to any success in the IPB Petroleum's independently held core WA-424-P Permit, for example a success with the proposed Idris well. In order to maintain tenure of these permits the company will have to satisfy each Permit's Work Programmes or obtain approval for further Variations or Extensions of time to satisfy such Permit Work Programmes. The subject varied permit work programmes are detailed in Tables 3 and 4 below.

Term Year of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Required*	Estimated Expenditure \$A
Primary Years 1- 3	4 May 13	3 May 19	Geophysical and Geological Studies 600 km ² 3D Seismic Survey 1 Exploration Well	1,500,000 7.5 million 15 million
Secondary Year 4	4 May 19	3 May 20	Geophysical and Geological Studies	200,000
Secondary Year 5	4 May 20	3 May 21	1 Exploration Well Geophysical and Geological Studies	15 million 200,000
Secondary Year 6	4 May 21	3 May 22	Geophysical and Geological Studies	200,000

Table 6: Approved varied minimum work programme for WA-471-P (IPB Petroleum 100% and Operator)

*Note: Only the first three years (Primary Term) of the six year permit grant are part of the committed work programme. A permit can be relinquished by the holder at the end of Permit Year 3 and then at the end of each subsequent year (in the Secondary Term).

If permit holders do not comply with an agreed work programme and are not able to agree with the relevant government authority to a suspension and or extension or modification of an agreed work programme, then the subject permit would lapse. If a permit does lapse the holders of the permit do not have

any ongoing liability for expenditure towards the work programme in respect of the lapsed permit.

Term Year of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Required*	Estimated Expenditure \$A
Primary Years 1- 3	14 May 14	13 May 19	Geophysical and Geological Studies 900 km ² 3D Seismic Survey 2 exploration wells	750,000 7.5 million 24 million
Secondary Year 4	14 May 19	13 May 20	500km ² 3D Seismic Survey Geological and Geophysical Studies	7 million 250,000
Secondary Year 5	14 May 20	13 May 21	1 exploration well Geological and Geophysical Studies	12 million 250,000
Secondary Year 6	14 May 21	13 May 22	Geological and Geophysical Studies	250,000

Table 7: Approved varied minimum work programme for WA-485-P (IPB Petroleum 100% and Operator)

*Note: Only the first three years (Primary Term) of the six year permit grant are part of the committed work programme. A permit can be relinquished by the holder at the end of Permit Year 3 and then at the end of each subsequent year (in the Secondary Term).

If permit holders do not comply with an agreed work programme and are not able to agree with the relevant government authority to a suspension and or extension or modification of an agreed work programme, then the subject permit would lapse. If a permit does lapse the holders of the permit do not have any ongoing liability for expenditure towards the work programme in respect of the lapsed permit.

Farmout Activities

Towards the end of the year IPB commenced an updated farmout process on the back of the successful Seismic Depth Conversion Project. The company has received encouraging interest since it allowed access to its dataroom from early June.

Several companies have entered the dataroom, with a number of additional potential farminees also expressing interest. Further, more recent and ongoing presentations may yield additional potential farmin candidates.

The company's proposal for a farmout involves the funding by a farminee (or farminees) of the drilling of an appraisal well at Idris to validate the updip potential of the oil leg encountered at Gwydion as well as verify the likely minimum commercial volumes in exchange for a to-be negotiated interest in WA-424-P.

Well costs are estimated to be around US\$12m, and IPB will also be seeking a re-imburement of certain backcosts in exchange for an interest in its WA-424-P Permit.

As part of a farm-in the company may also offer an option for a farminee to fund certain exploration activities for an interest in the company's other two Browse Basin permits WA-471-P and WA-485-P.

Financing Activities

Refer to "Significant Changes in the State of Affairs" above.

Business Development Activities

On 17 May 2017 the company executed a Business Development Services Agreement (BDSA) with Lexington Partners Pte Ltd (Lexington). The company terminated the BDSA on 18 July 2017 as it had not been able to satisfactorily resolve outstanding concerns relating to the delivery of services by Lexington under the BDSA.

During the year the company continued to investigate other complimentary business development opportunities. For a variety of reasons none of these potential opportunities progressed to a disclosable event, transaction or commitment.

Future Developments, Prospects and Business Strategies

Near Term Developments and Prospects

Given IPB Petroleum's business model and limited internal financial resources, the company's nearer term objective is to achieve a successful farmout for WA-424-P and the drilling of the Idris well.

Over the longer term the company will continue to require funding of future exploration commitments within its three permits. If it cannot conclude a successful farmout, and/or secure sufficient funding, and cannot agree further extensions or variations to its permit work programmes with government, the company may consequently have to forfeit or relinquish its permits.

The renewal of the company's core WA-424-P Permit has given the company substantial time with which to achieve a farmout and drill the Idris well as late as June 2021. The company intends to secure an EP for a future 3D survey over its permits in the coming year, improving the chances of maintaining WA-471-P and WA-485-P in good standing and preserving the upside for any potential success in WA-424-P and the planned Idris well.

The company also sees merit in a strategy to investigate, assess, and if successful secure potential production and or development opportunities. The company intends to continue to include these and other business development initiatives on a cost effective basis during the current financial year ending June 2019.

Business Strategy

IPB's Petroleum's aim is to achieve superior returns for its shareholders through the early entry, exploration and appraisal, and if successful development and production from its hydrocarbon assets. The company has oil discovered at Gwydion (BHP 1995) within its core WA-424-P permit. IPB Petroleum's short to medium term aim is to achieve through a farmout the funding of drilling and or possible seismic activity within its permits to ultimately increase and convert contingent and prospective resources to reserves, thereby increasing the commercial value of these assets.

As it relates to other initiatives, and as mentioned above, the company intends to pursue in a cost effective manner business development and other complementary strategies over the longer term and as funding allows on an opportunistic basis.

Risks

The company has identified certain business risks associated with its strategy and business plans. These risks are summarised as follows:

Funding risks

As an early stage exploration company, a key risk for IPB Petroleum is the funding of future activities. Until sufficient exploration and development success is achieved and with it likely access to alternate forms of funding and sources of positive cashflow, the company will continue to need to raise/or receive additional funding as and when it may be required from sources such as:

- (i) farmouts;
- (ii) asset sales/divestments; or
- (iii) new share issues
- (iv) possible future secured asset acquisition related funding

IPB Petroleum will aim to utilize the most appropriate funding source at the most opportune time. It may also consider reducing certain commitments as another option in managing its overall working capital if funding is not available.

Key Person Retention Risks

There is a risk that given the company's limited financial resources and reduced remuneration arrangements for all Key Management Personnel that the company may not be able to continue to retain the requisite or most suitable personnel to be able to execute on its business plans. The ability of the company to retain Key Management Personnel will be dependent on amongst other things, the ability of the company to provide market competitive remuneration.

The company may in the future have to consider supplemental ways of retaining and remunerating requisite Key Management Personnel in order to mitigate this ongoing risk further.

Exploration risks

As an exploration company, IPB Petroleum may be unsuccessful with its exploration activities. Strategies to manage this type of risk include;

- (i) completing as much technical work to de-risk exploration prospects as possible;
- (ii) farming out interests to cover costs; and
- (iii) achieving diversification through an exploration/ production / other asset portfolio approach.

IPB Petroleum intends to continue to apply some or all of these risk mitigation strategies as and when appropriate. It is important to highlight that there is a level of material risk in certain activities, such as exploration drilling that cannot be reduced any further until that activity is undertaken.

Operational risks

Exploration activities carry numerous risks such as delays, interruptions, and potential changes to scale and scope that cannot always be fully mitigated. IPB Petroleum may experience operational delays in relation to any potential future seismic or drilling activity for example due to cyclonic weather related event or equipment failure and/or lack of availability. These risks can cause schedule and cost increases to the company's budgeted activities. One of the ways IPB has managed such risk in the past has been through obtaining a financial commitment from a farminee to cover estimated costs plus contingencies before IPB would be required to provide further unbudgeted funding.

Risks to operating schedules, such as delays to environmental approvals, could materially and adversely affect schedules and costs associated with the company's planned and future activities.

Environmental risks

IPB Petroleum intends to comply at all times with all requisite environmental laws and regulations. Despite this there is always a possible risk that accidental environmental pollution could occur such that the company may be subject to substantial potential liability and the cost of any clean-up activities.

Counterparty and contractual risks

Contractual disputes with joint venture partners, operators and contractors can arise from time to time. When a venture partner does not act in the best commercial interests of the joint venture project or IPB Petroleum, it could have a material adverse effect on the company.

Permit commitments and tenure risks

The terms and conditions of the Permits held by IPB Petroleum require guaranteed annual work commitments to be completed. Whilst not a liability in terms of the relevant accounting standards and therefore not recordable in the company's Statement of Financial Position, a failure to meet a guaranteed work commitment may render a permit liable to be cancelled, unless an extension of time or waiver of the requirement is granted by government.

Dividends

The Directors of the company do not recommend and have not declared or paid any dividend for the Financial Year ended 30 June 2018 (2017: Nil).

After Balance Date Events

Other than as disclosed below no other matters or circumstances have arisen since the end of the Financial Year which, significantly affect the operations of the company, the results of those operations, or state of affairs of the company in future Financial Years.

On 20 July IPB successfully placed 40 million new shares at 2 cents per share to Professional and Sophisticated investors raising \$800,000 before costs.

DIRECTORS' REPORT

FOR FINANCIAL YEAR ENDED 30 JUNE 2018

As a result and as at the date of this report the company has 200,335,252 shares on issue.

On 24 July the company received confirmation from the Joint Authority that its May 2018 application for a Variation to WA-485-P Primary Term had been approved. Refer to "Permit Work Programmes" relating to WA-471-P and WA-485-P above including Table 7.

Proceedings on Behalf of the Company

No person or entity has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the Financial Year.

Environmental Regulation

IPB Petroleum seeks to fully comply with its environmental obligations. Under environmental legislation there is a requirement that the operations activities within the company's permits obtain environmental approvals from NOPSEMA.

During the Financial Year, the company was not aware of any material breach of any particular or significant Commonwealth, State, Territory or other regulation in respect to environmental management.

Share Options

Unissued shares under option

At the date of this report, the following options over unissued ordinary shares of IPB Petroleum Limited are detailed as follows:

Grant date	Exercise price	Number of shares under option	Expiry Date
17 November 2016	3.2 cents	4,750,000	17 November 2020

These options were issued under IPB Petroleum Limited Employee Option Plan (IPBLEOP) following shareholder approval at the 2016 Annual General Meeting and were issued to Directors and an Officer of the company.

Since the end of the reporting period no options were granted over unissued shares or interests in IPB Petroleum Limited or any controlled entity within the Group.

Indemnification of Directors and Officers

During the Financial Year, the company paid a premium in respect of a contract insuring the Directors of IPB Petroleum and the Company Secretary and of any related body corporate against any liability incurred as a Director or Company Secretary to the extent permitted by the Corporations Act 2001. In accordance with commercial practice, the insurance policy underwriter restricts disclosure of the terms of the policy. IPB Petroleum has not otherwise, during or since the end of the Financial Year indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as an officer or auditor. During the period the amount paid for Directors and Officers insurance was \$11,475.

Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the Financial Report have been rounded to the nearest dollar unless otherwise stated.

Remuneration Report

The Directors of IPB Petroleum present this Remuneration Report for the Financial Year ended 30 June 2018 in accordance with Section 300A of the Corporations Act 2001. The information provided in this report has been audited as required by section 308 (3C) of the Corporations Act 2001. The Remuneration Report forms part of the Directors' Report.

IPB Petroleum is committed to delivering value for our shareholders. Ensuring we maintain a Director and Executive remuneration framework which aligns with this objective is a key priority for the Board.

The Remuneration Report sets out remuneration information pertaining to the company's Directors and Executives who are the key management personnel of the group for the purposes of the Corporations Act 2001 and the Australian Accounting Standards.

The Directors and Executives, being the key management personnel of the company, disclosed in the Remuneration Report that held office during the 30 June 2018 Financial Year are shown in Table 7 below.

Director	Position
Bruce McKay	Non-Executive Director and Chairman
Brendan Brown	Managing Director
Philip Smith	Technical Director
Geoffrey King	Non-Executive Director
Brodrick Wray	Non-Executive Director

Table 8 – IPB Petroleum Director's & Executives

The Remuneration Report is structured into the following sections:

1. Executive Remuneration Policy and Framework
2. Executive Directors' Remuneration and Employment Agreements
3. Executive Remuneration
4. Employee Option Plan
5. Remuneration and Performance
6. Remuneration for the Financial Year Ended 30 June 2018
7. Non-Executive Directors' Fees
8. Shareholdings
9. 2017 Annual General Meeting – Resolution on Remuneration

1. Executive Remuneration Policy and Framework

Remuneration Policy

IPB Petroleum aims to remunerate Executives fairly, responsibly and competitively for their contribution to the business, and in accordance with the resources available to the company. In line with this objective, IPB Petroleum's policy is to review Executive remuneration packages against comparable companies. Executive pay levels are determined on a combination of external benchmarks and an assessment of individual performance.

The key objective of the remuneration policy is to ensure IPB Petroleum:

- provides competitive remuneration and rewards which attract, retain and motivate Executives of the highest calibre within the resources of the company;
- aligns the interests of shareholders, employees and other stakeholders;
- establishes deliverables which are linked to an Executive's remuneration;
- benchmarks remuneration against appropriate industry groups and other listed entities; and
- complies with applicable legal and corporate governance requirements.

The remuneration policy is reviewed and approved annually by the Board and the company may use independent remuneration advisers for advice on Executive remuneration and Non-Executive Director fees. During the year, the company did not employ a remuneration consultant to provide recommendation in respect of the remuneration of the key management personnel.

2. Executive Directors' Remuneration and Employment Agreements

Managing Director – Brendan Brown

Brendan Brown was appointed as Managing Director effective 1 October 2010. On 1 June 2015, the company and Mr Brown mutually agreed to 6 month's notice of termination of this prior engagement. The company subsequently executed a new engagement securing the services of Mr Brown, on a month to month basis as required from 1 December 2015. This agreement was mutually varied in April 2016 such that Mr Brown will provide his services on an as required basis summarised as follows:

- Base Remuneration of \$1,675 per day plus GST
- Reimbursement for general expenses incurred in the performance of his duties
- No notice period

Technical Director – Philip Smith

Philip Smith commenced as Technical Director effective 1 November 2010. On 1 June 2015, the company and Mr Smith mutually agreed to 6 months' notice of termination of this engagement. The company subsequently executed a new engagement securing the services of Mr Smith, on a month to month basis as required from 1 December 2015. This agreement was mutually varied in April 2016 such that Mr Smith will provide his services to the company as follows:

- Base Remuneration of \$1,000 per month plus GST
- On an as required basis supplemental technical management services at \$1,500 per day plus GST
- No notice period

3. Executive Remuneration

The Board may reward Executives through base salary increases, payment of cash bonuses, the issue of new shares or the issue of options under the IPB Petroleum Limited Employee Option Plan (IPBLEOP) as described below. Any new shares or options to be issued to Executives that are also Directors of the company require shareholder approval prior to issue. All remuneration paid to Executives is valued at the cost to the company and expensed. New shares given to Executives are expensed as the difference between the market price of those shares and the amount paid by the Executive. Options are valued as prescribed by Australian Accounting Standard AASB 2.

The Board expects that the remuneration structure will result in the company being able to attract and retain the best Executives to run the company within the resources available to the company. It will also provide Executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, granting of options and other incentive payments are reviewed by the Board as part of the review of Executive remuneration. All bonuses, options and incentives will be linked to retention and/ or performance.

The Board can exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to prescribed outcomes and objectives.

There has been no performance linked component of remuneration paid to Key Management Personnel in the Financial Year ending 30 June 2018.

The company makes superannuation contributions for its employees and Directors as required by law.

4. Employee Option Plan

IPB Petroleum has an Employee Option Plan (IPBLEOP) for qualifying persons in order to motivate and reward them. The plan is open to qualifying employees and officers of IPB Petroleum.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Under the IPBLEOP, the Board may offer options to full or part-time employees or officers, including Directors of the company (subject to shareholder approval), which the Board determines should be entitled to participate in the IPBLEOP. Any options granted to eligible employees or officers will be free, unless the Board determines otherwise. The company will not apply for ASX quotation of any options issued under the IPBLEOP.

Any exercise price and life of the options will be set by the Board at its discretion. The Board may determine and specify at the time of grant of options:

- i. the time periods or other conditions that must be satisfied before options are vested; and/or
- ii. any exercise conditions that must be satisfied before options can be exercised.

Subject to the satisfaction of any applicable vesting and/or exercise conditions before options can be exercised, options are exercisable during the specified exercise period, or within six months of certain prescribed events such as retirement, death and permanent disability, by giving notice of the exercise to the IPB Petroleum and by paying the exercise price for the options exercised. Each option entitles the holder to subscribe for one share. The shares allotted upon exercise of the options will rank equally in all respects with all other issued ordinary shares of the company. The company will apply for official quotation on ASX of those shares after they are issued.

During Financial Year end June 2017, following approval at the Annual General Meeting held on 17 November 2016, the company issued 4,750,000 Employee Options expiring 17 November 2020 with an Exercise Price of 3.2 cents per option to various Directors and Officers of the company. These options were issued under the IPB Petroleum Limited Employee Option Plan (IPBLEOP) in consideration of reduced income and fees over the preceding period and as an increased loyalty and bonus/retention mechanism for recipients.

5. Remuneration and Performance

No performance linked components were included in the remuneration paid to key management personnel in the Financial Year ending 30 June 2018.

Remuneration for the Financial Year ended 30 June 2018

Details of the remuneration of key management personal of IPB Petroleum are shown in Table 8 and 9 below.

		Short term benefits	Post-employment benefits	Long term benefits	Equity settled share based payments*	Total
Executive Directors		\$	\$	\$	\$	\$
Brendan Brown Managing Director	2017	199,157	-	-	9,901	209,058
	2018	215,311	-	-	-	215,311
Philip Smith Technical Director	2017	18,150	-	-	8,251	26,401
	2018	56,282	-	-	-	56,282

* Equity Settled share Based Payments relates to grant of Options on 17 November 2016 under IPBLEOP as approved at the 2016 Annual General Meeting

Table 9 – Executive Director Remuneration

		Short term benefits	Post-employment benefits	Long term benefits	Equity settled share based payments*	Total
Non – Executive Directors		\$	\$	\$	\$	\$
Bruce McKay Non-Executive Chairman	2017	21,918	-	-	5,281	27,199
	2018	21,265	-	-	-	21,265
Brodrick Wray Non-Executive Director	2017	13,582	-	-	3,300	16,882
	2018	14,260	-	-	-	14,260
Geoffrey King Non-Executive Director	2017	12,000	1,140	-	3,300	16,440
	2018	12,000	1,140	-	-	13,140

* Equity Settled share Based Payments relates to grant of Options on 17 November 2016 under IPBLEOP as approved at the 2016 Annual General Meeting

Table 10 – Non – Executive Director Remuneration

6. Non-Executive Directors' Fees

The amount of aggregate remuneration approved by shareholders and the fee structure is reviewed periodically by the Board against fees paid to Non-Executive Directors of comparable companies. Where appropriate the Board may secure independent advice regarding Non-Executive Directors remuneration when reviewing fees.

Each Director has entered into an agreement as to the terms of their appointment as a Director of IPB Petroleum and (other than the Managing Director and the Technical Director) receives remuneration as a Director, by way of a fee plus superannuation. Under such agreements current at the date of this report, there are no annual, long service leave, other termination entitlements or retirement benefits other than statutory superannuation. The Constitution and ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by members in a general meeting. An amount not exceeding the amount determined is then divided between the Non- Executive Directors as agreed. The company's Constitution stipulates the aggregate annual remuneration to \$500,000 per year and IPB Petroleum has not sought to increase that amount.

Non-Executive Directors are encouraged by the Board to hold shares in the company. No additional remuneration is paid to Directors for service on Board committees or on the Boards of wholly owned subsidiaries.

During the 2016 year all Non-Executive Directors severally and mutually agreed with the company to reduce their monthly Director's Fees to \$1,000 per month for each Non- Executive Director, and \$1,500 per month for the Non-Executive Chairman. These fees remained unchanged during the 2018 year. In addition, the Directors are entitled to be paid all travelling and other expenses they incur in attending to the company's affairs, including attending and returning from general meetings of the company or meetings of the Directors or of committees of the Directors. The aggregate remuneration of Directors, other than salaries paid to Executive Directors, was \$48,665 in the year ended 30 June 2018.

The remuneration of Non-Executive Directors for the Financial Year ended 30 June 2018 is detailed in Table 10 of this report.

7. Shareholdings

KMP Shareholdings

The number of ordinary shares in IPB Petroleum held by each KMP of the Group during the Financial Year ending 30 June 2018 is as follows:

	Direct Balance at Beginning of Year	Indirect Balance at Beginning of Year	On market purchase (sale) of direct during the Year	On market purchase (sale) of indirect during the Year	Direct Balance at end of Year	Indirect Balance at End of Year
Bruce McKay	172,592	100,000	-	500,000	172,592	600,000
Brendan Brown	-	26,993,400	-	3,534,267	-	30,527,667
Philip Smith	26,394,737	50,000	-	2,000,000	26,394,737	2,050,000
Geoffrey King	-	100,000	-	100,000	-	200,000
Brodrick Wray	70,000	40,000	-	1,000,000	70,000	1,040,000
Totals	26,637,329	27,283,400	-	7,134,267	26,637,329	34,417,667

Table 11 – Ordinary Shares held by KMP

KMP Options and Rights Holdings*

	Balance at Beginning of Year*	Granted during the Year as part Remuneration	Exercised During the Year	Lapsed during the Year	Balance at End of Year
Bruce McKay	800,000	-	-	-	800,000
Brendan Brown	1,500,000	-	-	-	1,500,000
Philip Smith	1,250,000	-	-	-	1,250,000
Geoffrey King	500,000	-	-	-	500,000
Brodrick Wray	500,000	-	-	-	500,000
Totals	4,500,000	-	-	-	4,500,000

Table 12 – Options held by KMP

* Following approval at the Annual General Meeting held on 17 November 2016, the company issued 4,750,000 Employee Options expiring 17 November 2020 with an Exercise Price of 3.2 cents per option to various Directors and Officers of the company.

A total of 4,500,000 of these Options were issued to KMP. These Options were issued under the IPB Petroleum Limited Employee Option Plan (IPBLEOP) in consideration of reduced income and fees over the preceding period and as an increased loyalty and bonus/retention mechanism for recipients.

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

8. 2017 Annual General Meeting – Resolution on Remuneration

At the 2017 Annual General Meeting held on 15 November 2017 IPB Petroleum did not receive 75% vote in favour the recommended adoption of the 2017 Remuneration Report from those shareholders entitled to vote on this resolution. Accordingly IPB Petroleum has recorded a first strike for the purposes of the Corporations Act. The Board proposes not to take any immediate action in relation to this outcome as the resolution received a more than a simple majority favourable vote, and the Board continue to consider that IPB Petroleum's remuneration policies remain in the best interests of the company.

- End of Remuneration Report -

Auditor

In accordance with the provisions of the Corporations Act 2001 the company's auditor, Pitcher Partners, continues in office.

Non-audit services – detail and schedule

The company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the company are important. The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

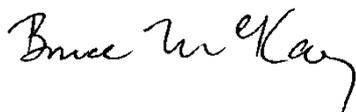
No non-audit services were provided by the auditor during or since the end of the year ended 30 June 2018.

Services provided by the Auditor during the year	\$
Audit and review of financial reports	32,843
Non-audit Services	Nil
Total	32,843

Auditor's independence statement

A copy of the auditor's independence declaration for the Financial Year ended 30 June 2017 has been received as required under Section 307C of the Corporations Act 2001 and is included on page 26.

The Directors' Report is made in accordance with a resolution of the Board. On behalf of the Board :



Bruce McKay

Non-Executive Chairman

Dated at Melbourne this 7th day of September 2018



Image of Pacific Explorer, taken at Darwin Harbour 2011 before despatch to WA-424-P for Gwydion MC3D seismic survey, courtesy of PGS

Auditor's Independence Declaration



**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF IPB PETROLEUM LIMITED
ACN 137 387 350**

In relation to the audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

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

This declaration is in respect of IPB Petroleum Limited and the entities it controlled during the financial year.

Rod Shanley

Partner

Pitcher Partners

Sydney

7 September 2018



Image of metering equipment

Financial Report

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Consolidated Statement of Profit or Loss and Other comprehensive income
FOR the YEAR ENDED 30 June 2018

	Note	2018 \$	2017 \$
Continuing operations			
Revenue	3	-	-
Other income	3	409	3,696
Impairment of exploration and evaluation expenditure	13	(35,733)	(2,024,790)
Employee benefits and directors fees		(226,691)	(266,205)
Consulting & contractors		(10,700)	(45,091)
Legal, audit & accounting		(76,272)	(58,150)
Travel		(6,521)	(6,684)
Shareholder relations		(16,683)	(16,133)
Listing & filing fees		(24,414)	(22,795)
Occupancy		(11,179)	(7,355)
Depreciation and amortisation		(8,276)	(2,477)
Finance costs		(13)	(5)
Other expenses		(54,300)	(55,577)
Loss before income tax	4	<u>(470,373)</u>	<u>(2,501,566)</u>
Income Tax expense	5	-	-
Net Loss for the year	4	<u>(470,373)</u>	<u>(2,501,566)</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>(470,373)</u></u>	<u><u>(2,501,566)</u></u>

Earnings per share

From continuing operations:

Basic earnings per share (cents)	8	(0.003)	(0.022)
Diluted earnings per share (cents)	8	(0.003)	(0.022)

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Consolidated Statement of Financial Position
As at 30 June 2018

	Note	2018 \$	2017 \$
Current Assets			
Cash and Cash Equivalents	9	339,645	679,041
Trade and Other Receivables	11	22,395	16,935
Other Current Assets	12	9,825	15,210
Total Current Assets		<u>371,865</u>	<u>711,186</u>
Non-Current Assets			
Property, Plant and Equipment	14	-	3,329
Intangible Assets	15	-	4,947
Exploration & Evaluation Assets	13	2,655,483	2,449,053
Total Non-Current Assets		<u>2,655,483</u>	<u>2,457,329</u>
Total Assets		<u>3,027,348</u>	<u>3,168,515</u>
Current Liabilities			
Trade and Other Payables	16	137,198	73,509
Total Current Liabilities		<u>137,198</u>	<u>73,509</u>
Total Liabilities		<u>137,198</u>	<u>73,509</u>
Net Assets		<u>2,890,150</u>	<u>3,095,006</u>
Equity			
Issued Capital	17	15,906,393	15,640,876
Reserves	19	93,681	93,681
Accumulated Losses	21	(13,109,924)	(12,639,551)
Total Equity		<u>2,890,150</u>	<u>3,095,006</u>

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Consolidated Statement of Changes in Equity
For the Year ended 30 June 2018

	Note	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2016		15,234,393	62,327	(10,137,985)	5,158,735
Comprehensive Income					
Loss for Year	4	-	-	(2,501,566)	(2,501,566)
Total Comprehensive Income for year		-	-	(2,501,566)	(2,501,566)
Transactions with owners, in their capacity as owners, and other transfers					
Proceeds from issues of shares (less transaction costs)		406,484	-	-	406,484
Option Reserve		-	31,354	-	31,354
Total Transactions with owners and other transfers		406,484	31,354	-	437,837
Balance at 30 June 2017		15,640,876	93,681	(12,639,551)	3,095,006
Balance at 1 July 2017		15,640,876	93,681	(12,639,551)	3,095,006
Comprehensive Income					
Loss for Year	4	-	-	(470,373)	(470,373)
Total Comprehensive Income for year		-	-	(470,373)	(470,373)
Transactions with owners, in their capacity as owners, and other transfers					
Proceeds from issues of shares (less transaction costs)		265,516	-	-	265,516
Total Transactions with owners and other transfers		265,516	-	-	265,516
Balance at 30 June 2018		15,906,393	93,681	(13,109,924)	2,890,150

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Consolidated Statement of Cash Flows
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash Flows from Operating Activities			
Receipts from customers		-	-
Payments to suppliers and employees		(363,145)	(413,403)
Interest received		409	3,696
Finance costs		(13)	(5)
Net Cash Outflow from Operating Activities	10	<u>(362,749)</u>	<u>(409,712)</u>
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		-	-
Payments for exploration & evaluation expenditure		(242,163)	(90,591)
Net Cash Outflow from Investing Activities		<u>(242,163)</u>	<u>(90,591)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares		265,516	406,484
Net Cash Inflow from Financing Activities		<u>265,516</u>	<u>406,484</u>
Net Decrease in Cash Held		(339,396)	(93,819)
Cash and Cash Equivalents as at 1 July 2017		679,041	772,860
Cash and Cash Equivalents as at 30 June 2018		<u>339,645</u>	<u>679,041</u>

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

These consolidated financial statements and notes represent those of IPB Petroleum Limited and Controlled Entities (the “consolidated group” or “group”).

The separate financial statements of the parent entity, IPB Petroleum Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 7 September 2018 by the directors of the company.

Going Concern

The financial report of the company has been prepared on a going concern basis. This basis has been applied because in the Directors’ opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable over the next twelve months.

Specifically, cash and cash equivalents at 30 June 2018 stood at \$339,645. The company completed a successful placement post financial year end raising an additional \$800,000 before costs. With these financial resources the company’s budgeted cash flow forecasts for twelve months from the date of the financial statements allow for a certain minimal ongoing budgeted work programme expenditure on existing permits and also the current farm out process with a positive cash balance remaining at the end of the period.

1. Significant Accounting Policies

a. Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (IPB Petroleum Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 22.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

c. Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

The Group has formed an income tax consolidated Group under the Tax Consolidation Regime from 3 October 2011. The tax consolidated Group has entered into a tax funding agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated Group. In addition, the agreement provides for the allocation of income tax liabilities between entities. In addition to its own current and deferred tax amounts, the Group also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group. Assets or liabilities arising under the tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities the Group.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

Petroleum Rent Resources Tax (PRRT)

Petroleum Resource Rent Tax (PRRT) is recognised as an income tax under AASB112 - Income Taxes. From 1 July 2012, the PRRT regime was extended to all Australian onshore oil and gas projects. Accounting for PRRT involves judging the impact of the combination of production licences into PRRT projects, the taxing point of projects, the measurement of the starting base of projects, the impact of farm-ins, the deductibility of expenditure and the impact of legislative amendments.

A deferred tax asset is recognised in relation to the carry forward deductible PRRT expenditure of projects only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. At this stage the Group has no taxable profits and therefore does not recognise a deferred tax asset in the financial statements. The Group will determine the carry forward deductible PRRT expenditure of projects including augmentation on expenditure categories in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements for future years. Deferred tax assets in respect of PRRT are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

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

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

IPB Petroleum Limited and Controlled Entities

ACN 137 387 350

Notes to the Financial Statements

For the Year ended 30 June 2018

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	25%
Furniture & Fittings	20%
Computer Equipment	50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. Exploration and Development Expenditures

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area.

Expenditure settled by the farmee under the farm in arrangements is not recorded as expenditure (whether this would have been capitalised or expensed immediately) by the Group in its capacity as farmer.

f. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated Group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

g. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

Impairment losses were recognised for exploration and evaluation expenditures in the year to 2018. Refer to Note 13.

h. Intangibles

Computer Software

Computer software is recognised at cost on acquisition. Computer software costs have a finite life and are carried at cost less accumulated amortisation and any impairment losses. Computer software costs are amortised over their useful life on a straight-line basis of generally two years.

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

j. Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave entitlements are recognised as provisions in the statement of financial position. The Group currently has no long service leave provision obligations.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

k. Reserves

Options Reserve

The options reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share and options plans.

l. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

n. Revenue and Other Income

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

o. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

p. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

q. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

s. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

t. New and Amended Accounting Policies Adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

u. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgements

Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related exploration permit itself or, if not, whether it successfully recovers the related hydrocarbon exploration and evaluation asset through sale. Factors that could affect the future recoverability include the level of economically recoverable reserves, future technological changes which could impact the cost of development, future legal changes (including changes to environmental and restoration obligations) and changes to commodity prices. To the extent that capitalised hydrocarbon exploration and evaluation expenditure is determined not to be recoverable in the future, financial results and net assets will be reduced during the financial period in which this determination is made.

In addition, hydrocarbon exploration and evaluation expenditure is carried forward on the basis that activities in the areas of interest have not at the end of the reporting period reached a stage that allows a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing. To the extent it is determined in the future this capitalised expenditure should be written off in the statement of comprehensive income, financial results and net assets will be reduced during the financial period in which this determination is made. Information on the reasonable existence or otherwise of economically recoverable reserves is progressively gained through geological analysis and interpretation, drilling activity and prospect evaluation during a normal permit term. A reasonable assessment of the existence or otherwise of economically recoverable reserves can generally only be made, therefore, at conclusion of those exploration and evaluation activities. The Group's accounting policy for exploration and evaluation expenditure is set out in Note 1(e). The carrying amount of hydrocarbon exploration and evaluation assets is disclosed in Note 13.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

v. New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, and revised requirements for financial instruments and hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The effects of AASB 9 are not expected to have a material effect on the Group.

– AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

AASB 2014-7 (issued December 2014) gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issue of AASB 9: Financial Instruments (December 2014). More significantly, additional disclosure requirements have been added to AASB 7: Financial Instruments: Disclosures regarding credit risk exposures of the entity. This Standard also makes various editorial corrections to Australian Accounting Standards and an Interpretation.

AASB 2014-7 mandatorily applies to annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted, provided AASB 9 (December 2014) is applied for the same period.

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Group has established an AASB 15 project team and is in the process of completing its impact assessment of AASB 15. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 15 are not expected to have a material effect on the Group.

AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15

This Standard is applicable to annual reporting periods beginning on or after 1 January 2017 and makes consequential amendments to various Australian Accounting Standards arising as a result of the issue of AASB 15: Revenue from Contracts with Customers. AASB 2014-5 is not expected to impact the Group's financial statements.

– AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15

This Standard amends the mandatory effective date (application date) of AASB 15: Revenue from Contracts with Customers so that AASB 15 is required to be applied for

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. Therefore, this Standard also defers the consequential amendments that were originally set out in AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15. This deferral is achieved in a variety of ways because some of the Standards amended by AASB 2014-5 have been superseded by new principal versions issued in 2015 that apply to annual reporting periods beginning on or after 1 January 2017 or 2018. This Standard amends Interpretation 1052: Tax Consolidation Accounting to update the cross-references to Standards and to remove the references to dividends and other distributions, so that the wording of Int 1052.45 is appropriate for annual reporting periods beginning on or after 1 January 2018. AASB 15 is also reformatted to follow the structure of the new principal versions of other Standards by deleting or moving the Aus-numbered "Application" paragraphs.

AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 2016-3 (issued May 2016) makes amendments to AASB 15 to:

- clarify the requirements for assessing whether two or more promises to transfer goods or services to a customer are separately identifiable when identifying performance obligations in accordance with AASB 15.27(b) and the factors indicating this assessment;
- elaborate on the assessment of "control" over goods or services when determining whether an entity is acting as a principal or agent;
- clarify the timing of revenue recognition from licensing transactions; and
- extend the application of practical expedients on transition to AASB 15.

AASB 2016-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2018, with earlier application permitted.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term of 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The effect of AASB 16 is not expected to have a material effect on the Group. It is impracticable at this stage to provide a reasonable estimate of such impact.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
2. Parent Information			
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.			
Statement of Financial Position			
Assets			
Current Assets		371,865	711,186
Non-Current Assets		2,655,483	2,457,329
Total Assets		3,027,348	3,168,515
Liabilities			
Current Liabilities		137,198	73,509
Total Liabilities		137,198	73,509
Net Assets		2,890,150	3,095,006
Equity			
Issued Capital	17	15,906,393	15,640,876
Reserves	19	93,681	93,681
Accumulated Losses	21	(13,109,924)	(12,639,551)
Total Equity		2,890,150	3,095,006
Statement of Profit or Loss and Other Comprehensive Income			
Total profit(loss)	4	(470,373)	(2,501,566)
Total Comprehensive Income		(470,373)	(2,501,566)

Guarantees

During the reporting period IPB Petroleum Limited did not enter into a deed of cross guarantee with any of its subsidiaries.

Contingent liabilities

At 30 June 2018, IPB Petroleum Limited had no contingent liabilities.

Contractual commitments

At 30 June 2018, IPB Petroleum Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
3. Revenue and Other Income			
Interest Received		409	3,696
		409	3,696

4. Loss for the Year

Loss before income tax expense includes the following specific expenses:

Charging as Expense

Finance Costs		13	5
Depreciation			
- Office Furniture and Equipment		905	800
- Computer Equipment		2,424	1,677
		3,329	2,477
Impairment			
Impairment - Exploration Expenditure		35,733	2,024,790
		35,733	2,024,790
Remuneration of the Auditor			
- Audit &/or review of financial statements		32,843	31,679
		32,843	31,679
Foreign Currency Translation Losses		356	369
		356	369

5. Income Tax Expense

(a) The components of tax (expense)/income comprise:

Current Tax		-	-
Deferred Tax		-	-
		-	-
Total		-	-

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima Facie Tax on profit from ordinary activities at 30%		(141,112)	(750,470)
Add:			
Tax effect of:			
- Other Non-Allowable Items		-	162
- Share Options Expensed During Year		-	9,406
- Unused Income Tax Losses Not Taken Up as an Asset		141,112	740,902
Income tax attributable to entity		<u>Nil</u>	<u>Nil</u>
The applicable weighted average effective tax rates are as follows:		<u>0%</u>	<u>0%</u>

c) Deferred tax assets not recognised

Tax Losses	4,783,387	4,560,719
Temporary Differences	(775,315)	(692,275)
Total deferred tax assets not recognised	<u>4,008,072</u>	<u>3,868,444</u>

The above potential tax benefit, excluding deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The taxation benefits of tax losses and temporary difference not brought to account will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no change in tax legislation adversely affects the company in realising the benefits from deducting the losses.

6. Key Management Personnel Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2018.

The totals of remuneration paid to KMP of the Group during the year are as follows:

Short-term employee benefits	319,118	264,807
Post-employment benefits	1,140	1,140
Equity settled share based payments	-	30,033
Total KMP compensation	<u>320,258</u>	<u>295,980</u>

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
--	------	------------	------------

Total KMP compensation is larger than total employee benefits as it also includes directors' fees expense and also shows salaries and wages expenses that have been capitalised to the exploration and evaluation asset in accordance with AASB 6.

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

7. Dividends

No dividends were paid or proposed for the year.

Balance of franking account at year end	Nil	Nil
---	-----	-----

8. Earnings per Share

(a) Reconciliation of earnings to profit or loss:

Earnings used to calculate basic EPS	(470,373)	(2,501,566)
Earnings used in the calculation of dilutive EPS	(470,373)	(2,501,566)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	159,785,266	116,549,228
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	159,785,266	116,549,228
Antidilutive options on issue not used in dilutive EPS calculation	4,750,000	4,750,000

Potential Ordinary Shares

As the options were determined to be antidilutive the options have not been included in the determination of basic earnings/(loss) per share.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
--	------	------------	------------

Ordinary Shares

During July 2017 a capital raising was conducted resulting in the issuance of 18,249,523 shares for a contribution of \$265,516 (less associated costs of \$8,227).

The basic earnings per share as at 30 June 2018 was (0.003), (2017: (0.022)).

The diluted earnings per share as at 30 June 2018 was (0.003), (2017: (0.022)).

9. Cash and Cash Equivalents

Cash at bank and on hand		339,645	679,041
		339,645	679,041

The effective interest rate on short-term bank deposits was 1.055% (2017: 1.055%); these deposits are at call.

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and Cash Equivalents		339,645	679,041
		339,645	679,041

10. Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

Loss after Income Tax		(470,373)	(2,501,566)
Non-Cash Flows in Profit:			
- Depreciation		3,329	2,477
- Amortisation		4,947	-
- Impairment		35,733	2,024,790
- Share based payment expense		-	31,354
Changes in Assets and Liabilities:			
- Increase in Trade and Other Receivables		(5,460)	802
- Increase in Other Current Assets		5,385	5,390
- Decrease in Trade and Other Payables		63,690	27,041
Cash outflow from Operating Activities		(362,749)	(409,712)

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
11. Trade and Other Receivables			
Current			
GST Refundable		22,395	16,935
Total		<u>22,395</u>	<u>16,935</u>
Collateral Held as Security			
No collateral is held as security.			
12. Other Assets			
Current			
Prepayments		9,825	15,210
		<u>9,825</u>	<u>15,210</u>
13. Evaluation & Exploration Assets			
Exploration Expenditure			
- Exploration & Evaluation Phase		7,819,043	7,612,613
Less Accumulated Impairment Losses		(5,163,560)	(5,163,560)
Total		<u>2,655,483</u>	<u>2,449,053</u>

Exploration Expenditure

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of petroleum.

Capitalised costs amounting to \$242,163 (2017: \$90,591) have been included in cash flows from investing activities in the statement of cash flows.

Movements in Carrying Values

Movements in the carrying amounts for exploration permit between the beginning and the end of the current financial year:

Area of Interest	WA-424-P \$	WA-471-P \$	WA-485-P \$	Total \$
Balance as at 1 July 2016	2,408,029	744,944	1,230,279	4,383,252
Exploration and evaluation expenditure	41,024	24,448	25,119	90,591
Less Impairment Losses	-	(769,392)	(1,255,398)	(2,024,790)
Balance as at 30 June 2017	<u>2,449,053</u>	<u>-</u>	<u>-</u>	<u>2,449,053</u>

IPB Petroleum Limited and Controlled Entities

ACN 137 387 350

Notes to the Financial Statements

For the Year ended 30 June 2018

	Note	2018 \$	2017 \$	
	WA-424-P \$	WA-471-P \$	WA-485-P \$	Total \$
Balance as at 1 July 2017	2,449,053	-	-	2,449,053
Exploration and evaluation expenditure	206,430	18,033	17,700	242,163
Less Impairment Losses	-	(18,033)	(17,700)	(35,733)
Balance as at 30 June 2018	2,655,483	-	-	2,655,483
Cost	5,794,253	787,425	1,273,098	7,854,776
Less Accumulated Impairment Losses	(3,138,770)	(787,425)	(1,273,098)	(5,199,293)
Balance as at 30 June 2018	2,655,483	-	-	2,655,483

Impairment disclosures

Recoverability of the carrying amount of exploration, development and sale of petroleum assets is dependent on the successful exploration, development and sale of commercial hydrocarbons.

In the preparation of the 2017 Financial Statements the Directors re-assessed the carrying value of the company's exploration permits. As a consequence the Directors determined to impair two of IPB Petroleum's exploration permits being WA-471-P and WA-485-P to the full extent of their prior capitalised values. This policy has also been adopted in the preparation of the 2018 Financial statements.

These impairments result from the determination of a risk to the ability to satisfy the subject permits' work programmes within set timeframes resulting from a reduced likelihood of obtaining further suspension and extensions and or variations to these permit work programmes from the Commonwealth-Western Australia Joint Authority (Joint Authority) in future.

This has resulted in a 2018 Financial Year further impairment of \$18,033 for the WA-471-P exploration permit asset and \$17,700 for the WA-485-P exploration permit asset. As at the 30 June 2018 the carrying values of these two assets remains nil. IPB's core WA-424-P permit has not been impaired in the 2018 Financial Report and had a carrying value as at June 30, 2018 of \$2,655,483.

As at the date of this report the directors continue to pursue activities so as to enable the company to realise future economic benefits from these assets and will continue to monitor market conditions so as to update their impairment assessment as required.

Capitalised costs written off amounting to \$35,733 (2017: \$2,024,790) have been included in the statement of profit or loss.

14. Property, Plant and Equipment

Plant and Equipment

Office Equipment	7,202	7,202
Less Accumulated Depreciation & Impairment	(7,202)	(6,297)
	-	905
	-	-

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
Furniture & Fittings			
Less Accumulated Depreciation & Impairment		-	-
		-	-
Computer Equipment		58,685	58,685
Less Accumulated Depreciation & Impairment		(58,685)	(56,261)
		-	2,424
Total		-	3,329

Movements in Carrying Values

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Total Plant & Equipment

Balance at 1 July	3,329	5,806
Additions	-	-
Disposals	-	-
Depreciation Expense	(3,329)	(2,477)
Balance as at 30 June	-	3,329

15. Intangible Assets

Non-Current

Formation Expenses	-	4,947
Net carrying amount	-	4,947

Formation Expenses

Balance at 1 July	4,947	4,947
Additions	-	-
Disposals	-	-
Amortisation Expense	(4,947)	-
Balance as at 30 June	-	4,947

Intangible assets, other than goodwill, have finite useful lives.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
16. Trade and Other Payables			
Current			
Unsecured Liabilities:			
Trade Payables		99,182	39,061
Sundry Payables and Accrued Expenses		38,016	34,448
Total Trade and Other Payables		<u>137,198</u>	<u>73,509</u>

17. Issued Capital

160,335,252 (2017: 142,085,729) fully paid ordinary shares	15,906,393	15,640,876
--	------------	------------

The company has authorised share capital amounting to 160,335,252 ordinary shares.

	No.	No.
Ordinary Shares		
At the beginning of the reporting period	142,085,729	113,668,586
Shares issued during the year:	18,249,523	28,417,143
At the end of the reporting period	<u>160,335,252</u>	<u>142,085,729</u>

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

For information relating to the IPB Petroleum Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 20.

For information relating to share options issued to key management personnel during the financial year, refer to Note 20.

Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

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

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
--	------	------------	------------

capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

18. Operating Segments

Management has determined that the Group has one reportable segment, being Oil and Gas Exploration in Australia.

The Group's activities are therefore classified as one business segment.

19. Reserves

Options Reserve		93,681	93,681
		93,681	93,681
Employee Share Options Reserve			
Opening Balance for the year		93,681	62,327
Expensed During Year		-	31,354
		93,681	93,681

The option reserve records items recognised as expenses on valuation of employee share options.

20. Share-based Payments

On 17 November 2016, a total of 4,750,000 share options were granted to specialist professional employees as part of their remuneration package to take up ordinary shares at an exercise price of \$0.032 each. The options are fully vested and exercisable on or before 17 November 2020. The options hold no voting or dividend rights and are not transferable.

The company established the IPB Petroleum Employee Option Plan (EOP) on 20 February 2013 as a long-term incentive scheme to recognise and attract valuable Executives and incentivise them for performance which results in long-term growth in shareholder value. Under the EOP options may be offered to full or part-time employees or officers of IPB Petroleum, including Directors of the company (subject to Shareholder approval), which the Board determines should be entitled to participate in the EOP. Any options granted to eligible employees or officers will be free, unless the Board determines otherwise.

Any vesting conditions, exercise price and life of the options will be set by the Board at its discretion. The Board may determine and specify at the time of grant of options:

- i. the time periods or other conditions that must be satisfied before options are vested; and/or
- ii. any exercise conditions that must be satisfied before options can be exercised.

Subject to the satisfaction of any applicable vesting and/or exercise conditions before options can be exercised, options are exercisable during the specified exercise period, or within 6 months of certain prescribed events such as retirement, death and permanent disability, by giving notice of the exercise to the company and by paying the exercise price for the options exercised. Each option entitles the holder to subscribe for one share. The Shares allotted upon exercise of the options will rank equally in all respects with all other issued ordinary

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
<p>shares of the company. The company applied for official quotation on ASX of those shares after they were issued.</p> <p>A summary of the movements of all company options issues is as follows:</p>			
		Number	Weighted Average Exercise Price \$
Options outstanding as at 1 July 2016		-	-
Granted		4,750,000	\$0.0320
Exercised		-	-
Expired		-	-
Options outstanding as at 30 June 2017		4,750,000	\$0.0320
Options outstanding as at 1 July 2017		4,750,000	\$0.0320
Granted		-	-
Exercised		-	-
Expired		-	-
Options outstanding as at 30 June 2018		4,750,000	\$0.0320

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The fair value of options granted during the year was \$nil (2017: \$31,354). This is included under other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

These values were calculated using the Black-Scholes option pricing model applying the following inputs:

- Underlying Share Price on Date of Issue = 1.6 cents per share
- Exercise Price: 2.0 x Underlying Share Price on Date of Issue
- Expiry Date of the Options: 17 November 2020
- Volatility 75%*
- Risk Free Cost of Capital: 1.9% - Based on Australian Commonwealth Bond Market indicative rates.

* Historical volatility of similar Oil and Gas Exploration companies has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements in IPB's share price at the valuation date.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
21. Accumulated Losses			
Accumulated Losses at the Beginning of the Financial Year		(12,639,551)	(10,137,985)
Less Net loss attributable to members of the company		<u>(470,373)</u>	<u>(2,501,566)</u>
Accumulated Loss at the End of the Financial Year		<u>(13,109,924)</u>	<u>(12,639,551)</u>

22. Interests in Subsidiaries

Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		2018 %	2017 %
IPB WA 424P Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Browse Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB West Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Exploration Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Operations Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Development Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Offshore Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

Note	2018 \$	2017 \$
------	------------	------------

23. Related Party Transactions

There were no related party transactions.

a. The Group's related parties are as follows:

i. Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 6: Key Management Personnel Compensation.

ii. Entities subject to significant influence by the Group

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

The ultimate parent entity and its subsidiaries did not exert significant influence over any associate entities during the 2018 or 2017 years.

iii. Joint Venture entities accounted for under the equity method

The Group does not have any joint ventures which are accounted for under the equity method.

iv. Joint Arrangements

The Group does not have any joint arrangements which are accounted for under the proportional consolidation method.

v. Other related parties

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

b. Transactions with related parties

Other than those disclosed elsewhere in these financial statements, there were no transactions with related parties during the year.

24. Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable, accounts payable and loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

	Note	2018 \$	2017 \$
Financial assets			
Cash and cash equivalents	9	339,645	679,041
Total financial assets		<u>339,645</u>	<u>679,041</u>
Financial liabilities			
Trade and other payables at amortised cost	16	137,198	73,509
Total financial liabilities		<u>137,198</u>	<u>73,509</u>

Financial Risk Management Policies

The Board is responsible for, among other issues, managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk.

The Board's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with company policy.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts. The Group manages this risk through the maintenance of rolling cash flow forecasts.

All financial assets and liabilities of the Group are current and are able to be settled or realised within 12 months.

(c) Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

IPB Petroleum Limited and Controlled Entities
ACN 137 387 350
Notes to the Financial Statements
For the Year ended 30 June 2018

Note	2018 \$	2017 \$
------	------------	------------

The financial instruments that primarily expose the Group to interest rate risk are cash and cash equivalents.

No reasonable change in interest rates would have a material effect on the profit and equity values reported in the financial statements.

Fair Values

Fair value estimation

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in statement of financial position and notes to financial statements.

25. Events After the Reporting Period

Other than as disclosed below no other matters or circumstances have arisen since the end of the financial year which, significantly affect the operations of the Company, the results of those operations, or state of affairs of the company in future financial years.

The company settled an issue of 40 million new shares on 27 July, 2018 raising \$800,000 before costs. As a result and as at the date of this report the Company has 200,335,252 shares on issue.

On 20 July the company received confirmation from the Commonwealth-Western Australia Joint Authority that its 1 May 2018 application for a Variation to WA-485-P Permit Year Primary Term work programme had been granted.

The current Primary Term (first three years) (ending 13 May 2019) approved programme for this permit now provides for the completion of 900 km² of new 3D seismic, geotechnical studies and the drilling of 2 exploration wells to be completed by 13 May 2019 unless extended by application to and approval of, the Joint Authority.

26. Company Details

The registered office of the company is:

IPB Petroleum Limited
Level 1, 181 Bay Street, Brighton VIC 3186

The principal place of business is:

IPB Petroleum Limited
Level 1, 181 Bay Street, Brighton VIC 3186

The principal activities of the business include:

Oil & Gas Exploration

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of IPB Petroleum Limited (ACN 137 387 350), the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 28 – 57 are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated Group;
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required by S295A of the *Corporations Act 2001* from the Managing Director.

At the date of this declaration, there are reasonable grounds to believe that IPB Petroleum and its subsidiaries will be able to meet any obligations or liabilities which fall due.



Bruce McKay

Non-Executive Chairman

Dated this 7th day of September 2018



Image of semi-submersible drill rig Sedco 702. The Sedco 702 was used by BHP to drill the Gwydion oil discovery in 1995

Auditor's Report



**IPB PETROLEUM LIMITED
ACN 137 387 350
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
IPB PETROLUEM LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IPB Petroleum Limited and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of IPB Petroleum Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Carrying Value of Evaluation and Exploration Assets <i>Refer to Note 13 Evaluation and Exploration Assets</i></p> <p>The Group has capitalised exploration expenditure with a carrying value of \$2,655,483. We determined this to be a key audit matter due to the significant management judgement involved in assessing the carrying value in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, including:</p> <ul style="list-style-type: none"> • Assessing whether any indicators of impairment are present, and if so, judgements applied to determine and quantify any impairment loss • Determination of whether exploration activities have progressed to a stage at which the existence of an economically recoverable mineral reserve may be assessed. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Documenting and testing the design and operating effectiveness of relevant controls over reviewing the carrying value of Evaluation and Exploration Assets. • Critically reviewing management's assessment of impairment indicators for the Group's capitalised exploration assets under AASB 6 by: <ul style="list-style-type: none"> ▪ Assessing the period for the rights to explore the areas of interest have not expired or will not expire in the near future without an expectation of renewal. ▪ Reviewing forecasts to ensure that they indicate further planned exploration expenditure in the areas of interest. ▪ Understanding whether any data exists that indicates the carrying value of these exploration and evaluation assets are unlikely to be recovered from successful development or by sale. • Assessing the reasonableness of management's determination of the impairment loss on the asset. • Considering the adequacy of the financial report disclosures in Note 13.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Chairman's Letter, Managing Director's Overview, Directors Report, ASX Additional Information, Glossary and Corporate Directory which was obtained as at the date of our audit report, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 23 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of IPB Petroleum Limited and its controlled entities, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the Group 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.

Rod Shanley
Partner

10 September 2018

Pitcher Partners
Sydney



Image of oil rig helideck

ASX

**Additional
Information**

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2018.

a) Distribution of Shareholders

Analysis of numbers of shareholders by size of holding:

Ordinary Shares	Number of shareholders
1-1000	39
1,001-5,000	143
5,001-10,000	171
10,001-100,000	414
100,001 and over	217
Total Shareholders	984

The number of shareholders holding less than a marketable parcel of shares is 190

b) Classes of Securities and Voting Rights

IPB Petroleum has fully paid ordinary shares on issue. The voting rights attaching to ordinary shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held.

c) Top 20 shareholders

The names of the 20 largest holders of ordinary shares are listed below as at 31 August 2018:

Name	Number of ordinary shares	% ordinary shares
PHILIP SMITH	26,394,737	13.18
BTMB INVESTMENTS PTY LTD	26,250,000	13.10
KALAN SEVEN PTY LTD	10,607,075	5.29
CPAC HOLDINGS PTY LIMITED	8,000,000	3.99
COMSEC NOMINEES PTY LIMITED	5,234,862	2.61
MR PHILIP ALAN KENNETH NAYLOR & MRS ANDREA NAYLOR	5,000,000	2.50
LONG TERM SUPER PTY LTD	4,277,667	2.14
MR DAVID COLIN ARCHIBALD	2,650,000	1.32
MR IAN JAMES PITCHER	2,510,000	1.25
TRAVELOPP PTY LTD	2,050,000	1.02
CALLAHORN PTY LTD	2,000,000	1.00
BRENTINE NOMINEES PTY LTD	1,800,000	0.90
HUIC NOMS PTY LTD	1,770,000	0.88
CRAIG CURTIS	1,700,000	0.85
VICTORIA'S BASEMENT PTY LIMITED	1,675,000	0.84
MR ANDREW WOLFE	1,552,358	0.77
VAREEN PTY LTD	1,500,000	0.75
MRS SUZANNE JANE ROULENT	1,500,000	0.75
MRS SUSAN ANNE BOTICA & MR GARTH WILLIAM PERNASE	1,500,000	0.75
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,458,809	0.73
MR GARTH WILLIAM PERNASE & MRS SUSAN ANNE BOTICA	1,337,434	0.67
Top 20 Ordinary Shareholders Total	110,767,942	55.29%
Total Ordinary Shares as at 31 August 2018	200,335,252	100%

d) Substantial Shareholders

Substantial holders in IPB Petroleum are set out below according to the most recent lodged Form 604 Notice of change of Interests of the Substantial Holder

Name	Date of Notice	Number of ordinary shares held	% ordinary shares held
B. BROWN	6 August 2018	30,527,267	15.24%
P. SMITH	6 August 2018	28,444,737	14.20%
P. A. K. NAYLOR	5 June 2017	14,523,308	10.22%

e) Schedule of Petroleum Exploration Permits Held

Permit	Basin/Country	Titleholders	Equity %	Operator
WA-424-P	Browse Basin / Australia	IPB WA 424P Pty Ltd	100%	IPB WA 424P Pty Ltd
WA-471-P	Browse Basin / Australia	IPB Browse Pty Ltd	100%	IPB Browse Pty Ltd
WA-485-P	Browse Basin / Australia	IPB West Pty Ltd	100%	IPB West Pty Ltd

Further detail on Permits and works can be found in the Review of Operations pages 11-15.

\$, Aus. or Dollars, \$ AUD	Australian dollars unless otherwise stated
ASIC	Australian Securities & Investment Commission
ASX	ASX Limited
ASX Listing Rules	The listing rules of ASX
Board	IPB Petroleum Board of Directors
Constitution	The Constitution of the company
Corporations Act	The <i>Corporations Act 2001</i> (Cth)
Director	A Director of IPB Petroleum Limited
IPBLEOP	The IPB Petroleum Limited Employee Option Plan
IPB, IPB Petroleum or company	IPB Petroleum Limited (ABN 52 137 387 350) or IPB Petroleum Consolidated Group or a wholly owned subsidiary
Km	Kilometres
Km²	Squared Kilometres
Permits	The WA-424-P, WA-471-P, WA-485-P petroleum exploration permits
Primary Term	The first 3 years of the 6-year initial period or 5 year renewal period for which an exploration permit is awarded. The work activity for the first 3 years of the program are guaranteed work program commitments by the permit holders
Prospect	A ready-to-drill subsurface drilling target
PRRT	Petroleum Resources Rent Tax
Secondary Term	The second 3 years of the initial 6-year period or 2 years of a 5 year renewal period for which an exploration permit is awarded. On the commencement of the 4th year, the secondary work program becomes guaranteed on a year by year basis by the permit holders. Once a year has commenced the permit holders must complete all the specified work for that year. The work proposed in the secondary term can be varied prior to the commencement of the secondary term permit year.

DIRECTORS AND COMPANY SECRETARY

Bruce McKay

Non-Executive Director and Chairman

Brendan Brown

Managing Director

Philip Smith

Technical Director

Geoffrey King

Non-Executive Director

Brodrick Wray

Non-Executive Director

Martin Warwick

Company Secretary

SOLICITORS

Baker & McKenzie

Level 19, 181 William Street

Melbourne VIC 3000

SHARE REGISTRY

Link Market Services Limited

Tower 4, 727 Collins Street

Docklands VIC 3008

Phone 1300 554 474 (toll free)

Fax +61 2 9287 0303

Email registrars@linkmarketservices.com.au

Website www.linkmarketservices.com.au

REGISTERED OFFICE AND PRINCIPLE PLACE OF BUSINESS

IPB Petroleum Limited

Level 1, 181 Bay Street

Brighton VIC 3186

Australia

Phone +61 3 9598 0188

Fax +61 3 9598 0199

Email admin@ipbp.com.au

Website www.ipbp.com.au

AUSTRALIAN BUSINESS NUMBER

52 137 387 350

AUDITOR

Pitcher Partners

Level 22, MLC Centre

19 Martin Place

Sydney NSW 2000

This page left intentionally blank

IPB

IPB PETROLEUM

ipbpet.com.au