Omega Oil & Gas Limited

(Formerly known as Luco Energy Pty Ltd)

ABN 45 644 588 787

Annual Report - 30 June 2022

Omega Oil & Gas Limited
(Formerly known as Luco Energy Pty Ltd)
Corporate directory
30 June 2022

Directors	Quentin Flannery Stephen Harrison Lauren Bennett (appointed 18 May 2022) Michael Sandy (appointed 27 June 2022) Andrew Lukas (appointed 13 October 2020, resigned 24 November 2021)
Company secretary	David Franks
Auditor	UHY Haines Norton
Solicitors	Squire Patton Boggs
Bankers	Commonwealth Bank of Australia
Website	https://omegaoilandgas.com.au/

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Omega Oil & Gas Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors
The following persons were directors of Omega Oil & Gas Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Quentin Flannery
Stephen Harrison
Lauren Bennett (appointed 18 May 2022)
Michael Sandy (appointed 27 June 2022)
Andrew Lukas (appointed 13 October 2020, resigned 24 November 2021)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- preparation for the development of the Petroleum Lease 17 (PL17), located in the Bennett and Leichardt Fields, near the Surat Basin in Queensland, Australia. The Company holds 100% interest in this tenement.
- preparation for the exploration and development of the Authority to Prospect 2037 and 2038 (ATP2037 and ATP2038 respectively), located approximately 30km west of Tara, in the Western Downs Region of Queensland, Australia. The Company holds 100% interest in these tenements.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $2,005,513 (30 June 2021: $1,571,115).

Significant changes in the state of affairs
On the 19th of May 2022, Luco Energy Pty Ltd changed its name to Omega Oil & Gas Limited and on that same day, converted to a public company.

On the 7th of April 2022, the company conducted a share split. 6,962,996 ordinary shares were on issue prior to the share split, which now represents 35,000,000 ordinary shares. This equates to a share split of 1:5.0265719.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
Subsequent to the year end, convertible note cash funding (as per the convertible notes detailed in note 12) of $414,200 were received.

On 4 July 2022, the following options were granted to Directors:
- Stephen Harrison will be issued with 750,000 options;
- Quentin Flannery (via Offelbar Pty Ltd) will be issued with 450,000 options; and
- Michael Sandy will be issued with 450,000 options.

The above options carry an exercise price of $0.30 and vest in 3 tranches on the anniversary of the Company's Initial Public Offering on the Australian Securities Exchange and expire within 2 years of each respective tranche vesting.

As at the date of this report, the Prospectus has been submitted to the ASX and capital has been raised from investors to the value of $15m. The cash is currently being held in a trust account by an external service provider on behalf of the consolidated entity. The expectation as at the date of signing the financial report is that the company will list on the ASX by 21 October 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Refer to Matters subsequent to the end of the financial year for status of the Company's IPO.

Environmental regulation

The exploration undertaken on the consolidated entity's combined tenements in Queensland to date has not created significant environmental issues. However, environmental issues will arise as and when the consolidated entity moves into development and production and these issues will be thoroughly assessed at the time any mining authority is sought. Measures are undertaken pre and post drilling to ensure that the environmental impact is minimised. The work undertaken to date has produced minimal impact on the environment. No issues regarding compliance were encountered during the reporting period.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Quentin Flannery	16	16
Stephen Harrison	16	16
Lauren Bennett	2	2
Michael Sandy	1	1
Andrew Lukas	6	7

Held: represents the number of meetings held during the time the director held office.

Shares under option

Unissued ordinary shares of Omega Oil & Gas Limited under option at the date of this report have been issued to Ilwella Pty Ltd and Lizarb Pty Ltd, with the details per options deed as follows:
- *Grant date*: 3 May 2021
- *Share price*: IPO price estimated at $0.20
- *Exercise price*: 150% of IPO price, estimated at $0.30
- *Number of options*: 4% of ordinary shares on issue after IPO, estimated between 5,045,975 and 5,545,975
- *Expiry date*: 31 December 2022 or if IPO occurs, the second anniversary of the IPO
- *Service / performance conditions*: None

Shares issued on the exercise of options

There were no ordinary shares of Omega Oil & Gas Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
UHY Haines Norton continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Stephen Harrison
Director

14 October 2022
Sydney

UHY Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhnsyd.com.au
www.uhyhnsydney.com.au

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

To the Directors of Omega Oil & Gas Limited

As lead auditor for the audit of Omega Oil & Gas Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in relation to Omega Oil & Gas Limited and the subsidiary it controlled during the year ended and as at 30 June 2022.

UHY Haines Norton

Mark Nicholaeff
Partner
Signed at Sydney on 14 October 2022

UHY Haines Norton
Chartered Accountants

Contents

General information

The financial statements cover Omega Oil & Gas Limited as a consolidated entity. The financial statements are presented in Australian dollars, which is Omega Oil & Gas Limited 's functional and presentation currency.

Omega Oil & Gas Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Automic Pty Ltd
Level 5, 126-130 Phillip Street
Sydney NSW 2000

Principal place of business

Suite 06 Level 22, 56 Pitt Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 October 2022. The directors have the power to amend and reissue the financial statements.

Omega Oil & Gas Limited
(Formerly known as Luco Energy Pty Ltd)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 $	23 September 2020 to 30 June 2021 $
Other income			
Other income	4	27,706	1,064
Expenses			
Administration		(165,295)	(41,998)
Depreciation expense		(32,908)	(23,665)
Directors' fees		(120,000)	(10,000)
Employee benefits expense		(568,055)	(59,295)
Finance costs	5	(57,545)	(185)
Legal claim expenses		-	(729,340)
Occupancy expenses		(62,793)	(8,603)
Other expenses		(49,122)	(836)
Professional fees		(977,501)	(449,684)
Write-off of assets		-	(248,573)
Loss before income tax expense		(2,005,513)	(1,571,115)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Omega Oil & Gas Limited	16	(2,005,513)	(1,571,115)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Omega Oil & Gas Limited		(2,005,513)	(1,571,115)
		Cents	**Cents**
Basic earnings per share	28	(5.90)	(7.23)
Diluted earnings per share	28	(5.90)	(7.23)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Omega Oil & Gas Limited
(Formerly known as Luco Energy Pty Ltd)
Statement of financial position
As at 30 June 2022

	Note	Consolidated 2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	7	2,317,677	384,592
Other current assets	8	987,355	49,811
Other receivables	9	159,800	123,083
Total current assets		3,464,832	557,486
Non-current assets			
Property, plant and equipment		86,737	130,735
Exploration and evaluation	10	2,341,006	2,341,006
Other receivables	9	157,963	157,963
Total non-current assets		2,585,706	2,629,704
Total assets		6,050,538	3,187,190
Liabilities			
Current liabilities			
Trade and other payables	11	388,646	1,099,471
Convertible note payable	12	2,937,650	-
Derivative financial instruments	13	753,940	-
Employee benefits		50,226	4,546
Total current liabilities		4,130,462	1,104,017
Non-current liabilities			
Provisions	14	161,316	154,188
Total non-current liabilities		161,316	154,188
Total liabilities		4,291,778	1,258,205
Net assets		1,758,760	1,928,985
Equity			
Issued capital	15	5,280,388	3,500,100
Accumulated losses	16	(3,521,628)	(1,571,115)
Total equity		1,758,760	1,928,985

The above statement of financial position should be read in conjunction with the accompanying notes

Omega Oil & Gas Limited
(Formerly known as Luco Energy Pty Ltd)
Statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital $	Accumulated losses $	Total equity $
Balance at 23 September 2020	-	-	-
Loss after income tax expense for the year	-	(1,571,115)	(1,571,115)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(1,571,115)	(1,571,115)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 15)	3,500,100	-	3,500,100
Balance at 30 June 2021	3,500,100	(1,571,115)	1,928,985

Consolidated	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2021	3,500,100	(1,571,115)	1,928,985
Loss after income tax expense for the year	-	(2,005,513)	(2,005,513)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(2,005,513)	(2,005,513)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 15)	1,835,288	-	1,835,288
Share buyback (note 15)	(55,000)	55,000	-
Balance at 30 June 2022	5,280,388	(3,521,628)	1,758,760

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

Omega Oil & Gas Limited
(Formerly known as Luco Energy Pty Ltd)
Statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated 2022 $	23 September 2020 to 30 June 2021 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(3,450,774)	(599,221)
Interest received		160	1,064
Interest and other finance costs paid		(2,959)	(185)
Net cash used in operating activities	27	(3,453,573)	(598,342)
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired		-	(2,489,066)
Net cash used in investing activities		-	(2,489,066)
Cash flows from financing activities			
Proceeds from issue of shares	15	1,760,558	3,472,000
Proceeds from prior period unpaid shares		28,000	-
Share buyback	15	(55,000)	-
Proceeds from convertible notes	12	3,653,100	-
Net cash from financing activities		5,386,658	3,472,000
Net increase in cash and cash equivalents		1,933,085	384,592
Cash and cash equivalents at the beginning of the financial year		384,592	-
Cash and cash equivalents at the end of the financial year	7	2,317,677	384,592

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

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

Management of the consolidated entity have performed initial assessments for these standards and interpretations and note that none are expected to have a significant impact on the consolidated entity in the future years, however management will continue to assess closer to the application dates and update the impact assessments as necessary.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

During the year ended 30 June 2022, the consolidated entity incurred a net loss before tax of $2,005,513 and had a net cash outflow from operating activities of $3,453,573.

As described in note 26, subsequent to the year end date the consolidated entity has raised $15m of capital during the process of its Initial Public Offering ('IPO') on the Australian Securities Exchange ('ASX'). The anticipated date of admission to the Official List of the ASX Limited at the date of signing the consolidated financial statements is the 21st October 2022. The amount of capital raised is forecasted to be sufficient to continue operations for at least 12 months from the date of signing the consolidated financial statements.

Should the consolidated entity be unable to execute the forecasted strategy, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The comparative period covers the period 23 September 2020 (date of incorporation of Omega Oil & Gas Limited as a standalone entity) through to 30 June 2021.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Omega Oil & Gas Limited
(Formerly known as Luco Energy Pty Ltd)
Notes to the financial statements
30 June 2022

Note 1. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Omega Oil & Gas Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Omega Oil & Gas Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Other income
Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Other receivables
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 1. Significant accounting policies (continued)

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Exploration and evaluation costs are only capitalised where they are the result of an acquisition from a third party. These capitalised costs are only carried forward to the extent that they are expected to be recouped 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 a decision to proceed to development is made, the exploration and evaluation costs capitalised to that area are transferred to mine development asset within property, plant and equipment. No depreciation or amortisation is expensed during the exploration and evaluation phase. All costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised. These costs include expenditure to develop new segments within the area of interest, to define further prospective assets in existing areas of interest, to expand the capacity of a mine and to maintain production.

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the area itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes, cost of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Convertible note payable
The company has entered into a convertible note agreement for notes that are convertible into ordinary shares of the parent entity at a 20% discount to the proposed IPO price. Nil interest is payable and the notes are unsecured.

The convertible notes are classified as financial liabilities as they are not a fixed price for a fixed number of shares. As the instrument contains an embedded derivative, the derivative portion has been designated as at fair value through profit or loss on initial recognition, whereas the host liability is recognised at amortised cost. Amortisation of the effective interest portion of the convertible notes are recognised as finance costs.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 1. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are awards of shares, or options over shares provided to directors and other parties as part of their compensation for services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the directors to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or director, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or director and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

If the fair value of equity instruments granted cannot be reliably measured at the measurement date, they are recorded at their intrinsic value. The intrinsic value is assessed at each reporting date, with movements in the intrinsic value being recognised in profit or loss. For a grant of share options, the share-based payment arrangement is settled when the options are exercised, are forfeited (eg upon cessation of employment) or lapse (eg at the end of the option’s life.

Note 1. Significant accounting policies (continued)

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Omega Oil & Gas Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Make-good provision
A provision has been made for the present value of anticipated costs for future restoration of mining sites. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the oil and gas resources. Key judgements are applied in considering costs to be capitalised, as costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. Restatement of comparatives

Reclassification
The financial statements of the prior year have been restated to reflect a reclassification from share-based payments and reserves into Director fees and accrued expenses. This is to more appropriately reflect the nature of the transactions as remuneration for Directors' services performed, which have been subsequently paid via the issuance of shares and convertible notes. The impact to the comparative period consolidated statement of financial position is a $10,600 reclassification from Reserves to Accrued expenses. The impact to the comparative period consolidated statement of profit or loss and other comprehensive income is a reclassification from Share-based payment expense to Director fees, with no impact to the total loss.

Note 4. Other income

	Consolidated	
	2022 $	23 September 2020 to 30 June 2021 $
Interest income	160	1,064
Net gain on disposal of property, plant and equipment	27,546	-
Other income	27,706	1,064

Note 5. Expenses

	Consolidated	
	2022 $	23 September 2020 to 30 June 2021 $
Loss before income tax includes the following specific expenses:		
Finance costs		
Finance costs recognised using the effective interest method on convertible notes payable (note 12)	28,047	-
Transaction costs on derivative financial instrument	26,539	-
Bank fees	2,959	185
Finance costs expensed	57,545	185
Superannuation expense		
Defined contribution superannuation expense	47,375	4,750

Note 6. Income tax expense

	Consolidated	
	2022	**23 September 2020 to 30 June 2021**
	$	**$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(2,005,513)	(1,571,115)
Tax at the statutory tax rate of 25% (2021: 26%)	(501,378)	(408,490)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	-	151
Share-based payments	120,000	10,000
Unrealised foreign exchange	(482)	482
Sundry items	-	203
	(381,860)	(397,654)
Tax losses not brought to account	381,860	397,654
Income tax expense	-	-

	Consolidated	
	2022	**23 September 2020 to 30 June 2021**
	$	$
Unrecognised deferred taxes		
Tax losses, tax effected	691,548	253,367
Other deferred taxes	(35,163)	(40,911)
	656,385	212,456

Note 7. Cash and cash equivalents

	Consolidated	
	2022	**2021**
	$	**$**
Current assets		
Cash at bank	2,317,677	384,592

Note 8. Other current assets

	Consolidated 2022 $	Consolidated 2021 $
Current assets		
Prepayments	4,595	49,811
Other deposits	982,760	-
	987,355	49,811

Other deposits comprises funds paid in advance for exploration-related expenditures on the tenements held.

Note 9. Other receivables

	Consolidated 2022 $	Consolidated 2021 $
Current assets		
Other receivables	81	30,108
GST receivable	159,719	92,975
	159,800	123,083
Non-current assets		
Other receivables	157,963	157,963

Restricted cash
The consolidated entity holds funds in term deposits for the purpose of funding the make-good provision on tenements held. These deposits are subject to regulatory restrictions and are therefore not available for general use by the consolidated entity.

The term deposit had an average interest rate of 1.3% per annum and matures on 14 March 2023. These funds must be held in term deposits until the tenement is either rehabilitated or relinquished.

The comparative period restricted cash balanced has been reclassified from current to non-current in the current year financial statements.

Refer to note 18 for further information on financial instruments.

Note 10. Exploration and evaluation

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Exploration and evaluation - at cost	2,341,006	2,341,006

Note 10. Exploration and evaluation (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration and evaluation assets $	Total $
Balance at 23 September 2020	-	-
Additions	2,341,006	2,341,006
Balance at 30 June 2021	2,341,006	2,341,006
Balance at 30 June 2022	2,341,006	2,341,006

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

The consolidated entity performed an impairment indicators assessment as at 30 June 2022, with the assessment giving rise to no indicators of impairment.

Note 11. Trade and other payables

	Consolidated	
	2022 **$**	**2021** **$**
Current liabilities		
Trade payables	76,679	288,149
Other payables	49,455	765,626
Accrued expenses	262,512	45,696
	388,646	1,099,471

Refer to note 18 for further information on financial instruments.

Accrued expenses contains $132,696 of accrued transaction costs relating to the convertible note payable (note 12) and derivative financial instrument (note 13).

Note 12. Convertible note payable

	Consolidated	
	2022 **$**	**2021** **$**
Current liabilities		
Convertible notes payable	2,937,650	-

Note 12. Convertible note payable (continued)

	Consolidated 2022 $	Consolidated 2021 $
Initial liability recognised	2,909,603	-
Finance costs recognised using the effective interest method (note 5)	28,047	-
	2,937,650	-

The consolidated entity has unsecured convertible notes ('notes') payable to Directors, shareholders and other noteholders that convert upon the earliest of an Initial Public Offering ('IPO'), a trade sale or maturity. In the event an IPO, trade sale or maturity (whereby a capital raising occurs prior to this date) occur, the notes will convert at a 20% discount to the respective transaction price per share. In the event maturity occurs without a capital raising occurring prior, the notes will convert at $0.53. The notes are issued at a face value of $100 per note and total notes on issue upon close of the offer subsequent to the reporting date (refer note 26) is 41,839.

The notes carry an issuance date of 17 June 2022, bear no interest and mature 12 months from the date of issuance, being 17 June 2023.

The total amount of convertible notes received in cash as at 30 June 2022 is $3,653,100, with an additional $116,600 in non-cash convertible notes resulting from director fees.

The transaction costs incurred as at 30 June 2022 are $132,696. These costs are allocated to the convertible note payable and the derivative financial liability in proportion to their respective values. The portion allocated to the convertible note payable is amortised from issuance to maturity, whereas the amount allocated to the derivative financial liability is reflected as an upfront finance cost in the consolidated statement of profit or loss.

Refer to note 18 for further information on financial instruments.

Note 13. Derivative financial instruments

	Consolidated 2022 $	2021 $
Current liabilities		
Derivative financial liability	753,940	-

The derivative financial liability represents the fair value as at the reporting date of the 20% discount to the IPO, trade sale or maturity price as detailed in note 12.

Derivative financial liabilities are a level 2 financial instrument and have been valued using the consolidated entity's fixed price on Initial Public Offering. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Refer to note 18 for further information on financial instruments.

Note 14. Provisions

	Consolidated 2022 $	Consolidated 2021 $
Non-current liabilities		
Make-good provision	161,316	154,188

Make-good provision
The provision represents the present value of estimated costs of the remediation work that will be required to comply with environmental and legal obligations.

Note 15. Issued capital

	Consolidated 2022 Shares	Consolidated 2021 Shares	Consolidated 2022 $	Consolidated 2021 $
Ordinary shares	35,000,000	23,624,889	5,280,388	3,500,100

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	23 September 2020	6,031,887		100
Issue of ordinary shares to Ilwella Pty Ltd	13 October 2020	7,539,858	$0.20	1,500,000
Issue of ordinary shares	31 October 2020	10,053,144	$0.20	2,000,000
Balance	30 June 2021	23,624,889		3,500,100
Issue of ordinary shares	24 September 2021	10,760,227	$0.11	1,134,455
Issue of ordinary shares to Directors	24 September 2021	708,747	$0.11	74,730
Issue of ordinary shares	06 October 2021	5,938,024	$0.11	626,103
Share buyback	14 January 2022	(6,031,887)	$0.01	(55,000)
Balance	30 June 2022	35,000,000		5,280,388

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share splits
Note that share splits have occurred on 13 October 2020 and 7 April 2022. In accordance with AASB 133 *Earnings per Share*, the shares on issue have been adjusted for the proportionate change in the number of ordinary shares outstanding as if the share split had occurred at the beginning of the earliest period presented.

The share split on 7 April 2022 converted 6,962,996 ordinary shares on issue, to 35,000,000 ordinary shares on issue, which equates to a 1:5.0265719 share split.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 15. Issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 16. Accumulated losses

	Consolidated	
	2022	**2021**
	$	**$**
Accumulated losses at the beginning of the financial year	(1,571,115)	-
Loss after income tax expense for the year	(2,005,513)	(1,571,115)
Share buyback	55,000	-
Accumulated losses at the end of the financial year	(3,521,628)	(1,571,115)

Refer to note 15 for share buyback.

Note 17. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 18. Financial instruments

Financial risk management objectives
The consolidated entity's financial assets consist primarily of deposits held with banks and therefore, it is exposed to market risk (interest rate risk), credit risk and liquidity risk.

Market risk

Interest rate risk
The consolidated entity's only interest rate risk arises from deposits held with Australian regulated financial institutions. Borrowings owing at period end are classified as short term, do not bear interest and are repayable on demand. The consolidated entity is not deemed to have material exposure to interest rate risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity, other than deposits with Australian regulated banks, other receivables and deposits paid in advance on exploration equipment.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 18. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	76,679	-	-	-	76,679
Accrued expenses	-	262,512	-	-	-	262,512
Other payables	-	49,455	-	-	-	49,455
Convertible note payable*	-	3,769,700	-	-	-	3,769,700
Total non-derivatives		4,158,346	-	-	-	4,158,346

Consolidated - 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	288,149	-	-	-	288,149
Accrued expenses	-	35,096	-	-	-	35,096
Other payables	-	765,626	-	-	-	765,626
Total non-derivatives		1,088,871	-	-	-	1,088,871

*Convertible note payable disclosed above includes the Derivative financial instrument as disclosed in note 13.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Key management personnel disclosures

Directors
The following persons were directors of Omega Oil & Gas Limited during the financial year:

Quentin Flannery	
Stephen Harrison	
Lauren Bennett	(appointed 18 May 2022)
Michael Sandy	(appointed 27 June 2022)
Andrew Lukas	(appointed 13 October 2020, resigned 24 November 2021)

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Lauren Bennett	(Chief Executive Officer)
Regie Estabillo	(Chief Operating Officer)

Note 19. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2022 $	23 September 2020 to 30 June 2021 $
Short-term employee benefits	475,000	50,000
Post-employment benefits	47,375	4,750
Long-term benefits	45,680	4,546
Director fees	120,000	10,000
	688,055	69,296

Note 20. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by UHY Haines Norton, the auditor of the company:

	Consolidated	
	2022 $	23 September 2020 to 30 June 2021 $
Audit services - UHY Haines Norton		
Audit of the financial statements	27,500	25,000
Review of the interim financial statements	15,000	-
	42,500	25,000

Note 21. Contingent liabilities

The consolidated entity has a contingent liability with Tag Oil Ltd, the previous owner of Cypress Petroleum Pty Ltd ('Cypress'), to receive a 3% gross overriding royalty on future production from all liquids produced from the permits under Cypress' control. This contingent liability arose upon the acquisition of Cypress (30 October 2020) and the amount of the obligation cannot be measured with sufficient reliability so as to give rise to a provision.

Other than the above, the consolidated entity has no further contingent liabilities at 30 June 2022.

Note 22. Commitments

	Consolidated 2022 $
Capital commitments	
Committed at the reporting date but not recognised as liabilities, payable:	
Exploration and evaluation	2,135,869

The consolidated entity has provided cash deposits for long lead casings and wellheads as detailed in note 8. The remaining value of the contracts are committed to but have not been invoiced by the supplier. The above figure excludes GST.

Note 23. Related party transactions

Parent entity
Omega Oil & Gas Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

Key management personnel
Disclosures relating to key management personnel are set out in note 19.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2022 $	23 September 2020 to 30 June 2021 $
Expenses relating to goods and services:		
Office premises rental and administrative staff support from Ilwella Pty Ltd (excl GST)*	42,000	4,968
Write-off of assets:		
Write-off of other receivables from contractor**	-	248,573

*Quentin Flannery (Director) is a Director of Ilwella Pty Ltd. The services relate to an office lease and part-time administrative staff support, both of which are conducted on an arms' length basis.

**The contractor is a related entity to both Andrew Lukas (former Director) and David Lukas (former Director and Company Secretary).

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2022 $	2021 $
Current payables:		
Payable to Ilwella Pty Ltd	51,665	-

There were no trade receivables from related parties at the current and previous reporting date.

Note 23. Related party transactions (continued)

Loans and other payables to/from related parties
As detailed in note 12, convertible notes payable comprise partly of funds received from Directors, management and their related parties. These transactions were entered into on an arms' length basis and are on commercial terms.

There were no other loans and other payables to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 24. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022 $	23 September 2020 to 30 June 2021 $
Loss after income tax	(1,945,454)	(1,513,712)
Total comprehensive loss	(1,945,454)	(1,513,712)

Statement of financial position

	Parent	
	2022 $	2021 $
Total current assets	3,460,438	545,336
Total assets	6,010,438	3,095,336
Total current liabilities	4,157,904	1,108,854
Total liabilities	4,159,218	1,108,948
Equity		
Issued capital	5,280,388	3,500,100
Accumulated losses	(3,429,168)	(1,513,712)
Total equity	1,851,220	1,986,388

The prior period balances differ from the comparative period financial statements due to reclassifications in amounts held in the subsidiary to more appropriately reflect the operations of the consolidated entity.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022.

Contingent liabilities
The parent entity had no contingent liabilities other than as disclosed for the consolidated entity (note 21) as at 30 June 2022.

Note 24. Parent entity information (continued)

Capital commitments - property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment other than as disclosed for the consolidated entity (note 22) as at 30 June 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2022 %	2021 %
Cypress Petroleum Pty Limited	Australia	100.00%	100.00%

Note 26. Events after the reporting period

Subsequent to the year end, convertible note cash funding (as per the convertible notes detailed in note 12) of $414,200 were received.

On 4 July 2022, the following options were granted to Directors:
- Stephen Harrison will be issued with 750,000 options;
- Quentin Flannery (via Offelbar Pty Ltd) will be issued with 450,000 options; and
- Michael Sandy will be issued with 450,000 options.

The above options carry an exercise price of $0.30 and vest in 3 tranches on the anniversary of the Company's Initial Public Offering on the Australian Securities Exchange and expire within 2 years of each respective tranche vesting.

As at the date of this report, the Prospectus has been submitted to the ASX and capital has been raised from investors to the value of $15m. The cash is currently being held in a trust account by an external service provider on behalf of the consolidated entity. The expectation as at the date of signing the financial report is that the company will list on the ASX by 21 October 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2022 $	Consolidated 23 September 2020 to 30 June 2021 $
Loss after income tax expense for the year	(2,005,513)	(1,571,115)
Adjustments for:		
Depreciation	32,908	23,665
Legal claim expenses	-	729,340
Director fees	120,000	10,000
Shares issued to Director in lieu of fees	74,730	-
Write-off of assets	-	248,573
Unwinding of the effective interest on convertible notes payable	28,047	-
Transaction costs on derivative financial instrument	26,539	-
Other	11,090	-
Change in operating assets and liabilities:		
Increase in other receivables	(78,716)	(321,886)
Increase in other assets	(937,544)	(49,811)
(Decrease)/increase in trade and other payables	(777,922)	328,346
Increase in provisions	52,808	4,546
Net cash used in operating activities	(3,453,573)	(598,342)

Note 28. Earnings per share

	Consolidated 2022 $	Consolidated 23 September 2020 to 30 June 2021 $
Loss after income tax attributable to the owners of Omega Oil & Gas Limited	(2,005,513)	(1,571,115)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	34,006,660	21,728,744
Weighted average number of ordinary shares used in calculating diluted earnings per share	34,006,660	21,728,744
	Cents	**Cents**
Basic earnings per share	(5.90)	(7.23)
Diluted earnings per share	(5.90)	(7.23)

Potential ordinary shares are treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Convertible notes held over ordinary shares and options outstanding would decrease the loss per share reported above and hence, have been treated as antidilutive. The number of convertible notes at 30 June 2022 were 37,679. Refer note 12 for details on convertible notes payable. The number of options outstanding at 30 June 2022 would convert to 5,045,975 to 5,545,975 ordinary shares post IPO, depending on the amount of capital subscribed. Refer to note 29 for details on options outstanding at 30 June 2022.

Note 29. Share-based payments

Share call option deeds are in place for the consolidated entity for founding Directors, Quentin Flannery (via Ilwella Pty Ltd) and Luke Donovan (via Lizarb Pty Ltd) to remunerate them for sourcing the exploration and evaluation assets and time involved in their Directorship of the company pre-Initial Public Offering ('IPO').

Key terms of the agreements are as follows:
- *Grant date*: 3 May 2021
- *Share price*: IPO price estimated at $0.20
- *Exercise price*: 150% of IPO price, estimated at $0.30
- *Number of options*: 4% of ordinary shares on issue after IPO, estimated between 5,045,975 and 5,545,975
- *Expiry date*: 31 December 2022 or if IPO occurs, the second anniversary of the IPO
- *Service / performance conditions*: None

These options have been valued using the intrinsic value method, as the fair value of the equity instruments cannot be measured reliably at grant date. In the 2021 financial year, the uncertainty surrounding the IPO price and number of ordinary shares on issue after IPO gave rise to no reliable measurement method. In the 2022 financial year the options remain out-of-the-money. Therefore, the value of the options is nil (2021: nil).

Omega Oil & Gas Limited
(Formerly known as Luco Energy Pty Ltd)
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Stephen Harrison
Director

14 October 2022
Sydney

UHY Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhnsyd.com.au
www.uhyhnsydney.com.au

INDEPENDENT AUDITOR'S REPORT

To the members of Omega Oil & Gas Limited

We have audited the financial report of Omega Oil & Gas Limited (the Company) and its subsidiary (the Group) for the year ended 30 June 2022, which comprises the consolidated statement of financial position as at 30 June 2022, 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; notes to the financial statements, including a summary of significant accounting policies; and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

1) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year then ended; and

2) 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standard 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2022, 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, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 relating 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 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 basis for our opinion. The risk of not detecting 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

UHY Haines Norton

Mark Nicholaeff
Partner
Signed at Sydney on 14 October 2022

UHY Haines Norton
Chartered Accountants