

# **Fitzroy River Corporation Ltd**

ABN: 75 075 760 655

## **Financial Statements**

For the Year Ended 30 June 2014

# Fitzroy River Corporation Ltd

ABN: 75 075 760 655

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30 June 2014

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## **Fitzroy River Corporation Ltd**

ABN: 75 075 760 655

## **Corporate Directory**

### **Directors**

Malcolm McComas – Chairman

Susan Thomas – Director

Justin Clyne - Director

### **Registered Office**

Suite 2, Level 11  
50 Margaret Street  
Sydney NSW 2000

Fax +61 2 9290 2707

### **Auditor**

Deloitte Touche Tohmatsu

### **Share Registry**

Boardroom Pty Ltd  
Level 7, 207 Kent Street  
Sydney NSW 2000

Telephone 1300 737 760

Fax 1300 653 459

Email [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

### **Corporate Office**

Telephone +61 2 9993 4407

GPO Box 4626, Sydney NSW 2001

Email [enquiries@fitzroyriver.net.au](mailto:enquiries@fitzroyriver.net.au)

### **Website**

[www.fitzroyriver.net.au](http://www.fitzroyriver.net.au)

## **Directors' Report**

**30 June 2014**

The Directors of Fitzroy River Corporation Ltd ('Fitzroy River Corporation') present their report together with the financial statements of the consolidated entity, being Fitzroy River Corporation ('the Company') for the financial year ended 30 June 2014.

### **Directors**

The names of the directors in office at any time during, or since the end of, the year are:

<b>Names</b>	<b>Position</b>	<b>Appointed/Resigned</b>
Mr Malcolm McComas	Non-executive Chairman	
Mr Sebastian Hempel	Executive Director	Resigned 30 June 2014
Ms Susan Thomas	Non-executive Director	
Mr Justin Clyne	Non-executive Director	Appointed 1 July 2014

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **Principal activities and significant changes in nature of activities**

The principal activities of the Company are being an oil and gas investment holding company with a focus on non operational assets such as royalties, free carried interests, and minority equity positions. The Company's primary focus is on Western Australia, specifically the 'Canning Superbasin' where the Company holds royalty interests in several permits in the Canning Superbasin via 2 separate Royalty Deeds. On 27 September 2013, the Company sold its shares in its former European based subsidiary, European Gas Limited (a company incorporated in England and Wales with company number 05321791, 'EGL UK').

There were no significant changes in the nature of the Group's principal activities during the financial year.

### **Operating results and review of operations for the year**

#### ***Statement of profit or loss and other comprehensive income***

The Company made a loss of \$0.56 million (2013: profit \$9.0 million) for the year ended 30 June 2014. The following explains how this arose.

- Operating costs were \$1.0 million (2013: \$0.8m) which were the costs for running the Group's operations and other expenses;
- Operating income of \$0.51 million (2013: \$0.26m) mainly comprised of royalties and interest, reflecting an increase in cash balances held during the year;
- A loss of \$0.09 million resulted for costs incurred on the disposal of the remaining EGL UK shares at \$0.12 per share; and
- Other comprehensive loss reflects the change in fair value of the Columbus Energy Ltd shares.

As a direct result of the demerger of EGL UK during the 2013 financial year, the principal activities of the Company shifted to being an oil and gas investment holding company with a current focus on nonoperational assets such as royalties, free carried interests, and minority equity positions. The Company's primary focus has to date been in Western Australia, specifically the "Canning Superbasin" where the Company holds royalty interests in several permits via two separate Royalty Deeds entered into as part of the Australian assets sales process in 2006. The Company's activities are now generally passive in nature and its royalty income is dependent on the activities and quantum of oil sales by third parties.

## **Directors' Report**

**30 June 2014**

### **Operating results and review of operations for the year continued**

#### ***Statement of Financial Position***

The major movements in the statement of financial position were an increase in cash and cash equivalents as a result of the receipt of sale proceeds from the sale of the EGL UK shares in August 2013, offset by the negative operational cash flow for the year and a reduction in net assets as a result of costs incurred in respect to the ongoing dispute with regard to the Royalty Deeds.

#### ***Statement of Changes in Equity***

The major movements in the statement of changes in equity were as follows:

- Accumulated losses increased due to the loss of \$0.56 million for the year; and
- The movement in the available for sale investment reserve reflects the change in fair value of the Company's small holding of Columbus Energy Ltd shares which were acquired as part of the Australian assets sale process in 2006.

#### ***Statement of Cash Flows***

Overall, there was a cash inflow of \$8.3 million for the year which was comprised of a \$0.8 million deficit from operations and an increase of \$9.1 million in the Company's cash as a result of the sale of the remaining EGL UK shares during August 2013.

#### **About the Company**

The Company holds royalty interests in several permits in the Canning Superbasin (via 2 separate Royalty Deeds). During the year, the Company sold its shares in EGL UK, an unconventional gas exploration company based in Europe, which was approved by shareholders at an Extraordinary General Meeting on 24 September 2013.

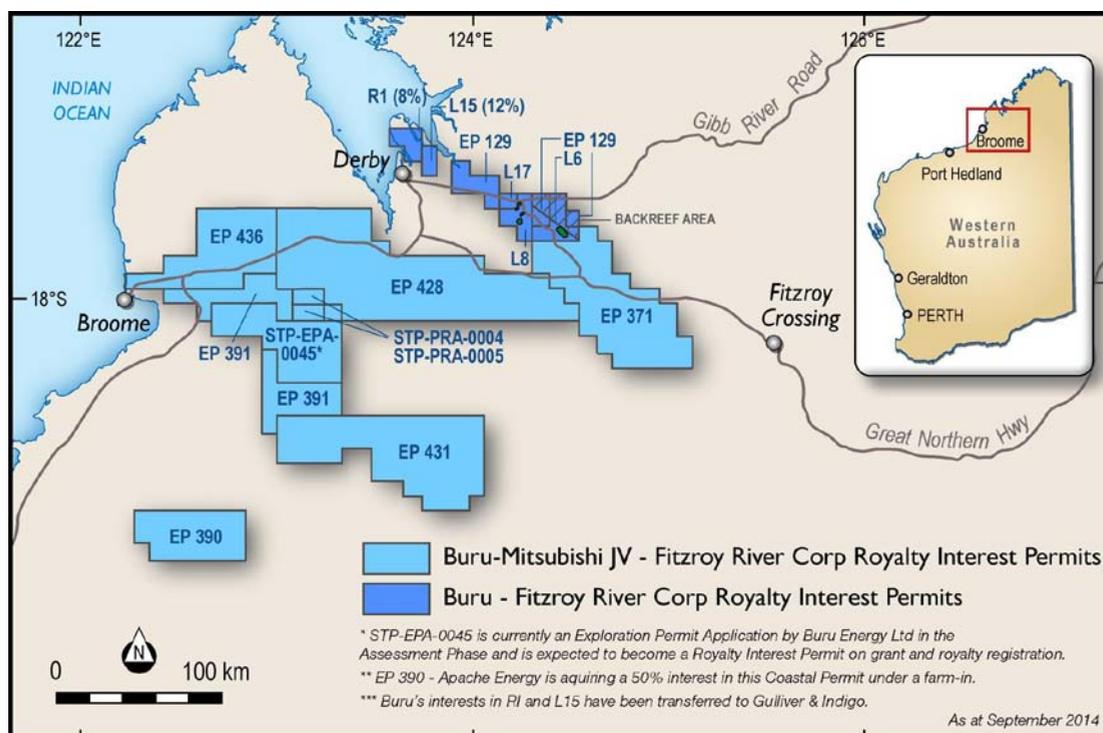
## Directors' Report

30 June 2014

### Operating results and review of operations for the year continued

#### A) Canning Basin Royalty - Canning Superbasin (Western Australia)

The map below shows the location of all of the Company's royalty interests, including those under the Canning Basin Royalty. Except for R1 and L15, the dark blue areas are under the Lennard Shelf Royalty discussed in section B) below.



The Canning Basin Royalty has the potential to become an important income producing asset of Fitzroy.

#### **EP 391, EP 431, EP 436, EP 371, EP 428 (2% Royalty) – Buru-Mitsubishi JV**

These 5 Permits as shown in the map above are currently held 50% by Buru Energy ('Buru') and 50% by either Diamond Resources (Fitzroy) Pty Ltd ('DRF'), or Diamond Resources (Canning) Pty Ltd ('DRC'), both of which are wholly owned subsidiaries of Mitsubishi Corporation ('Mitsubishi'). DRF and DRC are currently each responsible, as to 50%, for the obligations and liabilities under the 26 August 2006 'Canning Basin Royalty Deed' relating to these 5 Permits. Mitsubishi has guaranteed to Fitzroy the performance of DRF's and DRC's obligations. See the discussion regarding EP 390 below, which has resulted in DRC and Buru having reduced equity (of 25% each) in EP 390.

## Directors' Report

30 June 2014

### Operating results and review of operations for the year continued

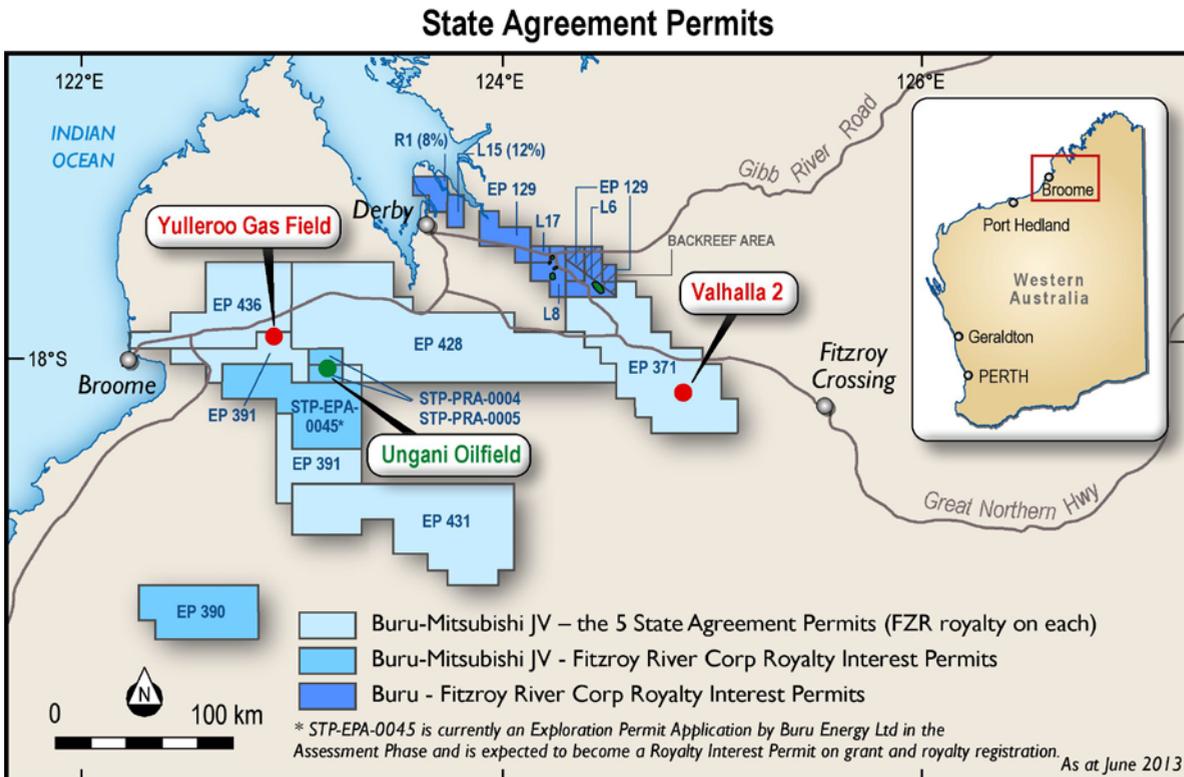
#### Natural Gas (Canning Basin Joint Venture) Agreement Act

Prior to the start of the year the Natural Gas (Canning Basin Joint Venture) Agreement Act 2013 (WA) was passed and it received Royal Assent on 25 June 2013. That Act's purpose is stated as primarily being to ratify, and authorise the implementation of, a 'State Agreement' dated 7 November 2012 between the State of Western Australia and Buru, DRF, DRC and Mitsubishi relating to the evaluation, development and exploitation of natural gas resources in the Canning Basin region of WA.

The State Agreement has now taken full legal effect as a result of the Act.

The Joint Venturers that are parties to the State Agreement (Buru, DRF and DRC (as defined above)) are the holders of the 5 petroleum exploration permits listed in the State Agreement. Those 5 'Petroleum Titles' (as defined) are the initial Petroleum Titles for the purposes of the Agreement and Fitzroy is entitled to a production royalty over all 5 of these. The map below shows the location of the State Agreement Permits.

The map below shows the location of the State Agreement Permits.



## **Directors' Report**

**30 June 2014**

### **Operating results and review of operations for the year continued**

The State Agreement notes that the Joint Venturers are actively exploring the Title Areas for petroleum including for the purposes of:

- a) evaluating the technical and economic viability of the natural gas resources within the Title Areas (which areas are prospective for both conventional and unconventional resources); and
- b) proving up sufficient reserves of natural gas to underpin the establishment and sustained operation of firstly the Domgas Project (as defined in the Agreement) and secondly the production of liquefied natural gas for export to overseas purchasers.

The State's aim is to encourage accelerated expenditure by the Joint Venturers in the continuing exploration and evaluation of natural gas resources within the Title Areas. The State Agreement provides for each of the Permits covered by the Agreement to be exempted until 31 January 2024 from the legal requirement to periodically relinquish 50% of the area of the Permits, subject to meeting the exploration, appraisal and development obligations under the State Agreement. There is the opportunity for work programs to be optimised by the flexibility given by the State Agreement to credit gas appraisal work on adjacent Permits against ongoing statutory work commitments.

The Company continues to monitor and review the operation of the State Agreement based on publicly available information and announcements made by Buru.

#### **Ungani Field Production - EP 391 (R2) (2% Royalty on 100% participation interest)**

Fitzroy continues to closely monitor relevant announcements concerning the Ungani Field that are made by Buru, particularly regarding its development and production plans. Buru announced on 13 December 2013 that oil production from the Ungani Field had recommenced. Crude oil is now trucked from Ungani to a storage facility at the Port of Wyndham.

Buru's Operations Update to the ASX subsequent to the end of the year on 9 September stated:

"...The Ungani 2 well continues to produce in accordance with current modelling predictions with managed production rates of 800 to 900 bopd. The well is producing minor amounts of formation water (~2.5%) again in accordance with modelling predictions."

As at Year end, STP-PRA-0004 and 0005, the applications for Petroleum Production Licenses in respect of the Ungani Field (lodged in May 2012, and to be carved out of EP 391 as shown in the above map) were still in the assessment stage.

The total amount the Company received in production royalties for the financial year ended 30 June 2014 was \$145,276 having been paid on the disputed and delayed basis as outlined in the Company's two last quarterly reports. For further details regarding calculation of this royalty, which remains under dispute, refer to Fitzroy's announcements dated 2 October 2012, 26 August and 12 December 2013, as well as periodic reports by the Company.

Fitzroy announced on 26 August 2013 that it had filed an Originating Summons in the Supreme Court of Western Australia seeking a declaration concerning the proper construction of those terms of its 'Canning Basin Royalty Deed' that relate to the calculation of the royalty. Fitzroy announced that it was seeking a declaration that upon a proper construction of the terms of the Royalty Deed dated 26 August 2006 between the Company and ARC Energy Limited (ACN 009 204 031) (now AWE Perth Pty Limited, 'ARC') it is entitled to be paid a royalty at the rate of 2% of the gross value in Australian currency of petroleum at the well head (as agreed or determined from time to time for the purpose of calculation of the State Royalty) which is recovered from the area covered by the permits the subject of the Canning Basin Royalty Deed without deduction for any costs or expenses. The Company is committed to resolving this dispute in a timely manner.

## **Directors' Report**

**30 June 2014**

### **Operating results and review of operations for the year continued**

#### **Retention Lease R1 (2% Royalty on 8% participation interest)**

Fitzroy continues to monitor activities by the R1 joint venture participants. Fitzroy's 8% participating interest in R1 was sold together with various other Canning Basin Assets in 2006. R1 is over 3 blocks and renewal number 1 was granted on 8 November 2010. Fitzroy's 2% royalty rights have been held as against Buru, one of the joint venture participants.

On 23 December 2013, Buru announced that its 43.28% interest in R1 is to be transferred to Gulliver Productions Pty Ltd ('Gulliver', a subsidiary of Key Petroleum Limited) and Indigo Oil Pty Ltd ('Indigo') as part of an asset swap and Buru's 'ongoing acreage rationalisation program'.

The assignment provisions of the Canning Basin Royalty Deed apply to this transaction and, as stated in recent quarterly reports, in late March 2014, the Company was disappointed to learn that Fitzroy's previously advised requirements had not been followed in relation to a Deed of Covenant between Buru, Indigo and Gulliver which is dated 20 December 2013. Fitzroy is currently considering its position but is of the view that the Royalty Deed does not release Buru from any of its obligations thereunder in respect to Fitzroy's interest and is in the process of taking this matter up with Buru, Indigo and Gulliver.

#### **Production Licence L15 (2% Royalty on 12% participation interest)**

Fitzroy continues to monitor activities by the L15 joint venture participants. L15 (over 2 blocks) was granted on 1 April 2010 and expires on 31 March 2031. Fitzroy's 12% royalty rights have been held as against Buru, one of the joint venture participants.

On 23 December 2013, Buru announced that its 15.50% interest in L15 is to be transferred to Gulliver and Indigo as part of an asset swap and Buru's 'ongoing acreage rationalisation program'.

The assignment provisions of the Canning Basin Royalty Deed apply to this transaction and, as stated both in the last quarterly report and referred to above, in late March 2014, the Company was disappointed to learn that Fitzroy's previously advised requirements had not been followed in relation to a Deed of Covenant between Buru, Indigo and Gulliver which is dated 20 December 2013. Fitzroy is currently considering its position but is of the view that the Royalty Deed does not release Buru from any of its obligations thereunder in respect to Fitzroy's interest and is in the process of taking this matter up with Buru, Indigo and Gulliver.

#### **STP-EPA-0045**

In October 2011, Buru applied for an Exploration Permit over 25 blocks comprising EPA 0045. On 9 October 2013, Fitzroy advised Buru that if and when it is granted, the EP will be a 'Replacement Permit' referable to EP 391 (as it stood in 2006 when sold by Fitzroy) and therefore Fitzroy's 2% Royalty will apply to it. Buru has advised that its view is that the EP shouldn't constitute a 'Replacement Permit'. The EPA remains in the assessment phase as at year end.

#### **EP 390 – Apache Farm-in**

On 4 November 2013, Buru announced that a subsidiary of Apache Energy Limited will farm-in to a number of permits in the Buru-Mitsubishi joint venture. EP 390, one of the so-called 'Coastal Permits' and comprising 20 blocks, was to become 50% held by Apache Onshore Holdings Pty Ltd ('Apache') once Apache funded an exploration program on the Coastal Permits during 2014.

## **Directors' Report**

**30 June 2014**

### **Operating results and review of operations for the year continued**

The assignment provisions of the Canning Basin Royalty Deed applied to this transaction and during the year a Deed relating specifically to EP 390 was entered into by Fitzroy with Apache, DRC, Buru and Apache Energy Ltd and which is dated 14 March 2014. Under the Deed, Apache has assumed (as from 12 May 2014, the completion date of the Apache farm-in) the responsibility to pay royalties to Fitzroy as to 50% of the Petroleum recovered from the area of EP 390 (leaving DRC and Buru at 25% each). Apache Energy Ltd has guaranteed the obligations of Apache to Fitzroy. Apache has also acknowledged the Supreme Court proceedings mentioned above and agreed to abide by any binding settlement or final judgment in the Court proceedings. The Deed was lodged for registration on 19 March 2014.

Towards the end of the March quarter a suspension with extension application on EP 390 was approved.

#### **EP 428, EP 431, EP 371 (R1) and EP 436**

Renewal applications for these 4 permits were lodged by Buru in late October 2013. These 4 permits are 4 out of the 5 State Agreement permits (discussed extensively in previous reports by Fitzroy) and are exempt from the requirement to drop 50% of the blocks as part of the renewal application process.

As at Year end these applications were in the assessment stage.

### **B) Lennard Shelf Royalty - Canning Basin (Western Australia)**

#### **Royalty (3% of Well Head Value (net)) over EP129 and L6 and L8 production and sales**

Total royalty revenue received under the 'Lennard Shelf Royalty Deed' dated 5 September 2006 was Nil for the financial year. This compares to royalty revenue received by the Company in the previous financial year of \$13,390.

#### **EP 129**

The Lennard Shelf Royalty was created by a Royalty Deed dated 5 September 2006 over the entire area covered by EP 129, as well as over L6 and L8. It was registered on 2 March 2007 against those 3 licences as dealing number 24-26/06-7.

Fitzroy notes that Buru had applied for a suspension with extension for the 8 block EP 129 (R5), with such application having been made on 30 August 2013. The application was approved late in the previous quarter, such that the new expiry date is 31 January 2016.

#### **Backreef Area of EP 129 and L6**

Fitzroy is monitoring the activities on the 'Backreef Area' of L6 and EP 129, particularly those of Oil Basins Ltd. It is understood that Buru holds 100% of the Backreef Area on trust for Oil Basins Ltd and other parties due to the completion of the drilling of the East Blina-1 well on 31 October 2012 in accordance with the 'Backreef Play Agreement' dated 30 October 2008. As previously announced, Fitzroy had some negotiations with Buru during 2013 regarding the terms of a deed of covenant proposed to be entered into by the beneficial owners of the Backreef Area, to support Fitzroy's royalty interest. As at year's end, the contractual relationship governing the 3% royalty obligation (which is registered against L6 and EP 129) is between Fitzroy and Buru alone.

#### **L17**

During April 2013, a new petroleum production licence L17 was granted to Buru. L17 is over a single block (block 6275, which was formerly part of EP129). L17 constitutes a 'Replacement Permit' under the Royalty Deed. In July 2013 Fitzroy applied to register the Lennard Shelf Royalty against L17 and this is being done as part of Fitzroy's routine title maintenance activities (ensuring royalty dealings are and remain registered under Section 75 of the Petroleum and Geothermal Energy Resources Act (WA) against relevant permits). On 19 May 2014 the registration application was approved.

## **Directors' Report**

**30 June 2014**

**Operating results and review of operations for the year continued**

### **C) Other Projects and Assets & Corporate Matters**

#### **EGL UK Shareholding**

During the course of the year, the Company sold its shares in its former European based subsidiary, European Gas Limited (a company incorporated in England and Wales with company number 05321791, 'EGL UK')

#### **Management activities**

The main activities of the Company's management are as follows:

- Review and analysis of existing and new investments
- Royalty collection
- Contract maintenance with Buru, Mitsubishi and others
- Title maintenance (ensuring royalty dealings are and remain registered under Section 75 of the Petroleum and Geothermal Energy Resources Act against relevant permits)
- Monitoring activities across all royalty permits
- Company routine operations & reporting as an ASX listed company

#### **Important**

*Certain information in this report refers to the statements, intentions or opinions of Buru Energy Ltd (ABN 71 130 651 437, ASX Code: BRU) ("Buru") and is based on public statements by it. Statements have been attributed to Buru where applicable. Petroleum production targets announced by Buru are usually subject to risks, uncertainties and other factors that, in turn, may cause the Company's actual results, performance or achievements to differ from those suggested or referred to in this report and regard should be given to Buru's statements and other announcements concerning the risks, uncertainties and other factors that may cause Buru to not meet production targets or result in delays meeting those targets.*

*As and when the Company becomes aware of information concerning it in connection with its Australian royalty and other assets, the Company intends to comply with its continuous disclosure obligations under Australian law. Information about specified events or matters that may have some connection with Fitzroy's royalty assets is often being made known or generally available by Buru or other listed entities, and other information may consist of readily observable matters.*

*Shareholders, market participants and investors making or drawing their own deductions, conclusions or inferences from any other company's ASX announcements do so at their own risk.*

## **Directors' Report**

**30 June 2014**

### **Significant changes in state of affairs**

There were no significant changes in the state of affairs of the Company during the financial year.

### **Dividends paid or recommended**

No dividends have been declared or paid in respect of or during the period.

### **Future developments and results**

Likely developments and expected results of the operations of the Company in subsequent years are not discussed further in this report. In the opinion of the directors, further information on those matters could prejudice the interests of the Company because it may relate to matters which are currently under negotiation and premature disclosure could breach commercial confidentiality.

### **Environmental issues**

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

### **Events after the end of the reporting period**

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### **Information on directors**

<b>Mr Malcolm McComas</b>	Appointed 26 November 2012
Qualifications	BEC, LLB (Monash), SFFin, FAIDC
Experience	Experienced company director and former investment banker.
Interest in Shares and Options	217,235 ordinary shares
Special Responsibilities	Non-Executive Chairman
Directorships held in other listed entities during the three years prior to the current year	Directorships held in other listed entities during the three years prior to the current year: Chairman of Pharmaxis Limited (ASX: PXS) and Director of BC Iron Limited (ASX: BCI), Saunders International Limited (ASX: SND) and Ocean Capital Limited (ASX:OCE) (resigned September 2012)
<b>Mr Sebastian Hempel</b>	Resigned 30 June 2014
Qualifications	BSc LLB ACIS
Experience	Mr Hempel is a corporate lawyer and chartered secretary with over 22 years corporate advisory experience with ASX listed companies and in the resources sector. He has previously held positions at Minter Ellison, Greenwich Legal, Macquarie Bank Limited and the Australian Securities Exchange. Mr Hempel is also director of Prosperity Resources Ltd and The Armidale School.
Interest in Shares and options	425,200 ordinary shares
Special Responsibilities	Executive Director and Company Secretary
Directorships held in other listed entities during the three years prior to the current year	Prosperity Resources Ltd (Non-executive Director)

# Fitzroy River Corporation Ltd

ABN: 75 075 760 655

## Directors' Report

30 June 2014

<b>Mrs Susan Thomas</b>	Appointed 26 November 2012
Qualifications	B Comm, LLB (UNSW)
Experience	Mrs Thomas has expertise in technology and law in the financial services industry. Mrs Thomas is currently a director of PEXA Limited and Grant Thornton Australia Limited and a former director of Clearview Limited, IWL Limited and Landgate. Mrs Thomas founded and was the Managing Director at FlexiPlan Australia, an investment administration platform sold to MLC and now operating under the MLC/ NAB banner as MasterKey Custom.
Interest in Shares and Options	17,808,704 ordinary shares
Special Responsibilities	Non-Executive Director
Directorships held in other listed entities during the three years prior to the current year	Director of Clearview Wealth Limited (ASX: CVW) 29 November 2010 until 30 June 2013, Director and chairman of Inca Minerals Limited (ASX: ISG) 30 November 2012 until 7 February 2013
<b>Mr Justin Clyne</b>	Appointed 1 July 2014
Qualifications	LLM (UNSW), ACIS, AGIA
Experience	Experienced Company director and secretary and former Barrister.
Interest in Shares and Options	Nil
Special Responsibilities	Non-Executive Director and Company Secretary
Directorships held in other listed entities during the three years prior to the current year	Directorships held in other listed entities during the three years prior to the current year: AusTex Oil Limited (ASX: AOK)

### Company secretary

Mr Sebastian Hempel ACIS was the Company's company secretary until 13 April 2014. Mr Justin Clyne was appointed as Company Secretary on 1 March 2014.

### Directors' Meeting

During the financial year, 13 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mr Malcolm McComas	13	13
Mr Sebastian Hempel	13	11
Mrs Susan Thomas	13	13

### Indemnification and insurance of officers and auditors

The Company has given an indemnity or entered into an agreement to indemnify all Directors under standard Director's Deeds, and has paid or agreed to pay insurance premiums for a standard Directors and Officers Liability and Company Reimbursement Policy. The details of the policy remain confidential between the insurer and the Company.

### Options

As at 30 June 2014 the Company has no options or other convertible securities on issue.

## **Directors' Report**

**30 June 2014**

### **Proceedings on behalf of company**

Fitzroy announced on 26 August 2013 that it had filed an Originating Summons in the Supreme Court of Western Australia seeking a declaration concerning the proper construction of those terms of its 'Canning Basin Royalty Deed' that relate to the calculation of the royalty. Fitzroy announced that it was seeking a declaration that upon a proper construction of the terms of the Royalty Deed dated 26 August 2006 between the Company and ARC Energy Limited (ACN 009 204 031) (now AWE Perth Pty Limited, 'ARC') it is entitled to be paid a royalty at the rate of 2% of the gross value in Australian currency of petroleum at the well head (as agreed or determined from time to time for the purpose of calculation of the State Royalty) which is recovered from the area covered by the permits the subject of the Canning Basin Royalty Deed without deduction for any costs or expenses. The litigation remains ongoing.

### **Non-audit services**

During the year Deloitte Touche Tohmatsu the Company's auditors did not perform any services in addition to their statutory duties.

### **Auditor's independence declaration**

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2014 has been received and can be found on page 20 of the financial report.

### **Rounding of amounts**

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars unless otherwise indicated.

## **Directors' Report**

**30 June 2014**

### ***Remuneration report***

#### **Remuneration details for the year ended 30 June 2014**

The Directors of Fitzroy River Corporation Ltd ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

- a. principles used to determine the nature and amount of remuneration;
- b. details of remuneration;
- c. service agreements; and
- d. other information.

#### **A) Principles used to determine the nature and amount of remuneration**

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

Fitzroy River Corporation Ltd has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The remuneration structure that has been adopted by the Group consists of a fixed remuneration being annual salary.

The Board assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board.

On 3 March 2014 the board resolved to increase remuneration (fees) for non-executive directors to \$15,000 per quarter (inclusive of superannuation and similar on-costs), but it was resolved to give the chairman of directors additional remuneration under clause 7.5 of the constitution at a 50% premium to the normal level (ie an extra \$7,500 per quarter for this role). An aggregate limit of \$300,000 in directors' fees for the purposes of clause 7.5 of the constitution was set by shareholders in 2006.

As regards employees, it has been the Company's policy since the demerger that the company secretary role should be held by an employee (i.e. should not be an external consultant), preferably a director, and that the Company, having regard to its normal activities after the demerger, is unlikely to need more than one employee, with that employee having a fairly wide role and holding suitable delegations from the full board. It is also appropriate that such employee be fairly remunerated, either in lieu of director's fees or in addition to director's fees where such employee is also a director, taking into account the Company's royalty and other investment activities as an ASX listed company, and the skills and experience required to fill such a role. This approach is designed to keep the Company's normal operating costs down as compared to previous financial years.

In addition, non-executive directors are expected to assist with the Company's affairs from time to time on an as required basis, performing extra or special services on discrete matters, and under the overall supervision of the full board of directors. Their appointment letters and the Company's constitution deals with this.

The payment of bonuses, share options and other incentive payments are reviewed by the Board annually as part of the review of executive remuneration. All bonuses, options and incentives must be linked to pre-determined performance criteria. During the year, no bonuses, options or incentives were paid.

## Directors' Report

30 June 2014

### Voting and comments made at the Company's last Annual General Meeting

Fitzroy River Corporation Ltd received more than 88.3% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2013. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

### Company Performance

The relationship between the above remuneration policy and the Company's performance is informed by reviewing the Company's earnings and the consequences of the company's performance on shareholder wealth in the financial year ended 30 June 2014 and in the previous 4 financial years. The table below contains certain measures of shareholder wealth as required by section 300A(1AB) of the Corporations Act.

Financial year ended 30 June	Share price on 1 July	Share price on 30 June	Return of capital or buy-back by company	Dividends paid during the financial year	Company's earnings in the financial year \$'000	Basic Earnings/ (loss) per share	Diluted Earnings/ (loss) per share
2014	33 cents	33 cents	N/A	Nil	\$570 loss	(0.6 cents)	(0.6 cents)
2013	13.5 cents	33 cents	Note 1	Nil	\$9,038 profit	9 cents	9 cents
2012	38.5 cents	13.5 cents	N/A	Nil	\$9,347 loss	(3 cents)	(3 cents)
2011	16.5 cents	38.5 cents	N/A	Nil	\$900 profit	0 cents	0 cents
2010	10.5 cents	16.5 cents	N/A	Nil	\$9,106 loss	(5 cents)	(5 cents)

*Note 1 – during the 2013 financial year 221,615,657 ordinary shares were bought back by the Company and cancelled a further 15,131,450 shares were issued under a 1:5 Rights issue leaving 90,788,294 ordinary shares on issue.*

## Directors' Report

30 June 2014

### B) Details of remuneration

The table below sets out remuneration details for the Company's key management personnel as required by section 300A of the Corporations Act.

#### Table of benefits and payments

	short term		long service leave	post employment	long-term benefits	termination benefits	share-based payments	Total	Performance based percentage of remuneration %
	cash salary fees	cash bonus		superannuation	long service leave	termination payments	shares and units		
2014	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Executive Directors</b>									
Mr Sebastian Hempel*	107,815	-	-	8,585	-	-	-	116,400	-
	107,815	-	-	8,585	-	-	-	116,400	-
<b>Non-Executive Directors</b>									
Mr Malcolm McComas	78,000	-	-	-	-	-	-	78,000	-
Ms Susan Thomas	52,000	-	-	-	-	-	-	52,000	-
	130,000	-	-	-	-	-	-	130,000	-
<b>2014 Total</b>	<b>237,815</b>	<b>-</b>	<b>-</b>	<b>8,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246,400</b>	<b>-</b>
<b>2013</b>									
<b>Executive Directors</b>									
Mr Sebastian Hempel	113,028	-	-	10,172	-	-	-	123,200	-
	113,028	-	-	10,172	-	-	-	123,200	-
<b>Non-Executive Directors</b>									
Mr Malcolm McComas	39,769	-	-	-	-	-	-	39,769	-
Ms Susan Thomas	26,304	-	-	-	-	-	-	26,304	-
Mr Rod Bresnehan	38,500	-	-	-	-	-	-	38,500	-
Mr Julien Moulin	35,000	-	-	-	-	-	-	35,000	-
	139,573	-	-	-	-	-	-	139,573	-
<b>2013 Total</b>	<b>252,601</b>	<b>-</b>	<b>-</b>	<b>10,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>262,773</b>	<b>-</b>

\* Note Mr Sebastian Hempel resigned on 30 June 2014.

## Directors' Report

30 June 2014

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration	At Risk - STI	At Risk - Options
<b>Executive Directors</b>			
Mr Sebastian Hempel	100%	-	-
<b>Non-Executive Directors</b>			
Mr Malcolm McComas	100%	-	-
Ms Susan Thomas	100%	-	-

### C) Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below and effective 3 March 2014:

Name	Base salary	Term of agreement	Notice period
Mr Sebastian Hempel	\$130,400	Resigned 30 June 2014	3 months
Mr Malcolm McComas	\$90,000	Re-election every 3 years	1 month
Ms Susan Thomas	\$60,000	Re-election every 3 years	1 month
Mr Justin Clyne **	\$120,000	Re-election every 3 years	3 months

\*\* Mr Justin Clyne was appointed as Non-Executive Director effective 1 July 2014, the base salary considers Mr Clyne's role as Non-Executive Director and as the Company Secretary. His notice period as a director is 1 month and 3 months as Company Secretary.

### D) Other information

#### **Employees**

Mr Hempel was the only person employed by the Company at any time during and as at the end of the financial year ended 30 June 2014 under a contract relating to his position as managing director and company secretary and holding the title of Executive Director. This was approved by the board on 8 August 2012 and the amount of compensation in the current reporting period (to 30 June 2014) was determined by negotiation between Mr Hempel and the Company's board based on an assumed commitment of 50 to 60 hours per month. The duration of that contract was from 26 July 2012 to 30 June 2014, and the periods of notice required to terminate the contract are 12 weeks or 3 months. There are no termination payments provided for under the contract.

Mr Hempel retired from his position as company secretary effective 13 April 2014, and resigned from his role as Executive Director on 30 June 2014.

Mr Justin Clyne was appointed as Company Secretary on 1 March 2014.

## Directors' Report

30 June 2014

### Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2014 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Year Ended 30 June 2014					
Personnel	Balance at Start of Year	Granted as Remuneration	Received on Exercise	Net Other Changes	Held at the End of Reporting Period
Mr Sebastian Hempel *	125,200	-	-	300,000	425,200
Mr Malcolm McComas	217,235	-	-	-	217,235
Ms Susan Thomas	16,424,704	-	-	1,384,000	17,808,704
Mr Justin Clyne **	-	-	-	-	-

\* Mr Sebastian Hempel resigned as Executive Director effective 30 June 2014

\*\* Mr Justin Clyne was appointed as Non-Executive Director effective 1 July 2014.

All equity transactions with directors and executives have been entered into under an arm's length terms and conditions.

### Loans to Key Management Personnel

There were no loans made during the year to any Key Management Personnel.

### Other Matters

No remuneration consultant was engaged or made a remuneration recommendation in relation to any of the key management personnel for the company/consolidated entity for the financial year.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Director: .....

Mr Malcom McComas (Non- Executive Chairman)

Dated: 26 September 2014

The Board of Directors  
Fitzroy River Corporation Limited  
Suite 2, Level 11  
50 Margaret Street  
Sydney NSW 2000

26 September 2014

Dear Board Members

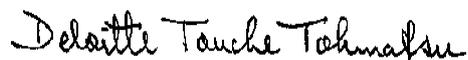
### **Fitzroy River Corporation Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Fitzroy River Corporation Limited.

As lead audit partner for the audit of the financial statements of Fitzroy River Corporation Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Weng W Ching  
Partner  
Chartered Accountants

**Statement of Profit or Loss and Other Comprehensive Income  
For the Year Ended 30 June 2014**

		<b>Company</b>	<b>Consolidated</b>
		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	5	509	164
Other income	5	3	97
Professional and consultancy		(602)	(345)
Other expenses		(384)	(458)
Impairment loss on available-for-sale financial asset		-	(5,447)
<b>Loss before income tax</b>		<b>(474)</b>	<b>(5,989)</b>
Tax (expense)/benefit	7	-	4,358
<b>Loss from continuing operations</b>		<b>(474)</b>	<b>(1,631)</b>
(Loss)/Profit from discontinued operations	9	(81)	10,669
<b>(Loss)/Profit for the year</b>		<b>(555)</b>	<b>9,038</b>
<b>Other comprehensive income:</b>			
<i>Items that maybe classified subsequently to profit or loss:</i>			
Exchange loss transferred to profit on disposal of foreign operations	9	-	6,582
Changes in fair value of available-for-sale financial assets		(15)	(37)
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(570)</b>	<b>6,545</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(570)</b>	<b>15,583</b>
<b>Earnings/(loss) per share</b>			
	10		
From continuing and discontinued operations:			
Basic (loss)/earnings per share (cents)		(0.06)	8.99
Diluted (loss)/earnings per share (cents)		(0.06)	8.99
From continuing operations:			
Basic loss per share (cents)		(0.06)	(1.62)
Diluted loss per share (cents)		(0.06)	(1.62)

# Fitzroy River Corporation Ltd

ABN: 75 075 760 655

## Statement of Financial Position As At 30 June 2014

		Company	Consolidated
		2014	2013
	Note	\$'000	\$'000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	11	11,930	3,616
Trade and other receivables	12	222	30
Prepayments	13	12	-
TOTAL CURRENT ASSETS		<u>12,164</u>	<u>3,646</u>
NON-CURRENT ASSETS			
Available for sale financial assets	14	13	9,107
TOTAL NON-CURRENT ASSETS		<u>13</u>	<u>9,107</u>
TOTAL ASSETS		<u>12,177</u>	<u>12,753</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	15	34	40
TOTAL CURRENT LIABILITIES		<u>34</u>	<u>40</u>
NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		<u>34</u>	<u>40</u>
NET ASSETS		<u>12,143</u>	<u>12,713</u>
<b>EQUITY</b>			
Issued capital	16	42,284	42,284
Reserves	17	2	17
Accumulated losses		(30,143)	(29,588)
TOTAL EQUITY		<u>12,143</u>	<u>12,713</u>

## Statement of Changes in Equity

For the Year Ended 30 June 2014

2014

	Note	Company					Total \$'000
		Issued Capital \$'000	Accumulated losses \$'000	Foreign Currency Translation Reserve \$'000	Available for sale investment reserve \$'000	Share based payment reserve \$'000	
Balance at 1 July 2013		42,284	(29,588)	-	17	-	12,713
Profit for the year		-	(555)	-	-	-	(555)
Other comprehensive loss (net)		-	-	-	(15)	-	(15)
<b>Total comprehensive income for the year</b>		-	(555)	-	(15)	-	(570)
<b>Transactions with owners in their capacity as owners</b>		-	-	-	-	-	-
<b>Total transactions with equity holders</b>		-	(555)	-	(15)	-	(570)
<b>Balance at 30 June 2014</b>		42,284	(30,143)	-	2	-	12,143

2013

	Note	Consolidated					Total \$'000
		Issued Capital \$'000	Accumulated losses \$'000	Foreign Currency Translation Reserve \$'000	Available for sale investment reserve \$'000	Share based payment reserve \$'000	
Balance at 1 July 2012		81,362	(43,751)	(6,582)	54	5,125	36,208
Profit for the year		-	9,038	-	-	-	9,038
Other comprehensive income (net)		-	-	6,582	(37)	-	6,545
<b>Total comprehensive income for the year</b>		-	9,038	6,582	(37)	-	15,583
<b>Transactions with owners in their capacity as owners</b>		-	-	-	-	-	-
Shares issued during the year		3,783	-	-	-	-	3,783
Transaction costs of share issue		(311)	-	-	-	-	(311)
Transfer to retained earnings on lapse of options		-	5,125	-	-	(5,125)	-
Shares bought back during the year	9	(42,550)	-	-	-	-	(42,550)
<b>Total transactions with equity holders</b>		(39,078)	14,163	6,582	(37)	(5,125)	(23,495)
<b>Balance at 30 June 2013</b>		42,284	(29,588)	-	17	-	12,713

**Statement of Cash Flows**  
**For the Year Ended 30 June 2014**

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	<b>2013</b>
<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	32	97
Payments to suppliers and employees	(1,082)	(834)
Interest & Royalties received	285	134
Net cash used in operating activities	<u>(765)</u>	<u>(603)</u>
	19(b)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash outflow on disposal of subsidiaries	-	(5,828)
Cash proceeds on disposal of available for sale investments	9,079	-
Net cash from/(used in) investing activities	<u>9,079</u>	<u>(5,828)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of shares, net of transaction costs	-	3,472
Net cash provided by financing activities	<u>-</u>	<u>3,472</u>
Net increase/(decrease) in cash and cash equivalents held	8,314	(2,959)
Cash and cash equivalents at beginning of year	3,616	6,575
Effect of translation of foreign currency	-	-
Cash and cash equivalents at end of financial year	<u>11,930</u>	<u>3,616</u>
	19(a)	

## **Notes to the Financial Statements For the Year Ended 30 June 2014**

### **1 Corporate Information**

These financial statements and notes represent those of Fitzroy River Corporation Limited for the year ended 30 June 2014, the comparatives for the year ended 30 June 2013 are presented as consolidated financial statements and represent those of the Company and controlled entities (the 'Group'). The controlled entities were disposed of on 26 July 2012 (refer to Note 9).

The financial statements were authorised for issue by the Board of Directors on 26 September 2014.

The principal activities of the Company are being an oil and gas investment holding company with a focus on non-operational assets such as royalties, free carried interests, and minority equity positions. The Company's primary focus is on Western Australia, specifically the 'Canning Superbasin' where the Company holds royalty interests in several permits in the Canning Superbasin via 2 separate Royalty Deeds.

### **2 Basis of Preparation**

The financial statements are "for-profit" general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

### **3 Significant Accounting Policies**

#### **(a) Accounting policies**

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

#### **(b) Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Fitzroy River Corporation Limited at the end of the reporting period. A controlled entity is any entity over which Fitzroy River Corporation Limited is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. To have power over an entity, a parent must have existing rights that give it the current ability to direct the relevant activities. In assessing power, only substantive rights and rights not protective shall be considered.

## Notes to the Financial Statements For the Year Ended 30 June 2014

### 3 Significant Accounting Policies continued

#### (c) List of subsidiaries

The components of the Group are:

	<i>Incorporated in</i>	<b>2014</b>	<b>2013</b>
Fitzroy River Corporation Limited [Parent]	Australia		
Subsidiary of Fitzroy River Corporation Limited*: European Gas Limited (UK)	England & Wales	Nil	25.5%
Subsidiaries of European Gas Limited (UK): Heritage Petroleum Ltd	England & Wales	Nil	100%
European Gas S.A.S.	France	Nil	100%

\* Note ceased to be a subsidiary with effect from 26 July 2012 refer Note 9.

In preparing the consolidated financial statements for the year ended 30 June 2013, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

#### (d) Foreign currency transactions and balances

##### Functional and presentation currency

The Group changed its functional and presentation currency effective from 1 July 2012. As the Group is listed on the Australian Securities Exchange and following the completion of the share buy back in July 2012 the Group's operations are predominately Australian based. The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which has returned to being the parent entity's functional and presentation currency.

The change in functional currency has been applied prospectively from 1 July 2012.

The change in presentation currency, being a change in accounting policy, has been applied retrospectively.

##### Transaction and balances

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

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

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2014**

#### **3 Significant Accounting Policies continued**

##### **(d) Foreign currency transactions and balances continued**

###### **Transactions and balances continued**

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

###### **Group companies**

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

##### **(e) Critical accounting estimates and judgments**

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

###### **Key estimates – Impairment**

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

###### **Key estimates - Deferred tax assets**

An estimate of the probability of the Group's ability to recoup deferred tax assets from future taxable profits is made as at each reporting date. Deferred tax asset on tax losses and temporary deductible differences are recognised to the extent that sufficient future taxable profits are probable in the same tax jurisdiction in which those losses and deductible temporary differences arise.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2014**

#### **3 Significant Accounting Policies continued**

##### **(f) Discontinued Operations**

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate business segment. The results of discontinued operations are presented separately on the face of the statement of comprehensive income. The comparatives for the prior period have been restated to conform to the current period's presentation.

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction and the asset or group is available for immediate sale in its present condition and its sale must be highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell at each reporting date until disposal. A gain or loss not previously recognised by the date of the sale is recognised at derecognition.

Non current assets are not depreciated or amortised from the date of such classification.

##### **(g) Revenue and other income**

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

All revenue is stated net of the amount of goods and services tax (GST).

##### **Interest revenue**

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

##### **Royalty income**

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreements.

##### **Dividends**

Dividends are recognised when the shareholders' right to receive the payment is established.

##### **(h) Income tax**

Income tax recognised in the statement of profit or loss comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2014**

#### **3 Significant Accounting Policies continued**

Current tax liability is recognised to the extent of unpaid income taxes for the current and prior periods. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current tax asset.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and
- interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the account profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all of part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

#### **(i) Other taxes**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2014**

#### **3 Significant Accounting Policies continued**

##### **(j) Financial instruments**

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

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period.

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income.

###### **Recoverable amount of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying value of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined from an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cashflows that are largely independent of those other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cashflows are discounted to their present value of money and the risks specific to the asset.

###### **Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### **(k) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of Statement of Cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### **(l) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2014**

#### **3 Significant Accounting Policies continued**

##### **(m) Trade and other payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received and are subsequently measured at amortised cost.

##### **(n) Adoption of new and revised accounting standards**

During the current year, the Group adopted all of the new or amended revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of Fitzroy River Corporation Ltd.

New and revised standards and amendments thereof and interpretations effective for the current year that are relevant to the Consolidated Entity and Joint arrangements include amendments to AASB 10, 11 and 12, AASB 13 Fair Value Measurement. The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current or prior year.

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities- Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures.

AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2014**

#### **3 Significant Accounting Policies continued**

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.

The Group has applied AASB 13 for the first time in the current year.

#### **(o) New accounting standards for application in future periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

<b>Standard Name</b>	<b>Effective date for entity</b>
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
AASB 1031 'Materiality' (2013)	1 January 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014
AASB 2014-1 'Amendments to Australian Accounting Standards'	1 July 2014
- Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles'	
- Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'	
- Part C: 'Materiality'	
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**4 Parent entity**

The following information has been extracted from the books and records of the parent, Fitzroy River Corporation Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Fitzroy River Corporation Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

	<b>2013</b>
	<b>\$'000</b>
<b>Statement of Financial Position</b>	
Assets	
Current assets	3,646
Non-current assets	9,107
Total Assets	<u>12,753</u>
Liabilities	
Current liabilities	40
Total Liabilities	<u>40</u>
Net Assets	<u>12,713</u>
Equity	
Issued capital	42,284
Retained earnings	(29,588)
Fair value adjustment assets-available-for-sale reserve	17
Total Equity	<u>12,713</u>

	<b>2013</b>
	<b>\$'000</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>	
Revenue	164
Other income	97
Professional and consultancy	(345)
Other expenses	(458)
Impairment loss on available-for-sale financial asset	(5,447)
<b>Loss before income tax</b>	<b>(5,989)</b>
Tax (expense)/benefit	4,358
<b>Loss from continuing operations</b>	<b>(1,631)</b>
(Loss)/Profit from discontinued operations	52,757
<b>(Loss)/Profit for the year</b>	<b>51,126</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>51,126</b>

**Contingent liabilities**

The Company's contingent liabilities as at 30 June 2014 are discussed in Note 20 to the Financial Statements.

**Notes to the Financial Statements  
For the Year Ended 30 June 2014**

**4 Parent Entity continued**

**Contractual commitments**

The parent entity did not have any commitments as at 30 June 2014 and 30 June 2013.

**5 Revenue and Other Income**

**Revenue from continuing operations**

	<b>Company 2014 \$'000</b>	<b>Consolidated 2013 \$'000</b>
Revenue		
- interest received	364	52
- royalties	145	112
<b>Total Revenue</b>	<b>509</b>	<b>164</b>

	<b>Company 2014 \$'000</b>	<b>Consolidated 2013 \$'000</b>
Other Income		
Miscellaneous income	3	93
Capital gain from sale of EGL shares	-	4
	<b>3</b>	<b>97</b>

**6 Auditors' Remuneration**

	<b>Company 2014 \$'000</b>	<b>Consolidated 2013 \$'000</b>
Remuneration of the auditor of the parent entity, Deloitte Touche Tohmatsu, for:		
- auditing the financial statements	24	55
<b>Total Auditors Remuneration</b>	<b>24</b>	<b>55</b>

**7 Income Tax Expense**

**(a) The major components of tax expense (benefit) comprise:**

	<b>Company 2014 \$'000</b>	<b>Consolidated 2013 \$'000</b>
<b>Deferred tax benefit</b>		
Deferred tax benefit	-	(4,358)
<b>Total income tax expense (benefit)</b>	<b>-</b>	<b>(4,358)</b>

## Notes to the Financial Statements For the Year Ended 30 June 2014

### 7 Income Tax Expense continued

#### (b) Reconciliation of prima facie tax on continuing operations to income tax benefit:

	Company 2014 \$'000	Consolidated 2013 \$'000
Profit/(loss) before tax for the year	(474)	(5,989)
Tax benefit @ 30% tax rate	(142)	(1,797)
<b>Adjustment for:</b>		
- Benefit recognised on carried forward tax losses expected to be offset against future capital gain on sale of investments	-	(2,724)
- Unrecognised deferred tax asset on tax losses	142	162
Tax benefit recognised in profit or loss	-	(4,358)

### 8 Deferred Tax

#### (i) Components of deferred taxes

	Company 2014 \$'000	Consolidated 2013 \$'000
<i>Deferred tax asset</i>		
Carried forward tax losses recognised to the extent of deferred tax liability	-	2,724
<i>Deferred tax liability</i>		
Fair value gain on available for sale financial assets	-	(2,724)
<b>Net deferred tax asset/(liability)</b>	<b>-</b>	<b>-</b>

#### (ii) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	Company 2014 \$'000	Consolidated 2013 \$'000
Tax losses - revenue	1,147	541
Deferred tax assets not booked	344	162

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therein. In addition, the benefits will only be obtained if the Company continues to comply with the conditions for deductibility imposed by law and no changes in income tax legislation adversely affects the Company in utilising the benefits.

In the prior year financial report, the company disclosed unrecognised capital losses and corresponding deferred tax assets not booked of \$20,443,000 and \$6,132,000. During the year, the company lodged an amended income tax return in respect of prior year which advised that the company had nil capital losses carried forward. Accordingly the comparative balances have been amended to reflect the company's amended income tax position.

## Notes to the Financial Statements For the Year Ended 30 June 2014

### 9 Discontinued Operations

During the year ended 30 June 2012 the Group commenced an internal restructuring process which was designed to centre the Group's European assets under UK subsidiary European Gas Limited ("EGL UK").

The restructuring of the Group was implemented through a combination of the following:

- i) the sale of 100% of Heritage Petroleum Limited's share capital to EGL UK for \$1;
- ii) the sale of 100% of European Gas S.A.S.'s share capital to EGL UK for \$4,000,000;
- iii) assignment of the farmout and joint operating agreements between Fitzroy River Corporation Limited and Gazonor in respect of the Sud Midi and Valenciennois exploration permits to EGL UK;
- iv) assignment of the production sharing agreements with Gazonor in respect of the Poissonniere and Desiree production permits to EGL UK;
- v) assignment of \$11,140,836 of the intercompany debt due to Fitzroy River Corporation Limited from EGL UK to European GAS S.A.S. as repayment of the debt owed by Fitzroy River Corporation Limited to European Gas S.A.S.;
- vi) waiver and forgiveness of the total intercompany debt due to Fitzroy River Corporation Limited from EGL UK;
- vii) sub division of the \$1 ordinary share capital in EGL UK into 297,272,505 ordinary shares of \$0.00000004 each; and
- viii) the implementation of a Share Buy back offer to shareholders of Fitzroy River Corporation Limited as announced to the ASX on 4 June 2012. Under the Offer the Company proposed to buy back up to 100% of the ordinary shares held by each shareholder of the Company who was eligible to participate in the Offer. For each share bought back, 1 existing ordinary share in EGL UK was offered as consideration.

Shareholder approval for the buy back offer was obtained on 17 July 2012 and it was subsequently completed on 26 July 2012. Pursuant to the buy back Fitzroy River Corporation Limited bought back and cancelled 221,615,657 of its own ordinary shares and as a result from 26 July 2012 it only held a 25.45% interest in the ordinary share capital of EGL UK.

The financial performance of the discontinued operation to the date of sale which is included in profit / (loss) from discontinued operations is as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Other income	-	39
Administration expenses	<b>(81)</b>	-
Gain on disposal of subsidiary	-	21,570
Exchange loss transferred to profit or loss on disposal of foreign operations	-	(6,582)
Related deferred tax expense	-	(4,358)
	<b>(81)</b>	<b>10,669</b>

Note: EGL UK results included in the Group's financial statements for the year ended 30 June 2013 are for the period from 1 July 2012 to the date of disposal (26 July 2012).

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**9 Discontinued Operations continued**

**Assets and liabilities classified as held for distribution to shareholders**

	<b>Consolidated 30 June 2013 \$'000</b>
<b>Assets</b>	
Cash and cash equivalents	5,828
Trade and other receivables	437
Property, plant and equipment	99
Exploration and evaluation expenditure	30,117
<b>Total Assets</b>	<u>36,481</u>
<b>Liabilities</b>	
Trade and other liabilities	<u>(975)</u>
<b>Net Assets</b>	<u><u>35,506</u></u>

**Gain on disposal of subsidiary**

	<b>Consolidated 30 June 2013 \$'000</b>
<b>Consideration for disposal of the subsidiary</b>	
Buy-back of 221,615,657 shares @ \$0.192	42,550
Fair value of investment in the subsidiary (75,656,848 shares @ \$0.192)	14,526
<b>Total consideration</b>	57,076
Net assets of disposed group at 26 July 2012	<u>(35,506)</u>
Gain on disposal of subsidiary	<u><u>21,570</u></u>

**10 Earnings/(loss) per Share**

The calculation of basic and diluted earnings/(loss) per share at 30 June 2014 was based on the loss attributable to ordinary shareholders of \$0.6 million (2013: \$9.0 million) for continuing and discontinuing operations and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 90,788,294 (2013: 95,713,140), calculated as follows:

**(a) Profit or loss attributable to ordinary shareholders**

	<b>2014 \$'000</b>	<b>Consolidated 2013 \$'000</b>
Profit/(loss) used in the calculation of basic and dilutive profit/(loss) per share from continuing and discontinued operations	<b>(555)</b>	9,038
Profit/(loss) used in the calculation of basic and dilutive profit/(loss) per share from continuing operations	<b>(474)</b>	(1,631)

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**10 Earnings/(loss) per Share continued**

**(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS**

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	<b>90,788,294</b>	95,713,140
Weighted average number of dilutive options outstanding	-	-
<b>Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS</b>	<b>90,788,294</b>	<b>95,713,140</b>

**11 Cash and Cash Equivalents**

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	<b>30</b>	616
Short-term bank deposits	<b>11,900</b>	3,000
	<b>11,930</b>	<b>3,616</b>

**12 Trade and Other Receivables**

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
CURRENT		
Accrued income	<b>108</b>	29
Other receivables	<b>114</b>	1
<b>Total current trade and other receivables</b>	<b>222</b>	<b>30</b>

**13 Prepayments**

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
CURRENT		
Prepayments	<b>12</b>	-
<b>Total prepayments</b>	<b>12</b>	<b>-</b>

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**14 Other Financial Assets**

Available-for-sale financial assets comprise:

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
NON-CURRENT		
Listed investments, at fair value		
- shares in Columbus Energy Ltd	<b>13</b>	28
	<b>13</b>	28
Unlisted investments, at fair value		
- shares in European Gas Limited (EGL UK)	-	9,079
	-	9,079
Total available-for-sale financial assets	<b>13</b>	9,107

Following an unsolicited offer to acquire the Company's EGL UK shares the Company signed a Share Purchase Agreement, on 11 August 2013, to sell its EGL UK Shares to Chaldon Asia Limited and Maritime Manufacturers Associates Ltd (together the Purchasers), for \$0.12 per EGL UK Share (representing a total purchase price of \$9,078,821.76) and subject to shareholder approval.

On 24 September 2013 the shareholders approved the sale of the EGL UK shares, the sale was completed on 27 September 2013. Under the Agreement the Company sold all of its 75,656,848 shares in EGL UK at a price of \$0.12 per Share, valuing the Shares at \$9.08 million.

**15 Trade and Other Payables**

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
CURRENT		
Unsecured liabilities		
Trade payables	<b>34</b>	40
	<b>34</b>	40

**16 Issued Capital**

**Ordinary shares**

	<b>Company</b>	<b>Consolidated</b>	<b>Company</b>	<b>Consolidated</b>
	<b>30 June 2014</b>	30 June 2013	<b>30 June 2014</b>	30 June 2013
	<b>No.</b>	No.	<b>\$'000</b>	\$'000
At the beginning of the reporting period	<b>90,788,294</b>	297,272,505	<b>42,284</b>	81,362
Shares issued during the year:				
1 for 5 Rights issue	-	15,131,450	-	3,472
Shares bought back during the year:				
Share buy-back 26 July 2012 (refer note 9)	-	(221,615,657)	-	(42,550)
At reporting date	<b>90,788,294</b>	90,788,294	<b>42,284</b>	42,284

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**16 Issued Capital continued**

During February 2013 the company raised \$3.783 million through a 1 for 5 rights issue and the issue of 15,131,450 new shares at \$0.25 per share.

Shareholder approval for the buy back offer was obtained on 17 July 2012 and it was subsequently completed on 26 July 2012. Pursuant to the buy back Fitzroy River Corporation Limited bought back and cancelled 221,615,657 of its own ordinary shares at a value of \$0.192 per share.

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

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

**Outstanding Options**

The Company has no options or other convertible securities on issue at 30 June 2014.

**17 Reserves**

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Foreign currency translation reserve</b>		
Opening balance	-	(6,582)
Transfers in	-	-
Transfers out	-	6,582
	<u>-</u>	<u>-</u>
<b>Available-for-sale investment reserve</b>		
Opening balance	17	54
Transfers out	(15)	(37)
	<u>2</u>	<u>17</u>
<b>Share based payment reserve</b>		
Opening balance	-	5,125
Transfers in	-	-
Transfers out	-	(5,125)
	<u>-</u>	<u>-</u>
<b>Total reserves</b>	<u>2</u>	<u>17</u>

**(a) Foreign currency translation reserve**

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**17 Reserves continued**

**(b) Available-for-sale investment reserve**

Change in the fair value and exchange differences arising on translation of the available for sale investment are recognised in other comprehensive income - financial asset reserve. Amounts are reclassified to profit or loss on disposal of the investment or when an impairment arises.

**(c) Share based payment reserve**

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

**18 Operating Segments**

The Board has determined that the Company presently has one reporting segment, being the investment in royalty interests in the Canning Superbasin in Western Australia. The Board monitors the Company based on actual versus budgeted revenue and expenditure incurred. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Company and its ongoing activities.

Prior to disposal of EGL UK during the 2013 financial year, the Company had operations in Europe which are classified as discontinued operations.

**19 Cash Flow Information**

**(a) Reconciliation of cash**

	<b>Note</b>	<b>Company 2014 \$'000</b>	<b>Consolidated 2013 \$'000</b>
Cash and cash equivalents 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	11	<u>11,930</u>	3,616
		<u>11,930</u>	<u>3,616</u>

**Notes to the Financial Statements  
For the Year Ended 30 June 2014**

**19 Cash Flow Information continued**

**(b) Reconciliation of result for the year to cashflows from operating activities**

Reconciliation of net income to net cash provided by operating activities:

	<b>Company 2014 \$'000</b>	<b>Consolidated 2013 \$'000</b>
(Loss)/Profit for the year	<b>(555)</b>	9,037
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- net (gain) on disposal of controlled entity	-	(10,630)
- net unrealised loss on fair value adjustment of available for sale financial assets	-	5,447
- Income tax benefit	-	(4,358)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	<b>(113)</b>	38
- (increase)/decrease in other assets	<b>(91)</b>	(30)
- increase/(decrease) in trade and other payables	<b>(6)</b>	(107)
Cashflow from operating activities	<b>(765)</b>	<b>(603)</b>

As at balance date the Company had no credit standby arrangements with banks or other financial institutions.

**20 Contingent Liabilities and Contingent Assets**

Estimates of the potential financial effect of contingent liabilities and contingent assets that may become payable or receivable:

The Company is now over 17 years old and has a long history in oil and gas exploration and development, both in Western Australia and in Europe. There have been several management changes over the years, and the Company was effectively run from Europe for a number of years until July 2012.

Various disputes have at times arisen between the Company and its former directors and officers. No assurance can be made by the Directors that material issues will not emerge in relation to claims by former directors and officers.

The Company is or has been a party to numerous contracts and from time to time issues emerge relating to such legacy contracts and those issues may or may not be material to the Company. Some contingent liabilities are mentioned in the Company's financial reports and some are not, depending on materiality. What may have been considered immaterial before 26 July 2012 (when the Company completed a major buy-back of around 75% of its shares on issue) may be now considered material. A number of contingent liabilities were discussed in the rights issue Offer Booklet dated 12 February 2013. No assurance can be made by the Directors that further material issues will not emerge in relation to such legacy contracts.

The Company continues to have the benefit of a Deed of Indemnity from EGL UK with an effective date of 1 May 2012 relating to various "Covered Obligations" (as defined), including:

- any expenses incurred by the Company during the period 1 July 2010 up to 1 May 2012 which are known as at 1 May 2012 but were yet to be paid;
- exploration and production expenses for the benefit of EGL UK; and
- costs in relation to the 2012 restructuring of the Company and group.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2014**

#### **20 Contingent Liabilities and Contingent Assets continued**

##### ***Possible joint and several liability under European contracts***

In relation to any possible joint and several liabilities under European contracts, there has been no update or contact from EGL UK or any other associated parties for more than 12 months with no material update provided at that time. There is no ongoing relationship with EGL UK and there is no update to this since prior to publishing the Company's statutory accounts for the year ending 30 June 2013. As a result, the following note remains applicable as contained in the Company's 2013 accounts.

*"Reference is made to section 2.6 of the Company's Notice of Extraordinary General Meeting lodged with the ASX on 4 June 2012 (2012 Notice of EGM), which details the assignment by the Company to EGL UK in March 2012 of its rights and interests under the Gazonor Valenciennois Permit Farmout Agreement, the Gazonor Sud-Midi Permit Farmout Agreement, and a Production Sharing Agreement over two permits or 'concessions' in France (European Contracts), in order to enable current or former Company shareholders who were to acquire EGL UK shares under the Company's 2012 buy-back to have materially the same interests in those assets once they became EGL UK shareholders. As part of that assignment, the Company agreed to become jointly and severally liable for the obligations of EGL UK under the European Contracts.*

*EGL UK's obligations under the two Farmout Agreements initially included expenditure requirements of €795,000 for the Valenciennois Permit, and €2 million for the Sud-Midi permit, in order for EGL UK to earn a 70% joint venture interest in those permits. EGL UK's obligations in respect of the Production Sharing Agreement include an expenditure requirement of €1 million in order for EGL UK to earn a 70% participating interest in any future production. For further information refer to the Company's announcements made to ASX on 27 and 30 May 2011 respectively.*

*EGL UK informed the Company in February 2013 that the expenditure deadlines under the European Contracts had been extended, but that no work programs had been agreed in respect of those European Contracts in order for EGL UK to commence meeting its expenditure requirements.*

*As far as the Company is aware, EGL UK has not yet agreed the budgets and plans necessary to commence meeting its expenditure requirements under the European Contracts, and there is uncertainty as to when this might occur. The Company also understands that the European Contracts may have been amended in order to extend the time in which the necessary budgets and plans are to be agreed, and EGL UK can commence meeting its expenditure requirements. The Company was not consulted or formally notified in relation to those amendments.*

*EGL UK entered into a Deed of Indemnity with the Company dated 1 May 2012, as mentioned above.*

*In the event that the Company is called upon, and is legally required, to perform the obligations of EGL UK under the Farmout Agreements or Production Sharing Agreement referred to above, the Company considers that it would be entitled under the Deed of Indemnity to be indemnified against any cost, liability or expense it incurs in connection with its performance of those obligations. However, there can be no guarantee that the Company would be able to recover any cost, liability or expense incurred in relation to those obligations under the Deed of Indemnity."*

##### ***Royalty interest in Canning Basin***

Fitzroy announced on 26 August 2013 that it had filed an Originating Summons in the Supreme Court of Western Australia seeking a declaration concerning the proper construction of those terms of its 'Canning Basin Royalty Deed' that relate to the calculation of the royalty. Fitzroy announced that it was seeking a declaration that upon a proper construction of the terms of the Royalty Deed dated 26 August 2006 between the Company and ARC Energy Limited (ACN 009 204 031) (now AWE Perth Pty Limited, 'ARC') it is entitled to be paid a royalty at the rate of 2% of the gross value in Australian currency of petroleum at the well head (as agreed or determined from time to time for the purpose of calculation of the State Royalty) which is recovered from the area covered by the permits the subject of the Canning Basin Royalty Deed without deduction for any costs or expenses. The litigation remains ongoing with the proceedings to be referred to mediation in the next few months.

For further details regarding calculation of this royalty, which remains under dispute, please refer to Fitzroy's announcements dated 2 October 2012, 26 August and 12 December 2013, as well as periodic reports by the Company.

## Notes to the Financial Statements For the Year Ended 30 June 2014

### 20 Contingent Liabilities and Contingent Assets continued

#### *Tax Loss Position*

As indicated in the Company's recent half-yearly report issued in March 2014, in connection with work done on the Company's 2013 tax return, the Company has been reviewing its overall capital and tax loss position, including as to quantum. It has been recently determined that the Company has tax losses of \$541,000 as of 30 June 2013 (and no tax losses or capital losses from prior years). These tax losses may be offset against taxable income derived by the Company in future years provided certain requirements are satisfied. In particular, the availability of the tax losses is subject to passing the continuity of ownership test ('COT'), or if that test is failed, to passing the same business test ('SBT'). There can be no assurance that either of these tests will be satisfied at applicable times. It has also been determined that as regards the sale of the remaining 25% interest in EGL UK that was disposed of in August 2013 and is to be addressed in the Company's 2014 income tax return (which has not yet been lodged), the AFBA percentage of EGL UK calculated in relation to this disposal is above 90%. Accordingly, no capital gain or loss will be recognised for Australian income taxation purposes in relation to this sale. The Company continues to have a zero franking credit balance.

### 21 Related Party Transactions

There were no other related party transactions during the year.

#### *Key Management Personnel Compensation*

Key management personnel compensation comprised the following:

	<b>Company 2014 \$'000</b>	<b>Consolidated 2013 \$'000</b>
Short-term employee benefits	237,815	252,601
Post-employment benefits	8,585	10,172
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>246,400</b>	<b>262,773</b>

### 22 Share-based Payments

As at 30 June 2014, there were no outstanding options in existence nor were there any options granted, exercised or forfeited during the year.

A summary of the Company options previously issued is as follows:

<b>2013 Grant Date</b>	<b>Expiry Date</b>	<b>Exercise price</b>	<b>Start of the year</b>	<b>Forfeited during the year</b>	<b>Balance at the end of the year</b>
26 November 2010	31 December 2012	0.70	10,000,000	(10,000,000)	-
29 November 2011	31 December 2012	0.50	6,000,000	(6,000,000)	-

## Notes to the Financial Statements For the Year Ended 30 June 2014

### 23 Financial Risk Management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

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

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	2013
<b>Note</b>	<b>\$'000</b>	\$'000
<b>Financial Assets</b>		
Cash and cash equivalents	11,930	3,616
Trade and other receivables	114	-
Available-for-sale financial assets:		
- at fair value		
- listed investments	13	28
- unlisted investments	-	9,079
	<u>12,057</u>	<u>12,723</u>
<b>Financial Liabilities</b>		
- Trade and other payables	34	40
	<u>34</u>	<u>40</u>

#### Financial risk management policies

The Board of Directors has overall responsibility for the establishment of the Company's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Fitzroy River Corporation Limited does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

#### (a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company and arises principally from the Company's receivables.

It is the Company's policy that all customers who wish to trade on credit terms undergo a credit assessment process which takes into account the customer's financial position, past experience and other factors. Credit limits are then set based on ratings in accordance with the limits set by the Board of Directors, these limits are reviewed on a regular basis.

## Notes to the Financial Statements For the Year Ended 30 June 2014

### 23 Financial Risk Management continued

The Company monitors the risk by ensuring all receivables are delivered to the Company as stated within the related contractual agreements, thus allowing effective debt recovery. The Company also submits on a regular basis claims for receivables from government agencies with respect to monies owing from GST related transactions.

The carrying amount of trade and other receivables recorded in the balance sheet, represents the Company's maximum exposure to credit risk.

#### (b) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk by maintaining adequate banking and borrowing facilities through the monitoring of future cash flow forecasts of all its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

The following are the contractual maturities of the financial liabilities.

#### *Financial liability maturity analysis - Non-derivative*

	Within 1 Year		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial liabilities due for payment</b>				
Trade and other payables	34	40	34	40

The timing of expected outflows is not expected to be materially different from contracted cashflows.

#### (c) Interest rate risk

The Company's income and operating cashflows are substantially independent of changes in market interest rates. The Company's only interest rate risk arises from the return received on cash assets deposited.

The Company's policy is to frequently monitor its cash assets held and ensure that the most favourable level of return is achieved via depositing funds accordingly.

Based on the current market interest rate scenario, directors' consider that a movement of 1% could reasonably be expected within the next 12 months.

#### Interest rate risk sensitivity analysis

At 30 June 2014, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Company	Consolidated
	2014 \$'000	2013 \$'000
Change in profit		
- Increase in 1%	119	36
- Decrease in 1%	(119)	(36)

## Notes to the Financial Statements For the Year Ended 30 June 2014

### 23 Financial Risk Management continued

#### (d) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Company holds financial instruments which are other than the AUD functional currency of the Company.

At the end of the reporting period the Company's only foreign currency risk is in relation to the Company's available for sale investments in Columbus Energy Ltd (2013: European Gas Limited and Columbus Energy Limited). This company has operations that are denominated in a currency other than Australian Dollars.

#### Foreign currency risk sensitivity analysis

At 30 June 2014, the effect on profit and equity as a result of changes in foreign currency, with all other variables remaining constant would be as follows:

	<b>Company</b>	<b>Consolidated</b>
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Change in profit		
- Increase in 10%	1	911
- Decrease in 10%	(1)	(911)
Change in equity		
- Increase in 10%	1	911
- Decrease in 10%	(1)	(911)

#### (e) Commodity price risk

The Company is not directly exposed to changes in commodity prices, however is indirectly through the royalty agreements which give the Company exposure to oil and gas commodity price risk.

#### (f) Equity price risk

The Company holds investments in one listed entity, and as such these are subject to varying valuations based on its current market price. The carrying value of the asset in the balance sheet represents the closing price of the entity at balance date.

As the Company is not involved in the activity of pursuing investments in listed entities and has only acquired such assets through receiving consideration for prior sales of Company assets, the policy is to hold any investments until a sale can be achieved that would give the Company a reasonable cash asset.

#### (g) Capital risk management

The Company ensures effective management of its capital structure so that it will be able to continue as a going concern. The capital structure consists on cash and cash equivalents and equity attributable to the holders of equity, comprising issued capital and reserves as disclosed in the Statement of Changes in Equity.

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**23 Financial Risk Management continued**

**Net fair values**

***Fair value estimation***

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below.

	2014		2013	
	Net Carrying Value \$'000	Net Fair value \$'000	Net Carrying Value \$'000	Net Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	11,930	11,930	3,616	3,616
Trade and other receivables	114	114	-	-
	<b>12,044</b>	<b>12,044</b>	3,616	3,616
Available-for-sale financial assets:				
at fair value				
- listed investments	13	13	28	28
- unlisted investments	-	-	9,079	9,079
	<b>13</b>	<b>13</b>	9,107	9,107
<b>Total financial assets</b>	<b>12,057</b>	<b>12,057</b>	12,723	12,723
<b>Financial liabilities</b>				
Trade and other payables	34	34	40	40
<b>Total financial liabilities</b>	<b>34</b>	<b>34</b>	40	40

- i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value
- ii) For listed available-for-sale financial assets, closing quoted bid prices at the end of the reporting period are used
- iii) For unlisted available-for-sale financial assets the directors have used judgement and inputs that are observable either directly or indirectly to estimate the fair value as there is no active market for these investments.

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2014**

**23 Financial Risk Management continued**

***Financial instruments measured at fair value***

The financial instruments recognised at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement as follows:

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2014</b>				
<b>Financial assets:</b>				
Available-for-sale financial assets:				
- listed investments	13	-	-	13
	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
<b>2013</b>				
<b>Financial assets:</b>				
Available-for-sale financial assets:				
- listed investments	28	-	-	28
- unlisted investment	-	-	9,079	9,079
	<u>28</u>	<u>-</u>	<u>9,079</u>	<u>9,107</u>

Included within Level 1 of the hierarchy are listed investments which are valued based on quoted price.

The fair value of the unlisted equity securities is determined based on the Directors valuation as set out in Note 14.

There were no transfers between levels during the current or prior periods.

**24 Events after the end of the Reporting Period**

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## **Fitzroy River Corporation Ltd**

ABN: 75 075 760 655

# **Notes to the Financial Statements**

## **For the Year Ended 30 June 2014**

### **25 Company Details**

The registered office of the company is:

Fitzroy River Corporation Ltd

Suite 2, Level 11, 50 Margaret Street, Sydney NSW 2000

Postal address: GPO Box 4626, Sydney NSW 2001

Telephone: (02) 9290 2707

Email: [enquiries@fitzroyriver.net.au](mailto:enquiries@fitzroyriver.net.au)

Website: [www.fitzroyriver.net.au](http://www.fitzroyriver.net.au)

## Directors' Declaration

In accordance with a resolution of the Directors of the Company, I state that:

In the opinion of the Directors:

- (a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (b) the attached financial statements are in accordance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;
- (c) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and giving a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to Section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Director .....  
Mr Malcom McComas (Non- Executive Chairman)

Dated 26 September 2014

## **Independent Auditor's Report to the Members of Fitzroy River Corporation Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Fitzroy River Corporation Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 21 to 51.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

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

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

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Fitzroy River Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

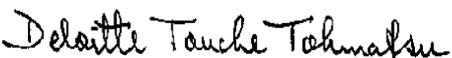
- (a) the financial report of Fitzroy River Corporation Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Fitzroy River Corporation Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

  
DELOITTE TOUCHE TOHMATSU



Weng W Ching

Partner

Chartered Accountants

Sydney, 26 September 2014

## **Corporate Governance Statement**

The Directors are focused on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. The Board supports the ASX Corporate Governance Council Principles and Recommendations. This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Second Edition of the Corporate Governance Principles and Best Practice Recommendations including the 2010 amendments (the Recommendations). Commencing with reporting for the financial year ending 30 June 2015, the Company will be reporting its corporate governance practices pursuant to the Third Edition of the Corporate Governance Principles and Recommendations. The Board as a whole recognises that best practice principles assist in its role of overseeing the Company's affairs.

Given the size and structure of the Company, the nature of its business activities and the cost of strict and detailed compliance with all the Recommendations, the Board has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the central Principles contained in the Recommendations.

The Company's practices are broadly consistent with those set out in the Recommendations and, where they do not correlate with the Recommendations, the Company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the Recommendations with which the Company's practices do not strictly comply.

The following section addresses the Company's practices in complying with the central Principles.

### **Principle 1: Lay Solid Foundations for Management and Oversight**

#### ***Role and Responsibilities of the Board***

The Board leads and oversees the management and direction of the Company.

After appropriate consultation with executive where such executive management is engaged by the Company based upon its need for such services from time to time management, the Board:

- defines and sets its business objectives and subsequently monitors performance and achievements of those objectives;
- oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and periodically reviews the executive management of the Company on a needs and performance basis;
- monitors and approves financial performance and budgets;
- reports to shareholders; and
- periodically reviews the processes and procedures of its oversight function.

In certain strategic matters, all Board members have been actively involved in all material aspects of the decision making and transaction execution processes, where appropriate.

### **Principle 2: Structure the Board to Add Value**

#### ***Composition of the Board***

The relevant provisions in the Constitution and the Corporations Act determine the terms and conditions relating to the appointment and termination of Directors. All Directors, other than the Executive Director where the Board comprises an Executive Director, are subject to re-election by rotation every three years.

## **Fitzroy River Corporation Ltd**

ABN: 75 075 760 655

### **Corporate Governance Statement continued**

The names of the Directors of the Company and their qualifications are set out in the Directors' Report and on the Company's website at <http://www.fitzroyriver.net.au/index.php/corporate/directors>

The composition of the Board is determined so as to provide the Company with a board base of industry, business, technical, administrative, financial, corporate and legal skills and experience considered necessary to represent stakeholders and fulfil the business objectives of the Company. Directors are expected to bring independent views and judgement to the Board's deliberations.

The Recommendations provide that a majority of the Directors and, in particular, the Chairperson, should be independent. The majority of the Board is made up of independent Directors (being Mr Malcolm McComas and Mr Justin Clyne), this includes the current Chairman. The Board considers that both its structure and composition are appropriate given the size of the Company and its shareholders are appropriately served. The Board will consider its composition as the Company's size and operations evolve.

#### ***Independence of Directors***

The Board considers that an independent Director is one who:

- does not have an executive position (non-executive Director);
- is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly with a substantial shareholder of the Company;
- has not within the last 3 years, been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- has not within the last 3 years, been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a Director; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company.

#### ***Independence of Chairman***

The Chairman, Mr Malcolm McComas (who became Chairman on 26 November 2012), is considered by the Board to be independent.

#### ***Roles of Chairman and Chief Executive Officer***

Throughout the financial year the roles of Chairman and Chief Executive Officer/Managing Director have been separated.

#### ***Nomination and Other Board Members***

The Board monitors its composition to determine if additional core strengths and skills are required to be added to the Board in light of the size and nature of the Company's business and its objectives.

**Corporate Governance Statement continued**

***Independent Advice***

Each of the Directors is entitled to seek independent advice at the Company's expense to assist them to carry out their responsibilities.

The Board is planning to develop an annual performance review process with an informal process having been conducted towards the end of the 2014 financial year with the resignation of Mr Sebastian Hempel and the appointment of Mr Justin Clyne.

**Principle 3: Promote Ethical and Responsible Decision-Making**

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or the interests of any other party in so far as it affects the activities of the Company, and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists (this applies to material personal interests as well). That involves informing the Board of the conflict and/or the material personal interest of the Director and not taking part in the decision making process or discussions in circumstances pertaining to that conflict or material personal interest.

***Code of Conduct***

In the 2014 financial year, the Company adopted a Code of Conduct that is applicable to all directors, officers and employees of the Company. It reflects the Company's values and provides a framework within which its entire workforce functions, including in its interaction with stakeholders. The Code of Conduct is designed to ensure an appropriate degree of integrity in the Company's dealings.

The Company expects all directors, officers and employees of the Company to:

- always act with honesty, integrity and fairness in accordance with the Company's Code of Conduct;
- comply with all policies and procedures implemented by the Company; and
- comply with all applicable laws.

The Code of Conduct is publicly available on the Company's website at <http://fitzroyriver.net.au/>.

***Diversity Policy***

Due to the Company's size and the nature of its activities, the Company currently has no employees (as Mr Hempel resigned effective 30 June 2014) and three other non-executive Board members. Nevertheless the Board has previously implemented and maintains a Diversity Policy in line with the ASX's Corporate Governance guidelines. The Group believes in the promotion of diversity on its Boards, in senior management and within the organisation generally is good practice.

The Diversity Policy seeks to attract and retain people by promoting an environment where employees are treated with fairness and respect and have equal access to opportunities as they arise. Diversity within the workforce includes, but is not limited to such factors as religion, ethnicity, culture, language, gender, disability and age.

## Fitzroy River Corporation Ltd

ABN: 75 075 760 655

### Corporate Governance Statement continued

#### Gender Diversity

The Company, in keeping with the Recommendations provides the following information regarding the proportion gender diversity in the organisation as at 30 June 2014:

	Male	Female	Total	Proportion female	
Board and Senior Management		2	1	3	33.3%

#### Measurable objectives

The recommendations of the Corporate Governance Council relating to reporting require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

Measurable Objective	Objective Satisfied	Comment
Adoption and promotion of a Formal Diversity Policy.	Yes	The Company has adopted a formal diversity policy which has been made publicly available via the Company's website at <a href="http://fitzroyriver.net.au/">http://fitzroyriver.net.au/</a> .
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy.	Yes	The Company's selection, remuneration and promotion practices will be merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company will, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company will grant reward and promotion based solely on merit and responsibility as part of any annual and ongoing review processes.

The Company has recently implemented requirements for a proportion of female candidates for Board or Senior Management positions and this was set at a level which was met at or exceeded all times since last years AGM, namely 25%.

#### Trading in Company Securities

The Company encourages Directors and employees to adopt a long-term attitude to their investment in the Company's securities. All Directors and employees of the Company and their associates (including spouses, children under 18, and any family trust or family companies) as well as contractors, consultants, advisors and auditors of the Company ('**Designated Persons**'), must ensure that any trading in securities issued by the Company is undertaken within the framework set out in the Securities Trading Policy.

The Securities Trading Policy does not prevent any Designated Persons from participating in any share plan or share offers established or made by the Company. However, Directors and employees are prevented from trading in Company securities once acquired if the individual is in possession of price sensitive information which is not publicly available.

## Fitzroy River Corporation Ltd

ABN: 75 075 760 655

### Corporate Governance Statement continued

Further restrictions are placed on trading by Directors (including non-executive directors), Executive General Managers, General Managers and other key management personnel as determined by the Chairman and Company Secretary from time to time ('**Restricted Employees**'). In addition to the overriding prohibition against dealing in the Company's securities when a person is in possession of price sensitive information which is not publicly available, Restricted Employees are at all times prohibited from dealing in the company's securities during prescribed 'closed' periods. The Company has nominated closed periods to be from the end of the relevant financial quarter up to the day after the release date of the applicable Quarterly Report (including the Appendix 5B), unless exceptional circumstances apply. Additional closed periods may be determined by, or existing closed periods may be varied by, the Board from time to time with appropriate notice.

The Securities Trading Policy (available via the Company's website <http://fitzroyriver.net.au/>) also includes a clause prohibiting Directors and employees from entering into transactions in associated products which operate to limit economic risk of security holdings in the Company over unvested entitlements.

In accordance with ASX Listing Rules, a Director must notify the ASX within 5 business days after any change in the Director's relevant interest in securities of the Company or a related body corporate of the Company.

A Director must notify the Company Secretary in writing of any requisite information within 2 business days in order for the Company Secretary to make the necessary notifications to ASIC and ASX as required by the Corporations Act and ASX Listing Rules.

#### Principle 4: Safeguard Integrity in Financial Reporting

The Board does not have a separate audit committee with a composition as suggested by Recommendations 4.1, 4.2 and 4.3. Instead, the full Board carries out the function of an audit committee. The Board believes that the Company is not of a sufficient size to warrant a separate audit committee and that the full Board is able to meet objectives of these Recommendations and discharge its duties in this area. The relevant experience of Board members is detailed in the Directors' section of the Directors' Report.

#### *Financial Reporting*

The Board relies on all Board members to monitor the internal controls within the Company, having regard to the passive investment activities of the Company. Financial performance is monitored on a regular basis by all Board members and is (assisted by an external accounting firm) who reports to the Board (either monthly or quarterly as relevant) at Board meetings.

#### Principle 5: Make Timely and Balanced Disclosure

The Board places a high priority on communication with Shareholders and the market generally and is aware of the obligations it has, under the Corporations Act and ASX Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.

The Board requires that matters that a person could reasonably expect to have a material effect on the price or value of the Company's securities are announced to the ASX in accordance with the requirements of the ASX Listing Rules, and where a decision is made not to notify the ASX of a particular event or development, the reasons for non-notification are determined by members of the Board.

The Company has a Continuous Disclosure Policy (available via the Company's website <http://fitzroyriver.net.au/>), which outlines the processes and procedures for identifying information for disclosure. The policy and procedures aim to ensure that timely and accurate information is provided equally to all shareholders and market participants, consistent with the Company's commitment to its continuous disclosure obligations.

The Company Secretary is the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

**Corporate Governance Statement continued**

**Principle 6: Respect the Rights of Shareholders**

The Board seeks to inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to Company activities as required by the ASX Listing Rules;
- making announcements in accordance with the ASX Listing Rules and the Company's continuous disclosure obligations;
- hosting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the Company's affairs by attending the meeting in person or by proxy. Shareholders who attend the meeting are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the meeting for that purpose.

A policy for communications with shareholders is contained within the Continuous Disclosure Policy mentioned above under Principle 5.

**Principle 7: Recognise and Managing Risk**

The Board has identified areas of business (particularly financial) risk which are monitored on an ongoing basis including:

- Contract risk;
- Counterparty risk;
- Permit title risk; and
- Commodity (oil and gas) price and foreign exchange risk.

Detailed notes regarding financial risk management for the Company are contained within the Notes to the Financial Statements for the financial year ended 30 June 2014.

The Board as a whole is responsible for supervising the management of risks by the Company.

The Company recognises that risk management is an essential element of good corporate governance. The Company has established policies for the oversight and management of material business risks and has adopted a formal Risk Management Policy (accessible via the Company's web site at <http://fitzroyriver.net.au/>), which is to be reviewed annually.

**Corporate Governance Statement continued**

Key internal controls for the management of risk include:

- Integrate risk management into all facets of its business;
- Use risk management techniques as an integral part of decision making;
- Ensure that all material risks are identified and objectively assessed against accepted criteria and that effective controls measures are implemented and maintained;
- Ensure that its employees and contractors are informed about this policy and their responsibilities for its implementation;
- Implement effective crisis management and business continuity plans;
- Implement effective financing strategies (including insurance) for the transfer of residual risk;
- Continually strive to improve the Company's performance and periodically review performance to identify areas for improvement;
- Comply with all applicable laws, regulations, internal policies and contractual obligations as a minimum standard;
- Adopt appropriate due diligence procedures for acquisitions and divestments; and
- Monitor its annual budgeting and monthly reporting systems.

***CEO / CFO Written Statement***

Consistent with the requirements of the Corporations Act and the Recommendations, the person or persons fulfilling the functions of chief financial officer or equivalent are required to make a statement to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement has been received by the Board for the financial year just ended.

**Principle 8: Remunerate Fairly and Responsibly**

There is no formal remuneration committee. A commentary on remuneration policy and practices is set out in the remuneration report contained within the Directors' Report in the Annual Report.

Non-executive Directors receive fees agreed on an annual basis by the Board. The maximum amount of remuneration for non-executive Directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the Board takes account of the time demands made on the Directors (including the Chairman) together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

**Corporate Governance Statement continued**

**Table of Departures and Explanations (from the Recommendations of the ASX Corporate Governance Council)**

“Recommendation” Ref (“Principle No” Ref followed by Recommendation Ref)	Departure	Explanation
1.1	There was no formalisation and disclosure of separate functions between the Board and management during the reporting period.	<p>A number of changes to Board composition and the duties of senior management occurred during the reporting period.</p> <p>For the entire period the Executive Director had responsibility for day to day management of the Company. Each of the Company’s 3 Directors has been putting in considerable personal effort in the last financial year and in the financial year to date in running the Company well and efficiently, in working on various corporate transactions, and in addressing various legacy issues that arose or emerged from the restructure of the Company’s operations that began in early calendar 2012, including the sale of the 25% stake in European Gas Limited and review of royalty dispute with Buru Energy Limited.</p> <p>Although Mr Hempel was the Company’s only employee, was the Company Secretary and has now resigned from his post as Executive Director, he held several delegations from the Board mainly on day to day management of the Company’s business and affairs, the other 2 Directors, although non-executive, also assist from time to time with Company projects and transactions and strategic matters. As the Company’s Constitution (Rule 9.1) provides (in a manner similar to most listed companies), subject to the Corporations Act, the ASX Listing Rules and the Constitution, the business of the Company shall be managed by, or under the direction of, the Directors.</p> <p>Given the above, any further formalisation of separate functions was deemed by the Board to be unnecessary during this period of transition for the Company.</p>

**Corporate Governance Statement continued**

“Recommendation” Ref (“Principle No” Ref followed by Recommendation Ref)	Departure	Explanation
1.2 and 1.3	The Company does not currently have a formal process for evaluating the performance of senior executives	<p>During the reporting period, the Company only had one executive (being Mr Hempel), who worked closely with the remaining members of the Board on a number strategic transactions for the Company.</p> <p>The Board considered that a formal performance evaluation process for this senior executive to be unnecessary during this period of transition for the Company. An informal Board review was undertaken during the period.</p>
2.1	A number of changes to Board composition took place during the year. However at no time during the year was there a majority of independent Directors as there is at the time of reporting.	<p>Given the nature and size of the Company and its business, the Board is of the view that there is an adequate and broad mix of skills and that given their experience, each of the Directors are aware of and capable of acting in the best interests of the Company’s stakeholders.</p> <p>The Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or the interests of any other party in so far as it affects the activities of the Company, and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists (this applies to material personal interests as well). That involves taking no part in the decision making process or discussions where that conflict or interest does arise.</p>
2.4	A separate nomination committee has not been formed.	The Board comprises three members each of whom have valuable contributions to make in fulfilling the role of a nomination committee member. A Director will excuse themselves where there is a material personal interest or conflict.
2.5 and 2.6	The Company has not had a formal process for the evaluation of the performance of the Board.	The Board is continuing to review options for a formal review process to be adopted however did conduct an informal evaluation on the Board during the year.

**Corporate Governance Statement continued**

“Recommendation” Ref (“Principle No” Ref followed by Recommendation Ref)	Departure	Explanation
4.1, 4.2, 4.3 and 4.4	The Company does not have an audit committee.	The full Board carries out the function of an audit committee. The Board believes that the Company is not of a sufficient size to warrant a separate audit committee and that the full Board is able to meet the objectives of these Recommendations and discharge its duties in this area. The relevant experience of Board members is detailed in the Directors’ section of the Directors’ Report.
8.1, 8.2 and 8.4	No formal remuneration committee has been established.	In order to preserve funds (associated with the payment of Directors fees), and to attract and retain Directors of sufficient calibre and standing, all Directors are eligible to participate in the Company’s Incentive Plan, subject to prior shareholder approval to any grant made in accordance with the Incentive Plan.

## Fitzroy River Corporation Ltd

ABN: 75 075 760 655

### ASX Shareholder Information

In addition to the Corporate Governance Statement, the following additional information is provided as required by ASX Listing Rule 4.10.

#### (a) Distribution Schedule of Equity Securities

Analysis of numbers of shareholders by size of holding (as at 19 September 2014):

1 -1,000	169
1,001 - 5,000	253
5,001 - 10,000	196
10,001 - 100,000	345
More than 100,000	106
<b>Total number of holders of ordinary shares</b>	<b>1,069</b>

There were 233 shareholders holding less than a marketable parcel of ordinary shares.

#### (b) Twenty Largest Shareholders

The names of the twenty largest holders of ordinary shares as at 19 September 2014 are listed below:

	<b>Number</b>	<b>Percentage of Issued Shares</b>
Flexiplan Management Pty Ltd	15,574,518	17.155
ABN Amro Clearing Sydney Nominees Pty Ltd	10,211,627	11.248
J P Morgan Nominees Australia Limited	5,814,713	6.405
McNeil Nominees Pty Limited	5,440,954	5.993
Rocket Science Pty Ltd	2,400,000	2.644
Maxigold Holdings Pty Ltd	2,234,814	2.462
AMK Investments (WA) Pty Ltd	1,879,448	2.070
HSBC Custody Nominees (Australia) Limited	1,866,423	2.056
JH Nominees Australia Pty Ltd	1,800,000	1.983
Norfolk Enchants Pty Ltd	1,600,000	1.762
Mrs Carole Christine Rowan	1,375,000	1.515
Mercantile Investment Company Ltd	1,300,000	1.432
M E J C Pty Ltd	1,175,000	1.294
Yuan Quan Pty Ltd	1,000,000	1.101
Mr Russell John Bath & Mrs Dianne Margaret Bath	750,000	0.826
Citicorp Nominees Pty Limited	626,068	0.690
Mr Kenneth Bruce Willimott	608,200	0.670
Mr Mitchell James Voss & Mrs Linda Michelle Voss	600,002	0.661
Mr Robert Langdon Hanwright & Mrs Margaret Jean Hanwright	575,000	0.633
BNP Paribas Noms Pty Ltd	528,053	0.582
<b>TOTAL</b>		<b>63.180</b>