



IPB

IPB PETROLEUM LTD
(ACN 137 387 350)

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

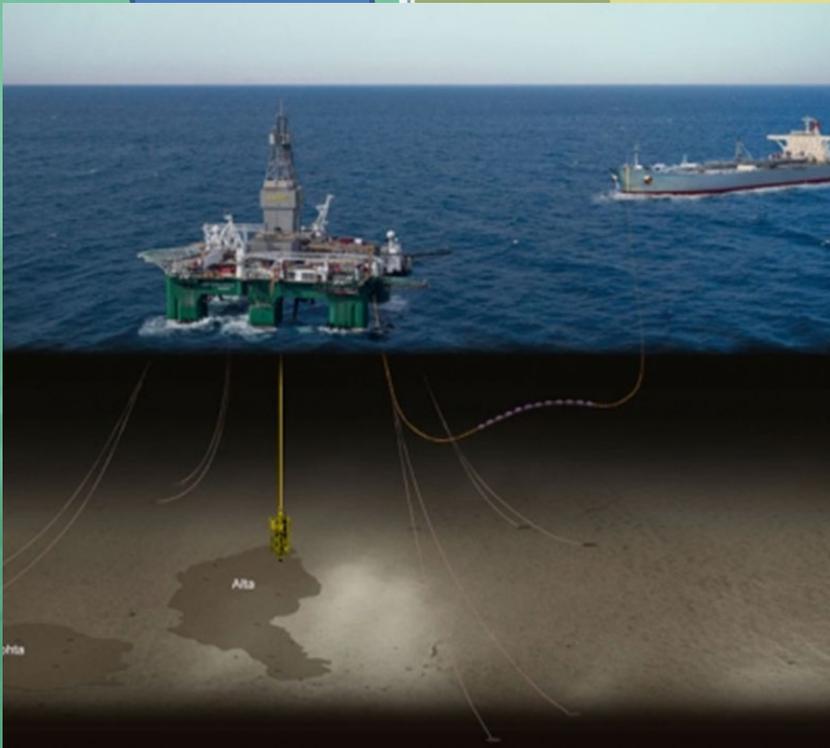


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DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The Directors present their report of IPB Petroleum Limited ('IPB Petroleum') ('Company') ('IPB') and subsidiaries ('Group') for the Half Year ended 31 December 2018 and the independent auditor's review report thereon.

Board of Directors

The Board of Directors of the Company ('Board') has been in office since the start of the Half Year to date of this report unless otherwise stated:

Bruce G McKay

Non-Executive Chairperson

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 of 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 years.

Brendan Brown

Managing Director

Qualifications

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

Experience and Expertise

Brendan Brown has more than 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 of 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.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 30 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 HALF YEAR ENDED 31 DECEMBER 2018

Review of Operations

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

During the half year IPB continued to progress its farmout plans, with access to the Company's dataroom and seismic project provided to certain interested parties as well as new presentations and discussions with other interested parties. IPB received a number of endorsements from larger reputable entities for its work and interpretation. As at the date of this report a small number of parties remain interested in the process.

As mentioned in the Company's Quarterlies, IPB has observed many industry participants encountering competing agendas, human resource limitations, and in some instances changing strategies, largely a result of difficult industry conditions in recent years, that has compromised the ability of these parties to progress with IPB's farmout process.

The Company remains positive about the potential of its permits and interest by industry, however in the interests of shareholders, and progressing the opportunity on offer with its assets, the Company has decided to focus its near-term strategy on the self-determining drilling logging and testing project (DLT project) at Idris and Gwydion.

Proposed DLT project - Idris prospect and Gwydion oil field

During the Half Year, IPB successfully completed a feasibility study into its proposed DLT Project. The DLT Project involves the proposed drilling of a well at Idris and to then complete a flow test of a subsequent horizontal well over an extended period, to assess the extent of the oil discovered by Gwydion-1. The objective of the project is to help better define reservoir size and resources, which has been difficult to refine on the current 3D data set given the stratigraphic nature of the reservoir.

The oil produced during the flow test is to be transferred to a chartered tanker and subsequently sold. Drilling is proposed to occur no earlier than 2nd quarter 2020, with the already commenced environmental approval process being a critical path item.

Proceeds from the oil sales will be used to repay proposed debt funding and any surplus then distributed to IPB and possibly vendor financiers.

As at the date of this report the Company has initiated debt financing activities to fully fund the DLT project, without which the project cannot proceed to completion. The estimated time for completion of the debt financing process if successful is approximately 4 months.

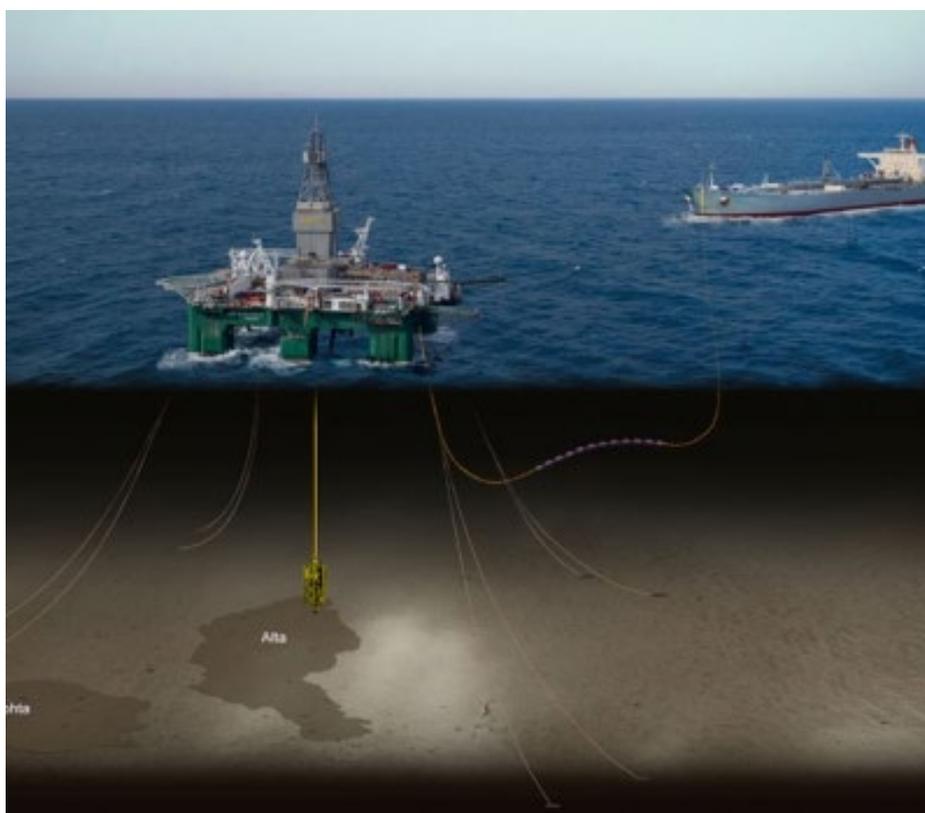


Image of drill rig with well flow test and collection oil tanker (courtesy of Lundin Petroleum)

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Other Studies

During the half year, the Company concluded a seismic imaging project over the Idris Prospect in WA-424-P, and while the results were consistent with expectations, unfortunately they did not provide further evidence as to how large in the upside case the economic container may be at Gwydion and Idris.

Similarly, initial investigative work into the merits of further seismic inversion work did not provide sufficient encouragement that further expenditure in this area with the current dataset would provide any more valuable information.

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

Seismic and Environmental Plan Activities

During the half year Environmental Planning (EP) work was commenced by the NERA consortium of which IPB is a member. IPB has been advised that a new Seismic EP covering its permits is planned to be lodged in 3rd quarter 2019.

IPB considers that securing EP approval cost effectively and efficiently is an important and necessary step in maintaining progress with the two permits' work programmes, and thereby retaining further upside associated with any future success in WA-424-P adjoining to the south.

Corporate and Financial Activities

During the half year the Company has continued to operate on a prudent basis, whilst continuing to progress permit studies, farmout activities and its now high graded proposed DLT project.

Net cash outflows from Operating Activities for the 6 months to December 2018 was approximately (\$0.30 million), (HY Dec 2017 (0.20 million)). Cash outflows for Investing Activities were increased during the half year to approximately (\$0.15 million) as a result of the current seismic depth conversion work and DLT projects, (HY Dec 2017 (\$ 0.05 million)).

Total net change in cash for the reporting period was an increase of \$0.306 million (HY Dec 2017 (increase of \$0.012 million)) following cash inflows from financing activities for the half year of \$0.750 million (HY Dec 2017 \$0.26 million).

As at 31 December 2018 the Company held approximately \$ 0.65 million in cash with no debt.

On 27 July 2018 the Company settled a placement of 40 million new shares to professional and sophisticated investors at a price of 2.0 cents per share raising a net \$750,000 after costs of \$50,000.

On 22 November 2018, following receipt of Shareholder Approval at the Company's AGM, IPB issued 4.75 million Share Options to Directors and Officers of the Company as part of their remuneration. The Share Options have an exercise price of 4.65 cents and are exercisable up until 22 November 2022, or no later than 6 months after the employee ceases to be employed by IPB whichever is earlier.

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Events occurring after the reporting period

On 13 March 2019 the Company appointed Atoll Financial to assist with raising new debt finance to fully fund the proposed DLT Project. This process if successful is expected to take approximately 4 months to complete.

The Fees to be paid to Atoll Financial by IPB associated with its engagement are as follows:

- A Monthly Retainer,
- Success fee of cleared funds raised by IPB
- Options issue as follows: On 13 March 2019, IPB issued 2.1 million share options to associates of Atoll Financial as part consideration for the provision of debt capital raising services. The Options have an exercise price of 20 cents, and become exercisable following a successful debt capital raising and expire if not exercised on 13 September 2022

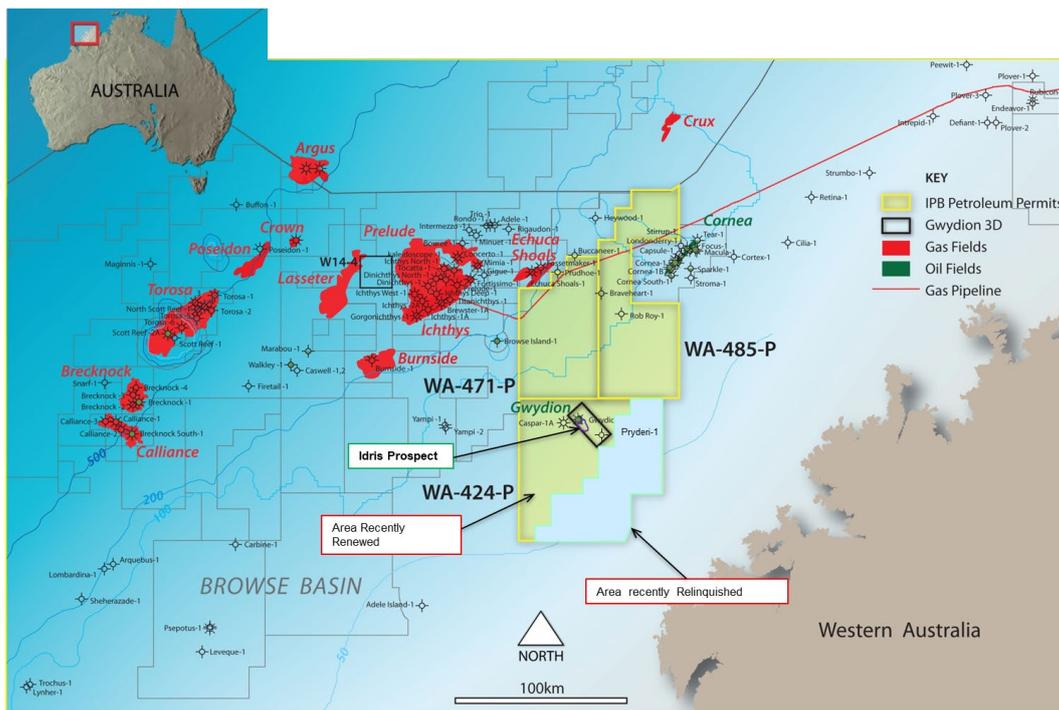


Figure 1: IPB Petroleum Permits Browse Basin Offshore North West Australia

Rounding of amounts to nearest dollar

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

Auditor's independence declaration

A copy of the auditor's independence declaration for the Half Year ended 31 December 2018 has been received as required under Section 307C of the Corporations Act 2001 and is included on page 7. 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 14th day of March 2019

Brendan Brown
Managing Director
Dated at Melbourne this 14th day of March 2019

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration To the Directors of IPB Petroleum Limited ACN 137 387 350

In relation to the independent auditor's review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

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

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

Rod Shanley
Partner

Pitcher Partners
Sydney

14 March 2019

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Liability limited by a scheme approved under Professional Standards Legislation



IPB Petroleum Limited Consolidated
ACN 137 387 350
Statement of Profit or Loss and Other Comprehensive Income
For the Half Year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Continuing operations			
Revenue		-	-
Other income	3	216	204
Employee benefits and directors' fees		(103,370)	(107,449)
Consulting & Contractors		(6,500)	(6,200)
Legal, Audit & Accounting		(27,480)	(35,865)
Travel		(12,738)	(4,027)
Shareholder Relations		(23,437)	(10,101)
Listing & filing fees		(26,449)	(22,627)
Occupancy		(21,612)	(4,615)
Depreciation and amortisation expense		-	(3,329)
Finance costs		(5)	-
Other expenses		(64,794)	(31,337)
Loss before income tax		<u>(286,169)</u>	<u>(225,346)</u>
Income Tax expense		-	-
Net Loss for the half year		<u>(286,169)</u>	<u>(225,346)</u>
Other comprehensive income for the half year		-	-
Total comprehensive income for the half year		<u><u>(286,169)</u></u>	<u><u>(225,346)</u></u>
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		(0.001)	(0.001)
Diluted earnings per share (cents)		(0.001)	(0.001)

IPB Petroleum Limited Consolidated
ACN 137 387 350
Statement of Financial Position
As at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
Current Assets			
Cash and Cash Equivalents	4	645,962	339,645
Trade and Other Receivables	6	24,983	22,395
Other Current Assets		3,275	9,825
Total Current Assets		<u>674,220</u>	<u>371,865</u>
Non-Current Assets			
Exploration and Evaluation Assets	7	2,800,509	2,655,483
Total Non-Current Assets		<u>2,800,509</u>	<u>2,655,483</u>
Total Assets		<u>3,474,729</u>	<u>3,027,348</u>
Current Liabilities			
Trade and Other Payables		78,605	137,198
Total Current Liabilities		<u>78,605</u>	<u>137,198</u>
Total Liabilities		<u>78,605</u>	<u>137,198</u>
Net Assets		<u>3,396,124</u>	<u>2,890,150</u>
Equity			
Issued Capital	8	16,656,393	15,906,393
Reserves	9	135,824	93,681
Accumulated Losses		(13,396,093)	(13,109,924)
Total Equity		<u>3,396,124</u>	<u>2,890,150</u>

IPB Petroleum Limited Consolidated
ACN 137 387 350
Statement of Changes in Equity
For the Half Year ended 31 December 2018

	Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2017		15,640,876	93,681	(12,639,551)	3,095,006
Comprehensive Income					
Loss for Half Year				(225,346)	(225,346)
Total Comprehensive Income for half year				(225,346)	(225,346)
Transactions with owners, in their capacity as owners, and other transfers					
Proceeds from issues of shares		273,743			273,743
Less transaction costs		(8,226)			(8,226)
Total Transactions with owners and other transfers		265,517			265,517
Balance at 31 December 2017		15,906,393	93,681	(12,864,897)	3,135,177
Balance at 1 July 2018	8, 9	15,906,393	93,681	(13,109,924)	2,890,150
Comprehensive Income					
Loss for Half Year				(286,169)	(286,169)
Total Comprehensive Income for half year				(286,169)	(286,169)
Transactions with owners, in their capacity as owners, and other transfers					
Proceeds from issues of shares		800,000			800,000
Less transaction costs		(50,000)			(50,000)
Options Reserve			42,143		42,143
Total Transactions with owners and other transfers		750,000	42,143		792,143
Balance at 31 December 2018	8, 9	16,656,393	135,824	(13,396,093)	3,396,124

IPB Petroleum Limited Consolidated
ACN 137 387 350
Statement of Cash Flows
For the Half Year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Cash Flows from Operating Activities			
Receipts from customers		-	-
Payments to suppliers and employees		(298,868)	(203,209)
Interest received	3	216	204
Finance costs		(5)	-
Net Cash Outflow from Operating Activities	5	<u>(298,657)</u>	<u>(203,005)</u>
Cash Flows from Investing Activities			
Payments for exploration & evaluation expenditure	7	(145,026)	(49,808)
Net Cash Outflow from Investing Activities		<u>(145,026)</u>	<u>(49,808)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares		750,000	265,517
Net Cash Inflow from Financing Activities		<u>750,000</u>	<u>265,517</u>
Net Increase/(Decrease) in Cash Held		306,317	12,704
Cash and Cash Equivalents at beginning of the Half Year		339,645	679,041
Cash and Cash Equivalents at End of the Half Year	4	<u>645,962</u>	<u>691,745</u>

IPB Petroleum is a publicly listed company limited by shares and is listed in Australia on the ASX. It is incorporated and domiciled in Australia. The registered office of IPB Petroleum and the principal place of business is Level 1, 181 Bay Street, Brighton, Victoria 3186.

1. Statement of Significant Accounting Policies

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by IPB Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The accounting policies have been consistently applied by the Company throughout the reporting period and are consistent with those applied in the 30 June 2018 Annual Financial Report.

New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period

The Group has considered the application of new or amended Accounting Standards for both this half year, the half year to December 2017 and the year to June 2018 and has determined that the application is either not relevant or not material.

2. Going Concern

As at 31 December 2018 the Group held approximately \$ 0.65 million in cash with no debt. Net cash outflows from Operating Activities for the 6 months to December 2018 was approximately (\$0.30 million). Cash outflows from Investing Activities for the 6 months to December 2018 was approximately (\$0.15 million).

On this basis there is an uncertainty whether the Group can identify additional flexibility in its cost structure to allow the Group to meet its cash commitments over the next twelve months. As a result, the Group may need to raise some additional funds through the new debt finance process with Atoll Financial or other options.

On the basis of the expected level of operations and the Group's history of managing its cost structure to match funding availability, the Directors are of the opinion that for the next 12 month period from the date of signing the Directors Declaration the Group will have sufficient liquidity to meet their existing commitments and accordingly present these consolidated financial statements on a going concern basis.

IPB Petroleum Limited Consolidated ACN 137 387 350
Notes to the Financial Statements
For the Half Year Ended 31 December 2018

3. Revenue and Other Income	Half Year Ended 31 December 2018	Half Year Ended 31 December 2017
	\$	\$
Other Income		
Interest Received	216	204
	<u>216</u>	<u>204</u>

4. Cash and Cash Equivalents	Half Year Ended 31 December 2018	Year Ended 30 June 2018
	\$	\$
Cash at bank and on hand	645,962	339,645
	<u>645,962</u>	<u>339,645</u>

The effective interest rate on short-term bank deposits was 1.055% (Year Ended 30 June 2018: 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	<u>645,962</u>	<u>339,645</u>
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5. Cash Flow Information	Half Year Ended 31 December 2018	Half Year Ended 31 December 2017
	\$	\$

Reconciliation of Cash Flow from Operations with Profit after Income Tax

Loss after Income Tax	(286,169)	(225,346)
Non-Cash Flows in Profit:		
- Depreciation	-	3,329
- Amortisation	-	4,947
- Share Based Payment Expense	42,143	-
Changes in Assets and Liabilities:		
- (Increase)/Decrease in Trade & Other Receivables	(2,588)	3,530
- (Increase)/Decrease in Other Current Assets	6,550	10,140
- Increase/(Decrease) in Trade & Other Payables	(58,593)	395
Cash outflow from Operating Activities	<u>(298,657)</u>	<u>(203,005)</u>

IPB Petroleum Limited Consolidated ACN 137 387 350
Notes to the Financial Statements
For the Half Year Ended 31 December 2018

6. Trade and Other Receivables	Half Year Ended	Year Ended
	31 December 2018	30 June 2018
	\$	\$
Current		
GST Refundable	24,983	22,395
Total Current Trade and Other Receivables	24,983	22,395

7. Exploration and Evaluation	Half Year Ended	Year Ended
	31 December 2018	30 June 2018
	\$	\$
Non-Current		
Exploration Expenditure		
- Exploration & Evaluation Phase	7,964,069	7,819,043
Less Accumulated Impairment Losses	(5,163,560)	(5,163,560)
Total exploration expenditure	2,800,509	2,655,483

Exploration Expenditure

Capitalised costs amounting to \$145,026 (30 June 2018: \$242,163) have been included in cash flows from investing activities in the statement of cash flows.

(a) Movement in Carrying Values

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

Exploration Permit - Area of Interest	WA-424-P	WA-471-P	WA-485-P	Total
	\$	\$	\$	\$
Balance as at 1 July 2018	2,655,483	-	-	2,655,483
Exploration and evaluation expenditure	137,652	3,686	3,688	145,026
Balance as at 31 December 2018	2,793,135	3,686	3,688	2,800,509

Exploration permit commitments and tenure risks

The terms and conditions of the exploration 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. If an exploration permit were cancelled, the Company would be required to fully impair the carrying value of the exploration and evaluation expenditure associated with the subject permit.

Carrying Values for exploration and evaluation expenditure

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.

IPB Petroleum Limited Consolidated ACN 137 387 350
Notes to the Financial Statements
For the Half Year Ended 31 December 2018

In order to fund substantive future exploration activities within its permits, IPB continued with its farmout process during the reporting period. The Company also completed a feasibility study into a drilling logging and testing project (DLT project) in WA-424-P. IPB has commenced a debt financing process which if successful the Company intends to commit to this project which will satisfy all permit work commitments for WA-424-P. As at the date of this report, the farmout activities are not concluded.

As at the date of this report, the directors continue to pursue activities such as the proposed DLT Project and a potential farmout of some of its permits so as to enable the company to realise future economic benefits from these assets. The directors will continue to monitor market conditions so as to update their impairment assessments of these assets as required.

8. Issued Capital

	Half Year Ended 31 December 2018	Year Ended 30 June 2018
	\$	\$
200,335,252 (30 June 2018:160,335,252) fully paid ordinary shares	16,656,393	15,906,393
Ordinary Shares	No.	No.
At the beginning of the reporting period	160,335,252	142,085,729
Shares issued during the year	40,000,000	18,249,523
At the end of the reporting period	200,335,252	160,335,252

9. Reserves

Options Reserve	93,681	93,681
	93,681	93,681
Employee Share Options Reserve		
Opening Balance for the year	93,681	93,681
Expensed During Year	42,143	-
	135,824	93,681

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

Options

For information relating to the IPB Petroleum Limited employee share option plan, including details of options issued, exercised and lapsed during the half year and the options outstanding at period end, refer to Note 10.

10. Share-based Payments

On 22 November 2018, 4,750,000 share options were granted under the IPB Petroleum Employee Option Plan (EOP) to directors and officers as part of their remuneration package to take up ordinary shares at an exercise

IPB Petroleum Limited Consolidated ACN 137 387 350
Notes to the Financial Statements
For the Half Year Ended 31 December 2018

price of \$0.0465 per option. The options are fully vested and exercisable on or before 22 November 2022

All options hold no voting or dividend rights.

The Company established the EOP on 20 February 2013 as a long-term incentive scheme to recognise, attract and retain valuable employees and incentivise them for performance which results in long-term growth in shareholder value. The EOP was re-approved by shareholders at the Annual General Meeting on 22 November 2018.

Under the EOP options may be offered to full or part-time employees, officers and Directors (subject to shareholders approval) of IPB Petroleum, 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 shares of the company. The company intends to apply for official quotation on ASX of shares issued upon exercise of any options.

A summary of the movements of all company options issues is as follows:

	Number	Weighted Average Exercise Price \$
Options outstanding as at 1 July 2018	4,750,000	\$0.0320
Forfeited	-	-
Exercised	-	-
Expired	-	-
Issued	4,750,000	\$0.0465
Options outstanding as at 31 December 2018	9,500,000	\$0.0393

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 the 4.75 million options granted during the half year was 0.8872 cents per option or \$42,143 in total, (half year to Dec 2017: nil). This amount is included under other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

- Underlying Share Price on Date of Issue = 2.6 cents per share
- Exercise Price: 4.65 cents
- Expect Life of the Options: 3.75 years
- Expected Volatility 65% - Based on previous 12 months volatility of IPB shares as traded on ASX
- Risk Free Cost of Capital: 2.23 % - Based on Australian Commonwealth Bond Market indicative rates.

Resulting Fair Value per Option = 0.8872 cents per option

11. 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.

12. 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	
		Half Year Ended 31 December 2018	Year Ended 30 June 2018
		%	%
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

13. Events occurring after the reporting period

On 13 March 2019 the Company appointed Atoll Financial to assist with raising new debt finance to fully fund the proposed DLT Project. This process if successful is expected to take approximately 4 months to complete.

The Fees to be paid to Atoll Financial by IPB associated with its engagement are as follows:

- A Monthly Retainer,
- Success fee of cleared funds raised by IPB
- Options issue as follows: On 13 March 2019, IPB issued 2.1 million share options to associates of Atoll Financial as part consideration for the provision of debt capital raising services. The Options have an exercise price of 20 cents, and become exercisable following a successful debt capital raising and expire if not exercised on 13 September 2022

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of IPB Petroleum Limited (ABN 52 137 387 350), the directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 17 are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standards, AASB 134: Interim Financial Reporting; and
 - b) gives a true and fair view of the financial position as at 31 December 2018 and of the performance for the Half Year ended on that date of the group; and
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;



Bruce McKay

Non-Executive Chairman

Dated this 14th day of March 2019



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Independent Auditor's Review Report to the Members of IPB Petroleum Limited ACN 137 387 350

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of IPB Petroleum Limited ("the company"), and its controlled entities ("the group") which comprises the statement of financial position as at 31 December 2018, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the group comprising IPB Petroleum Limited and the entities it controlled at the half-years end or from time to time during the half-year.

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

- (i) giving a true and fair view of the group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material uncertainty in relation to going concern

We draw attention to Notes 2 and 13 in the financial report, which indicates that the Group has cash and cash equivalents at balance date of \$0.65 million and had a net cash outflow from operating activities of \$0.3 million and from investing activities of \$0.15 million for the half-year. On this basis there is an uncertainty whether the Group can identify additional flexibility in its cost structure to allow the Group to meet its cash commitments over the next twelve months without the need to raise additional funds. These events and conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in this respect.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *"Review of a Financial Report Performed by the Independent Auditor of the Entity"*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *"Interim Financial Reporting"* and the *Corporations Regulations 2001*. As the auditor of IPB Petroleum Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Rod Shanley
Partner



Pitcher Partners
Sydney

14 March 2019

DIRECTORS AND COMPANY SECRETARY

Bruce McKay

Non-Executive Director and Chairman

Brendan Brown

Managing Director

Philip Smith

Technical Director

Brodrick Wray

Non-Executive Director

Geoffrey King

Non-Executive Director

Martin Warwick

Company Secretary

SOLICITORS

Baker & McKenzie
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Melbourne VIC 3000

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AUSTRALIAN BUSINESS NUMBER

52 137 387 350

AUDITOR

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