



# ANNUAL REPORT 2013

Fitzroy River

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# CORPORATE DIRECTORY

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## **DIRECTORS**

Malcolm McComas – Chairman

Sebastian Hempel – Executive Director

Susan Thomas – Director

## **REGISTERED OFFICE**

Suite 2, Level 11  
50 Margaret Street  
SYDNEY NSW 2000  
Fax: +61 2 9290 2707

## **AUDITOR**

Deloitte Touche Tohmatsu

## **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Tce  
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Tel: (08) 9323 2000

## **CORPORATE OFFICE**

Tel: 1300 003 686  
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## **WEBSITE**

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

# DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being Fitzroy River Corporation Ltd (the Company) and its controlled entities, for the financial year ended 30 June 2013.

## DIRECTORS

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

NAMES	POSITION	APPOINTED/RESIGNED
Mr Malcolm McComas	Non-executive Chairman	Appointed 26 November 2012
Mr Sebastian Hempel	Executive Director	
Ms Susan Thomas	Non-executive Director	Appointed 26 November 2012
Mr Rod Bresnehan	Non-executive Director	Resigned 14 May 2013
Mr Julien Moulin	Director	Not re-elected 26 November 2012

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. The Company also has an investment in shares in its former European based subsidiary, European Gas Limited (a company incorporated in England and Wales with company number 05321791, 'EGL UK').

The following significant changes in the nature of the principal activities occurred during the financial year:

As a result of a large share buy-back completed in July 2012, the Company demerged and ceased to have control of EGL UK on 26 July 2012. The principal activities of EGL UK are exploration and development of coal bed methane and coal mine methane gas prospects in Western Europe.

There were no other 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 Group made a profit of \$9.0 million (2012: loss \$9.3 million) for the year ended 30 June 2013. The following explains how this arose.

- A profit of \$10.7 million from discontinued operations as a result of the share buyback and loss of control (demerger) of EGL UK early in the financial year. As a result of the share buy-back, the EGL UK shares were valued at \$0.192 per share resulting in a \$57.1 million gain which was offset by the disposal of the net assets of the discontinued operations amounting to \$35.5 million, exchange losses transferred to profit or loss of \$6.6 million, and the recognition of a related deferred tax expense of \$4.4 million;
- As at 30 June 2013, the Company has revalued its shareholding in EGL UK from \$0.192 per share to \$0.12 per share resulting in a fair value loss on available for sale financial asset of \$5.4 million, as a result of the signing of a Share Purchase Agreement on 11 August 2013 (refer comments in "Events after the end of the reporting period"). In addition, due to the carry forward capital losses which are available to offset any profit on the sale of the EGL UK shares, the related deferred tax liability of \$4.4 million has been reversed;
- Operating income of \$0.26 million (2012: \$0.4m) which mainly comprised royalties and interest and reflects the reduced level of royalties and the reduction in cash balances during the year. Royalty income is expected to remain low for at least the first half of the next financial year;
- Operating costs were \$0.8 million (2012: \$1.3m) which were the costs for running the Group's operations and includes costs associated with the demerger of EGL UK and other abnormal expenses; and
- Other comprehensive income reflects the transfer to profit or loss of prior year exchange losses on the discontinued foreign operations as a result of the demerger and loss of control of EGL UK, and the change in fair value of the Columbus Energy Ltd shares.

# DIRECTORS' REPORT

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As a direct result of the demerger of EGL UK, the principal activities of the Company shifted to being an oil and gas investment holding company with a current focus on non-operational 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.

## **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 Company's rights issue in February 2013, offset by the negative operational cash flow for the year and a reduction in net assets as a result of the demerger and loss of control of EGL UK. The proposed sale of the remaining EGL UK shares will substantially increase the Company's cash and cash equivalents in the next financial year.

## **Statement of Changes in Equity**

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

- Issued capital reflects the buy-back of \$42.6 million of shares which was offset by the share issue net proceeds of \$3.5 million during the year.
- Accumulated losses were reduced due to the profit of \$9.0 million for the year and the reversal of the share based payments reserve of \$5.1 million during the year.
- The movement in the foreign currency translation reserve reflects the transfer to profit or loss of prior year exchange losses on the discontinued foreign operations as a result of the demerger and loss of control of EGL UK.
- 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 outflow of \$3.0 million for the year which was comprised of a \$0.6 million deficit from operations and a reduction of \$5.8 million in the Group's cash as a result of the demerger, both offset by an increase in cash of \$3.5 million as a result of the 1 for 5 rights issue in February 2013.

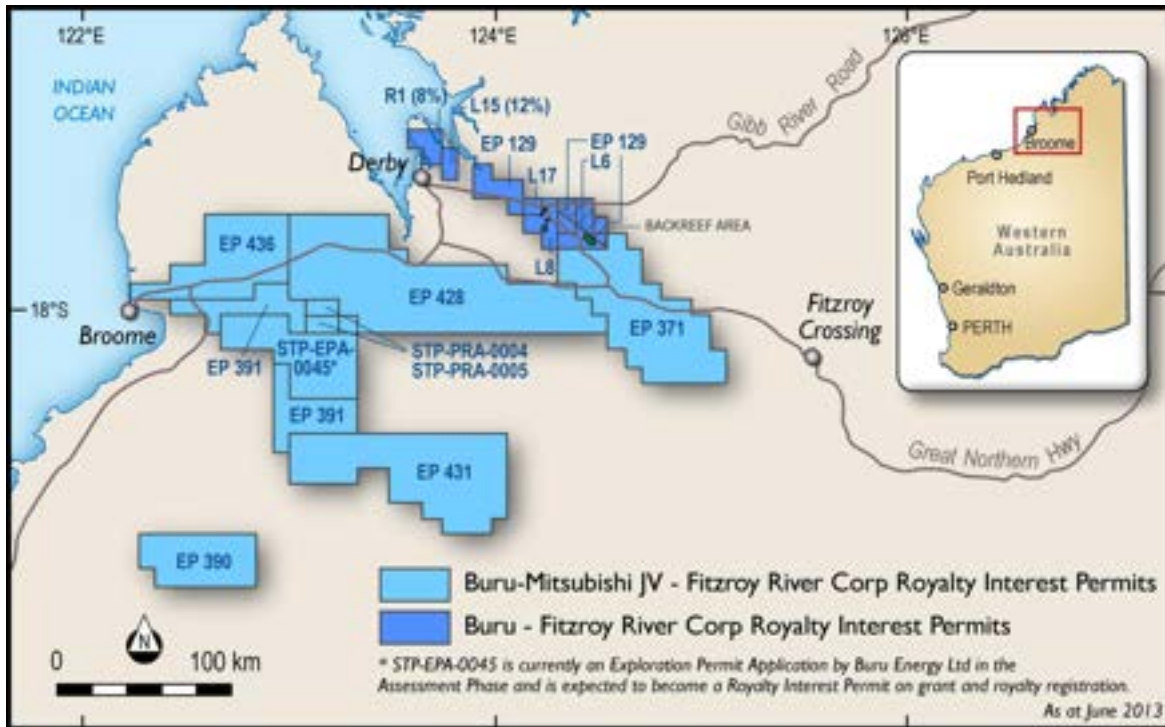
## **ABOUT THE COMPANY**

The Company holds royalty interests in several permits in the Canning Superbasin (via 2 separate Royalty Deeds) and holds just over 25% of the shares in EGL UK, an unconventional gas exploration company based in Europe.

# DIRECTORS' REPORT

## 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.



*EP 391, EP 431, EP 436, EP 371, EP 390, EP 428 (2% Royalty on 100% participation interest)*

These 6 Permits are held 50% by 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'). As a result of a Deed, which is dated 7 September 2012 and was registered on 13 December 2012, DRF and DRC are each responsible, as to 50%, for the obligations and liabilities under the 26 August 2006 'Canning Basin Royalty Deed' relating to these 6 Permits (3 each). Mitsubishi has guaranteed to the Company the performance of DRF's and DRC's obligations.

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

During 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.

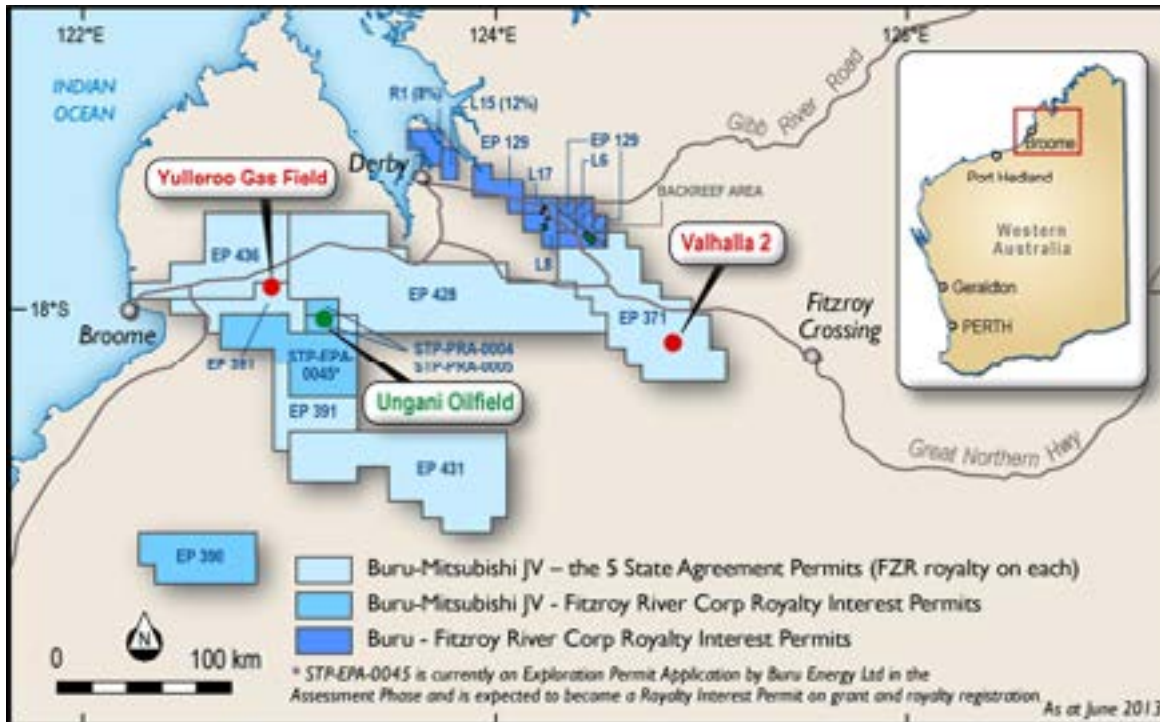
The State Agreement has now taken full legal effect as a result of the Act.

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.

# DIRECTORS' REPORT

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

## State Agreement Permits



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

- 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
- 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 Test and near term production – EP 391 (2% Royalty on 100% participation interest)*

The Ungani Field production test commenced in mid-2012 and continued until 24 February 2013. The first ever payment of a royalty under the Canning Basin Royalty Deed was received by the Company in respect of Ungani production (under the extended production test) in late July 2012 from Buru and DRF. Production was suspended in February 2013 ahead of production logging operations.

Shortly after balance date, on 10 July 2013, Buru announced that it had commenced line clearing operations for an Ungani 3D seismic survey, with data acquisition expected to commence at the end of the month. According to Buru, the Ungani 3D survey will help confirm the oil volumes in the Ungani Oilfield, define optimal locations for development wells, and provide further information on the Ungani North oil discovery. Once the 3D seismic survey is completed, Buru advises that it is planned that the Terrex seismic crew will commence a major 2D seismic program along the Ungani trend.

# DIRECTORS' REPORT

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Buru last publicly released its monthly oil production statistics to the ASX on 19 March 2013. The Company continues to closely monitor relevant announcements concerning the Ungani Field that are made by Buru, particularly regarding steps being taken in aiming for full field production. The Company notes that Buru continues to publicly state that it is targeting production of 3,000 bopd in 2014.

The total amount the Company received in production royalties for the financial year ended 30 June 2013 was \$98,370. For further details regarding calculation of this royalty, which remains under dispute, please refer to the Company's announcement dated 2 October 2012, and on 26 August 2013 the Company filed an Originating Summons in the Western Australian Supreme Court seeking a declaration concerning the calculation of the royalty. The Company is committed to resolving this dispute in a timely manner.

#### *EP 428, EP 436 (2% Royalty on 100% participation interest)*

In late 2012, the Company executed a Deed which removes it from any contingent obligation to make 'Discovery Payments' in the event of hydrocarbon discoveries on EP 428 and EP 436. The Deed provides that Buru, DRC and/or DRF will directly assume all the ongoing obligations to make any Discovery Payments to the relevant third parties. As at 30 June 2013, the Deed was still in the process of being registered. The Company's ongoing royalty interest in EP 428 and EP 436 is not affected by this Deed.

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

The Company continues to monitor activities by the R1 joint venture participants. The Company's 8% participating interest in R1 was sold together with various other Canning Basin Assets in 2006. Buru withdrew from the EP 104 Joint Venture during the year and accordingly the Company has no remaining royalty rights regarding EP 104.

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

The Company continues to monitor activities by the L15 joint venture participants. Its royalty was registered against L15 in October 2012.

#### *STP-EPA-0045*

Buru has applied for an Exploration Permit over 25 blocks comprising EPA 0045. The Company believes that if and when it is granted, the EP will be a 'Replacement Permit' referable to EP 391 and therefore the Company's 2% Royalty will apply to it. Buru currently disputes the Company's rights in this regard.

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

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

No Blina oilfield royalty payments were received by the Company from Buru during the last few months of the year.

Total royalty revenue received under the 'Lennard Shelf Royalty Deed' dated 5 September 2006 was \$13,390 for the financial year. This compares to royalty revenue received by the Company in the previous financial year of \$20,360.

#### *Backreef Area*

The Company is monitoring the activities on the 'Backreef Area' of L6 and EP129, 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'. The beneficial interest in the Backreef Area is subject to the Company's royalty interest.

During the final months of the financial year, the Company began negotiations with Buru regarding the terms of a deed of covenant proposed to be entered into by the beneficial owners of the Backreef Area, to support the Company's royalty interest.

#### *New Permit 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) and is dated 10 April 2013. L17 constitutes a 'Replacement Permit' under the Lennard Shelf Royalty Deed. The Company is now working with Buru to register the Lennard Shelf Royalty against L17 as part of the Company'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). This block is not within the 'Backreef Area' of EP 129 (see above).



# DIRECTORS' REPORT

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## *Mitsubishi's Production Option*

The Company has been advised by Buru that the 'Production Option' held by DRF (Mitsubishi's subsidiary) against EP129, L6 and L8 and dating from June 2010 has now expired unexercised.

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

### *EGL UK Shareholding*

The share register for European Gas Limited (a company incorporated in England and Wales with company number 05321791, 'EGL UK') was created in early September 2012 after certain paperwork was completed, and it is understood that share certificates were issued by EGL UK in early September 2012. A total of 221,615,657 shares in EGL UK were transferred by the Company to 158 newly registered shareholders, with the Company remaining the largest registered shareholder in EGL UK at 75.657M shares or 25.45%.

The Company remains (to its knowledge) the largest registered shareholder in EGL UK at 75.657 million shares, or 25.45% of its approx. 297 million issued shares as at balance date. EGL UK is an unlisted private company limited by shares.

Further disclosures regarding EGL UK were made during the year in the Company's rights issue offer booklet dated 12 February 2013 and in the half-yearly report issued on 14 March 2013. On 3 June 2013 the Company released to the ASX a copy of an update letter from EGL UK to its shareholders as of May 2013 (see comments below at "Events after the end of the reporting period" relating to the proposed sale of the Company's EGL UK shareholding).

### *Reimbursement payments received*

In the Company's half-yearly report for the 6 months ended, and the activities report for the quarter ended, 31 December 2012, it was stated that the Company anticipated making a reimbursement claim against its former subsidiary EGL UK under a Deed of Indemnity in respect of certain settled creditor claims.

Following claims made in relation to the above and other expenses, reimbursement payments totalling approx. \$77,000 were received from EGL UK prior to 30 June 2013, and all demands made to date have been resolved. The Deed of Indemnity remains in place.

### *Agreements with EGL UK*

During the 6 months ended 30 June 2012 and in anticipation of the Company's buy back of shares resulting in EGL UK ceasing to be a subsidiary of the Company, various agreements with EGL UK were entered into to give effect to a financial and operational separation as between the Company's then European operations and the Company's Australian operations as disclosed in the Company's prospectus dated 4 June 2012 and the Explanatory Memorandum for the Company's general meeting held on 17 July 2012.

There are a number of contractual links between the Company and EGL UK or its European subsidiaries (and relevant third parties) that remain in existence. The Company continues to review its position under these contracts. For further details refer to the Company's rights issue offer booklet dated 12 February 2012 and Note 22 regarding Contingent Liabilities.

### *Shareholders*

As at 30 June 2013, Fitzroy had 90,788,294 ordinary shares on issue held by 1,122 registered shareholders. A total of 15,131,446 ordinary shares were issued on 19 March 2013 at 25 cents each as a result of a renounceable 1 for 5 rights issue that was well supported by shareholders.

### *Name change*

The Company's name change from European Gas Ltd to Fitzroy River Corporation Ltd took effect under section 157 of the Corporations Act 2001 on 29 November 2012.

ASX trading in the Company's fully paid shares under the new ASX Code of FZR began on 3 December 2012.

### *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

# DIRECTORS' REPORT

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- 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 and at EGL UK
- 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 (as well as its European investment), 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.*

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The following significant changes in the state of affairs of the parent entity (the 'Company') occurred during the financial year:

- The Company at 31 December 2012 and at 30 June 2013 was the registered holder of 75,656,848 shares in European Gas Ltd. The Company's one share in EGL UK (acquired some years ago) was split into approx. 300 million shares in May 2012. About 75% of those resulting shares were disposed of by the Company to the then shareholders under a buy back scheme in July 2012, leaving the Company as the largest registered shareholder.
- The Company has accounted for this remaining investment in EGL UK as an available for sale investment as the Company does not have control or significant influence over EGL UK following the disposal mentioned above and has no board or management representation.
- On 26 July 2012 the Company cancelled 221,615,657 ordinary shares in its share capital as a result of a buy back approved by shareholders. As a result of this large buy back, the Company had approximately 75.6M shares, or around 25% of the number of shares it previously had, on issue. Under the buy back, \$0.192 per share (total \$42,550,206.14) was debited to the Company's untainted share capital account.
- Following the disposal and demerger of the European operations, the functional and presentation currency of the Company has been changed from Euro to Australian Dollars from 1 July 2012 to reflect the nature of the Company's remaining operations.
- On 19 March 2013 the Company issued approx. 15.13 million ordinary shares at an issue price of 25 cents per share as a result of a renounceable entitlements issue that was well supported by shareholders and underwritten by Bell Potter Securities Ltd. The issue raised \$3.8 million before costs.

## **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.

# DIRECTORS' REPORT

## EVENTS AFTER THE END OF THE REPORTING PERIOD

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. A general meeting of shareholders has been called for 24 September 2013 to seek the approval of shareholders to the sale.

On 26 August 2013 the Company filed an Originating Summons in the Western Australian Supreme Court seeking a declaration concerning the proper construction of those terms of its 'Canning Basin Royalty Deed' that relate to the calculation of the royalty.

Except for the above, no other matters or circumstances 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>	<b>APPOINTED 26 NOVEMBER 2012</b>
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	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>	<b>APPOINTED 1 SEPTEMBER 2009</b>
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	125,200 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)
<b>MRS SUSAN THOMAS</b>	<b>APPOINTED 26 NOVEMBER 2012</b>
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 National E Conveyancing Development 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	16,424,704 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

# DIRECTORS' REPORT

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## COMPANY SECRETARY

Mr Sebastian Hempel ACIS has been the Company's company secretary since 8 August 2012. Mr Sebastian Hempel is a corporate lawyer and chartered secretary and has over 22 years corporate advisory experience with ASX listed companies and in the resources sector. Prior to Mr Hempel being appointed, Mr Mark Pitts FCA, was the only company secretary (he resigned on 31 October 2012).

## MEETINGS OF DIRECTORS

During the financial year, 12 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	11	11
Mr Sebastian Hempel	12	12
Mrs Susan Thomas	10	10
Mr Rod Bresnehan	11	9
Mr Julien Moulin	1	1

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify Ms Thomas and Mr McComas 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

On or before 31 December 2012, all of the Company's remaining issued options lapsed or expired unexercised. As at 30 June 2013 the Company has no options or other convertible securities on issue.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## 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 2013 has been received and can be found on page 17 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 – REMUNERATION REPORT

## REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2013

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

2013	SHORT TERM		POST EMPLOYMENT		Total \$
	cash salary fees \$	other short-term \$	pension and superannuation \$	shares and units \$	
<b>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
Mr Sebastian Hempel	113,028	-	10,172	-	123,200
	<b>252,601</b>	<b>-</b>	<b>10,172</b>	<b>-</b>	<b>262,773</b>

2012	SHORT TERM		POST EMPLOYMENT		Total \$
	cash salary fees \$	other short-term \$	pension and superannuation \$	shares and units \$	
<b>Directors</b>					
Mr Julien Moulin	254,773	-	-	305,521	560,294
Mr Rod Bresnehan	58,193	-	5,238	-	63,431
Mr Sebastian Hempel	58,193	-	5,238	-	63,431
<b>Senior Management</b>					
Mr J Niemetz	178,926	-	-	-	178,926
Mr M Pitts	75,650	-	-	-	75,650
Mr F Briens	208,334	105,710	-	-	314,044
	<b>834,069</b>	<b>105,710</b>	<b>10,476</b>	<b>305,521</b>	<b>1,255,776</b>

### FORMER KEY MANAGEMENT PERSONNEL

Mr Frederic Briens resigned as CEO of the Company effective 26 July 2012. Mr J Niemetz resigned as COO and CFO of the Company effective 26 July 2012, and the Company did not pay him any remuneration during the financial year.

Mr Mark Pitts resigned as the external company secretary of the Company on 31 October 2012 and his company Endeavour Corporate Pty Ltd ceased to provide accounting and company secretarial services to the company on that date under its services agreement dating from March 2011. The Company did not directly pay him any remuneration during the financial year.

Mr Moulin received additional director's fees (remuneration under clause 7.5 of the constitution) for the period 1 July 2012 to 26 November 2012 for extra services in 2 roles (representative on the board of EGL UK and Vice President – Europe). This was by way of payment of \$10,000 per quarter and this is included in the figure for 2013 stated in the above table. He also acted as the Company's non-executive chairman for the period 26 July 2012 to 26 November 2012 (the date on which he ceased to be a director of the Company). He was an executive officer of the Company from 1 July 2011 to 26 July 2012.

# DIRECTORS' REPORT – REMUNERATION REPORT

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On or about 18 December 2012 the Company notified EGL UK that it had terminated Mr Moulin's appointment as the Company's nominee to the board of EGL UK.

In the Company's rights issue offer booklet dated 12 February 2013 it was disclosed that the Company had, some weeks after 18 December 2012, received from EGL UK a copy of an agreement evidently dated 15 August 2012 between the Company (executed on behalf of the Company by Mr Moulin alone (as Chairman)), EGL UK and Mr Moulin in his personal capacity purporting to (among other things) keep Mr Moulin appointed as the Company's nominee to the board of EGL UK for a period of 5 years ending 25 July 2017 and have the Company indemnify EGL UK in relation to EGL UK's obligation (under the agreement) to pay Mr Moulin £1,000,000 in the event that the Company terminates the appointment of Mr Moulin as its nominee to the board of EGL UK prior to 25 July 2017 ('Appointment Agreement'). None of the Company's then current officers (two of whom were directors in August 2012) had seen or been aware of the Appointment Agreement (or any draft of it) prior to its receipt from EGL UK in 2013. The Company's position remains that the Appointment Agreement is invalid under Australian law and that the company is not bound by the Appointment Agreement and that the appointment of Mr Moulin as the Company's nominee to the board of EGL UK was validly terminated on or about 18 December 2012.

## PERFORMANCE CONDITIONS LINKED TO REMUNERATION

During the year ended 30 June 2013 no element of key management remuneration consists or consisted of securities of a body (whether or not dependent on the satisfaction of a performance condition). No element of the remuneration of a member of the key management personnel for the company/consolidated entity is or has been dependent on the satisfaction of a performance condition.

The proportion of those elements of key management's remuneration that are related to performance was nil (2012: nil%) and the proportion of those elements of remuneration that are not was 100% (2012: 100%).

These relative proportions are explainable on the basis that it has not been considered by the Company's Board appropriate, given the Company's activities since the demerger of EGL UK by way of buy-back, to link remuneration to performance, and in particular the satisfaction of performance conditions.

During the year ended 30 June 2012 performance linked remuneration was represented by long-term incentives in the form of options and this provided a means by which the Company could provide a performance based incentive to one of its directors. In previous years, when the Company had EGL UK as a subsidiary, it was considered appropriate that the Company provide options as a cost effective and efficient way of providing an incentive to certain directors and other executives.

## OPTIONS

No options were granted to key management personnel during the year ended 30 June 2013 as part of their remuneration and no options that were (at any time) granted to any of those persons as part of their remuneration were exercised during the year ended 30 June 2013.

6 million options over ordinary shares (with an exercise price of 50 cents) were previously granted to Mr Moulin (on 29 November 2011, following approval at the 2011 AGM) as part of his remuneration and these lapsed during the financial year. In the previous financial year ended 30 June 2012, the Company expensed these options at \$305,521 and these were treated as a share-based payment made to Mr Moulin.

For each of the persons referred to in the above table, the percentage of the value of the person's remuneration for the 2013 financial year that consists of options is nil%.

The company presently has no options or other convertible securities on issue.

## CURRENT 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 2013 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 2013) 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 is from 26 July 2012 to 31 December 2013, 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.

On 8 August 2012 Mr Hempel, a director of the Company, was appointed as a company secretary of the Company as a first step in a handover of this role from Mr Mark Pitts who had been the company secretary for a few years.

# DIRECTORS' REPORT – REMUNERATION REPORT

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## EGL UK REMUNERATION

The audited financial statements for EGL UK (an unlisted private company incorporated in England and Wales) for the year ended 30 June 2012 state that total directors remuneration was €246,697, that the highest paid director received remuneration of €186,115, and that EGL UK had total staff costs (spread over 11 employees, including 3 directors) for that financial year of €857,089 (and this includes the directors remuneration figure).

## REMUNERATION POLICY OVER THE FINANCIAL YEAR JUST ENDED

The Board's policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of the key management personnel for the company/consolidated entity has been as follows. In this regard it is noted that no consolidated financial statements are required going forward as the Company has no controlled entities or subsidiaries and does not expect to have any in the short to medium term.

On 8 August 2012, after the demerger took effect, the board resolved that the level of remuneration of all directors under clause 7.5 of the constitution be set at a fee of \$11,000 (inclusive of superannuation and similar on-costs) per quarter per director, effective from 1 July 2012. This represented a reduction of fees from the level which had applied for a few years and was done to reflect the smaller size of the Company and its Australian focus with no subsidiaries after the demerger. On 7 December 2012 the board resolved to leave the remuneration (fees) for non-executive directors (of whom there were then 3) at \$11,000 per quarter (inclusive of superannuation and similar on-costs) - ie no change from the resolution of 8 August 2012, 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 \$5,500 per quarter for this role). On 14 May 2013 the size of the board reduced from 4 to 3 directors following Mr Bresnehan's resignation. 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 (ie 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, for the time being. 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.

## SHARE-BASED PAYMENTS

At 30 June 2013 the Group has the following share-based arrangements:

The Company established the European Gas Limited Share Option Incentive Plan in 2000 (Plan). The board in its absolute discretion may invite eligible participants to join the Plan based on its assessment of the perspective participant's contribution to the performance of the group. The total number of Shares to issue upon exercise of Options subject to the Plan at any time, together with any other shares which may be issued under, or which are the subject of, any other of the Company's employees share or option incentive schemes, shall not represent more than 10% of the number of the shares on issue in the Company at the time of the issue of the options under the Plan. The terms and conditions applicable to options granted will be as determined from time to time by the board in its absolute discretion at the time of the grant of the option's and options may be granted upon different terms and conditions to those applicable to any other options granted.

Subsequently and in general meeting the Company approved the renewal and upgrade of the Employee Share Option Plan ("Incentive Plan") firstly in November 2006 and then in March 2011. These renewals enabled the Company to ensure it complied with listing rule 7.2 of the Australian Stock Exchange and to ensure the Incentive Plan continued to meet the future objectives of the Company. The grant of options is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to directors by participating in the future growth and prosperity of the Company through share ownership.

On 26 November 2010, the Company granted 14,500,000 director options in consideration for the services of the then CEO Mr Peter Cockcroft. These options vested immediately and had the following exercise prices and expiry date:



# DIRECTORS' REPORT – REMUNERATION REPORT

- 1,500,000 exercisable at AU\$0.35 expiring on 31 December 2011
- 3,000,000 exercisable at AU\$0.50 expiring on 31 December 2011
- 10,000,000 exercisable at AU\$0.70 expiring on 31 December 2012

On 29 November 2011, the Company granted 6,000,000 director options in consideration for the services of the then Chairman Mr. Julien Moulin. These options vested immediately and exercisable at any time up until 31 December 2012 at an exercise price of \$0.50 per option. The fair value was assessed to be \$305,521 and was expensed during the 2012 year.

Except in prescribed circumstances, all options lapse on the day that is 20 business days after the termination of employment or office of the option holder. The options in each of the abovementioned series were fully vested from the date of grant and are un-listed and contain restrictions on transfer.

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

2013					
Grant Date	Expiry Date	Exercise price	Start of the year	Forfeited during the year	Balance at the end of the year
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)	-

The weighted average remaining contractual life of options outstanding at year end was Nil years (2012: 0.5). The weighted average exercise price of outstanding shares at the end of the reporting period was Nil (2012: \$0.61).

## 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 2013 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	Change in share price	Return of capital or buy-back by company	Dividends paid during the financial year	Company's earnings in the financial year \$'000
2013	13.5 cents	33 cents	+19.5 cents	Note 1	Nil	\$9,038 profit
2012	38.5 cents	13.5 cents	-25 cents	N/A	Nil	\$9,347 loss
2011	16.5 cents	38.5 cents	+22 cents	N/A	Nil	\$900 profit
2010	10.5 cents	16.5 cents	+6 cents	N/A	Nil	\$9,106 loss
2009	66 cents	10.5 cents	-55.5 cents	N/A	Nil	\$10,233 loss

Note 1 – during the financial year 221,615,657 ordinary shares were bought back by the Company and cancelled, leaving 75,656,848 ordinary shares on issue.

## 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.

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



Director: .....  
Mr Sebastian Hempel (Executive Director)

Dated 9 September 2013



# AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

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The Board of Directors  
Fitzroy River Corporation Limited  
117 Faulkner Street  
Armidale NSW 2350

9 September 2013

Dear Board Members

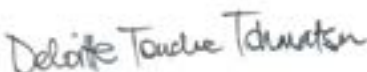
**Fitzroy River Corporation Limited**

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 2013, 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



**Neil Smith**  
Partner  
Chartered Accountants

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	CONSOLIDATED	
		2013 \$'000	2012 \$'000
Revenue	5	164	375
Other income	5	97	-
Share based payment expense		-	(306)
Professional and consultancy		(345)	(422)
Other expenses		(458)	(615)
Fair value loss on available-for-sale financial asset		(5,447)	-
<b>Profit/(loss) before income tax</b>		<b>(5,989)</b>	(968)
Tax (expense)/benefit	7	4,358	-
<b>Profit/(loss) from continuing operations</b>		<b>(1,631)</b>	(968)
Profit/(loss) from discontinued operations	9	10,669	(8,379)
<b>Profit/(loss) for the year</b>		<b>9,038</b>	(9,347)
<b>Other comprehensive income:</b>			
<i>Items that maybe classified subsequently to profit or loss:</i>			
Exchange loss on translation of foreign operations		-	(4,133)
Exchange loss transferred to profit on disposal of foreign operations	9	6,582	-
Changes in fair value of available-for-sale financial assets		(37)	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>6,545</b>	(4,133)
<b>Total comprehensive income/(loss) for the year</b>		<b>15,583</b>	(13,480)
<b>Earnings per share</b>			
	11		
<i>From continuing and discontinued operations:</i>			
Basic earnings per share (cents)		8.99	(2.99)
Diluted earnings per share (cents)		8.99	(2.99)
<i>From continuing operations:</i>			
Basic earnings per share (cents)		(1.62)	(0.31)
Diluted earnings per share (cents)		(1.62)	(0.31)

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

		CONSOLIDATED		
	Note	2013 \$'000	2012 \$'000	2011 \$'000
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and cash equivalents	12	<b>3,616</b>	747	13,508
Trade and other receivables	13	<b>30</b>	38	77
Prepayments		-	-	22
Assets available for distribution to shareholders	9	-	36,481	-
<b>TOTAL CURRENT ASSETS</b>		<b>3,646</b>	37,266	13,607
NON-CURRENT ASSETS				
Available for sale financial assets	14	<b>9,107</b>	64	81
Property, plant and equipment	15	-	-	1,457
Exploration and evaluation expenditure		-	-	36,194
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,107</b>	64	37,732
<b>TOTAL ASSETS</b>		<b>12,753</b>	37,330	51,339
<b>LIABILITIES</b>				
CURRENT LIABILITIES				
Trade and other payables	17	<b>40</b>	147	2,435
Liabilities of the disposal group	9	-	975	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>40</b>	1,122	2,435
NON-CURRENT LIABILITIES				
<b>TOTAL LIABILITIES</b>		<b>40</b>	1,122	2,435
<b>NET ASSETS</b>		<b>12,713</b>	36,208	48,904
<b>EQUITY</b>				
Issued capital	18	<b>42,284</b>	81,362	80,883
Reserves	19	<b>17</b>	(1,403)	2,424
Accumulated losses		<b>(29,588)</b>	(43,751)	(34,403)
<b>TOTAL EQUITY</b>		<b>12,713</b>	36,208	48,904

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

2013		CONSOLIDATED					
	Note	Issued Capital \$'000	Accumulated losses \$'000	Foreign Currency Translation Reserve \$'000	Available for sale investment reserve \$'000	Share based payment reserve \$'000	Total \$'000
<b>Balance at 1 July 2012</b>		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

2012		CONSOLIDATED					
	Note	Issued Capital \$'000	Accumulated losses \$'000	Foreign Currency Translation Reserve \$'000	Available for sale investment reserve \$'000	Share based payment reserve \$'000	Total \$'000
<b>Balance at 1 July 2011</b>		80,883	(34,404)	(2,449)	54	4,820	48,904
Profit for the year		-	(9,347)	-	-	-	(9,347)
Other comprehensive income (net)		-	-	(4,133)	-	-	(4,133)
<b>Total comprehensive income for the year</b>		-	(9,347)	(4,133)	-	-	(13,480)
<b>Transactions with owners in their capacity as owners</b>							
Share based payment transactions		-	-	-	-	305	305
Issues of shares	18	479	-	-	-	-	479
<b>Sub-total</b>		479	(9,347)	(4,133)	-	305	(12,696)
<b>Balance at 30 June 2012</b>		81,362	(43,751)	(6,582)	54	5,125	36,208

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

		CONSOLIDATED	
	Note	2013 \$'000	2012 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		97	26
Payments to suppliers and employees		(834)	(4,328)
Interest & Royalties received		134	349
Net cash used in operating activities	21(b)	(603)	(3,953)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash outflow on disposal of subsidiaries		(5,828)	-
Purchase of property, plant and equipment		-	(271)
Payment for exploration and development expenditure		-	(2,090)
Net cash used in investing activities		(5,828)	(2,361)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares, net of transaction costs		3,472	479
Net cash provided by financing activities		3,472	479
Net decrease in cash and cash equivalents held		(2,959)	(5,835)
Cash and cash equivalents at beginning of year		6,575	13,508
Effect of translation of foreign currency		-	(1,098)
Cash and cash equivalents at end of financial year	21(a)	3,616	6,575

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 1 CORPORATE INFORMATION

These consolidated financial statements and notes represent those of Fitzroy River Corporation Limited and controlled entities (the 'Group').

The financial statements were authorised for issue by the Board of Directors on 9 September 2013.

Separate financial statements of the parent entity Fitzroy River Corporation Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Fitzroy River Corporation Limited is a for profit company domiciled in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

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. The Company also has an investment in shares in its former European based subsidiary, European Gas Limited.

## 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

With the exception of the change in reporting and functional currency referred to in note 3(c) and the fair value measurement of the available for sale investments referred to in note 14, 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 has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

The components of the Group are:

	INCORPORATED IN	30/6/2013	30/6/2012
Fitzroy River Corporation Limited [Parent]	Australia		
Subsidiary of Fitzroy River Corporation Limited*:			
European Gas Limited (UK)	England & Wales	25.5%	100%
Subsidiaries of European Gas Limited (UK):			
Heritage Petroleum Ltd	England & Wales	100%	100%
European Gas S.A.S.	France	100%	100%

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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In preparing the consolidated financial statements, 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.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

## **(c) Foreign currency transactions and balances**

### *Functional and presentation currency*

The Group has 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.

The statement of financial position at 30 June 2011 has been presented for comparative purposes.

### *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.

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.

## **(d) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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## *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.

## *Key judgments - exploration and evaluation expenditure*

During the year ended 30 June 2012 the Group held assets for exploration and evaluation expenditure where there is uncertainty regarding recoverability and successful development of the area. The result of this judgement was that certain exploration and evaluation assets had become impaired and accordingly an impairment loss (exploration expenditure written off) was recognised in the statement of comprehensive income.

## *Key judgments - available-for-sale investments*

The Company has a 25.5% investment in European Gas Ltd (EGL UK) with a carrying value of \$9.1 million at the end of the reporting period. The Directors consider this to be the best indicator of the investment's fair value for the time being for the following reasons (having, where appropriate, made enquiries of EGL UK):

- As an unlisted private company, shares in EGL UK do not have a quoted market price in an active market, there are no quoted prices available and there are no known actual and regularly occurring market transactions (on an arm's length basis or otherwise);
- The Company is not aware of any corporate activities with material financial impact being completed or announced by EGL UK between 26 July 2012 and 30 June 2013;
- There have not been any private arm's length transactions in the shares since 26 July 2012 that EGL UK knows of and as to which the price at which the shares were sold may be disclosed;
- EGL UK released a letter to shareholders in May 2013 indicating uncertainty regarding the renewal of licenses in France and delays in EGL UK's fundraising; and
- 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. A general meeting of shareholders has been called for 24 September 2013 to seek the approval of shareholders to the sale.

## **(e) 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.

## **(f) 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 Group's 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).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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## *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.

## **(g) 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.

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 or 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.

## **(h) Other taxes**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") / Value Added Tax ("VAT") , except where the amount of GST / VAT 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 / VAT.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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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 / VAT recoverable from, or payable to, the taxation authority.

## **(i) 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 estimate future cashflows are discounted to their present value of money and the risks specific to the asset.

### *Share 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.

## **(j) 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.

## **(k) Equity-settled compensation**

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

## **(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

## **(m) Plant and equipment**

Plant and equipment are measured on the cost less accumulated depreciation and any impairment in value.

The depreciation is calculated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

## **(n) Exploration and development expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. As the asset is not available for use it is not depreciated or amortised.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

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

## **(o) 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.

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

During the current year, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations 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 include amendments to AASB 1,5,7,101,112,120,121,132,133 and 134 as a consequence of AASB 2001-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'.

The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current or prior year. However the application of AASB 2011-9 has resulted in a change to the Group's presentation of, or disclosure in, its financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

applied retrospectively, and hence the representation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

## (q) 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:

STANDARD NAME	EFFECTIVE DATE FOR ENTITY	REQUIREMENTS	IMPACT
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	30 June 2016	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments	30 June 2014	AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess.  AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice.  AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	The Group will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated.  The Company has no joint ventures currently.  Additional disclosures may be required under AASB 12 but there will be no changes to reported position and performance.
AASB 13 Fair Value Measurement.  AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted.  There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required.  The entity has not yet determined the magnitude of any changes which may be needed.  Some additional disclosures will be needed.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

STANDARD NAME	EFFECTIVE DATE FOR ENTITY	REQUIREMENTS	IMPACT
AASB 2011-4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	30 June 2014	Remove individual key management personnel disclosure requirements (i.e. components of remuneration) for disclosing entities.	Since the entity is a disclosing entity, the KMP remuneration note in the financial statements will not include individual components of remuneration.
AASB 119 Employee Benefits (September 2011) AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	30 June 2014	The main changes in this standard relate to the accounting for defined benefit plans and are as follows: – elimination of the option to defer the recognition of gains and losses (the 'corridor method'); – requiring remeasurements to be presented in other comprehensive income; and – enhancing the disclosure requirements.	Since the entity does not have a defined benefit plan, the adoption of these standards will not have any impact.
AASB 2012-5 - Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	30 June 2014	AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments. AASB 116 - clarifies the classification of servicing equipment. AASB 132 and Interpretation 2 - Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes AASB 134 - provides clarification about segment reporting.	No expected impact on the entities financial position or performance.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	There will be no impact to the entity as there are no offsetting arrangements currently in place.

## (r) Comparative figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be presented.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 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.

	2013 \$'000	2012 \$'000
<b>Statement of Financial Position</b>		
Assets		
Current assets	3,646	785
Non current assets	9,107	64
Total Assets	12,753	849
Liabilities		
Current liabilities	40	147
Total Liabilities	40	147
Net Assets	12,713	702
Equity		
Issued capital	42,284	81,362
Retained earnings	(29,588)	(85,839)
Option reserve	-	5,125
Fair value adjustment assets available-for-sale reserve	17	54
Total Equity	12,713	702
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Profit or (loss) for the year	51,126	(48,473)
<b>Total comprehensive income</b>	<b>51,126</b>	<b>(48,473)</b>

### Contingent liabilities

The parent entity contingent liabilities as at 30 June 2013 are discussed in Note 22 to the Financial Statements..

### Contractual commitments

The parent entity did not have any commitments as at 30 June 2013 or 30 June 2012.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 5 REVENUE AND OTHER INCOME

REVENUE FROM CONTINUING OPERATIONS	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Revenue		
- interest received	52	349
- royalties	112	26
<b>Total Revenue</b>	<b>164</b>	<b>375</b>

OTHER INCOME	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Miscellaneous income	93	-
Foreign currency translation gains	4	-
	<b>97</b>	<b>-</b>

## 6 AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Remuneration of the auditor of the parent entity, Deloitte Touche Tohmatsu, for:		
- auditing the financial statements	54,878	51,250
Remuneration of other auditors of subsidiaries for:		
- auditing the financial statements of subsidiaries	-	65,000
- other services	-	43,750
<b>Total Auditors Remuneration</b>	<b>54,878</b>	<b>160,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 7 INCOME TAX EXPENSE

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

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>Deferred tax benefit</b>		
Deferred tax benefit	(4,358)	-
<b>Total income tax expense (benefit)</b>	<b>(4,358)</b>	-

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

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Profit/(loss) before tax for the year	(5,989)	(968)
Tax benefit @ 30% tax rate	(1,797)	(290)
<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	162	290
Tax benefit recognised in profit or loss	(4,358)	-

## 8 DEFERRED TAX

(i) Components of deferred taxes

	CONSOLIDATED	
	2013 \$'000	2012 \$'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>	-	-

(ii) Unrecognised deferred tax assets

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

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Tax losses	6,354	8,812



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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.

## 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 \$0.000000004 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:

	2013 \$'000	2012 \$'000
Other income	39	-
Administration expenses	-	(1,793)
Depreciation	-	(172)
Write off of exploration and evaluation costs	-	(5,068)
Write off of property, plant and equipment	-	(1,348)
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>10,669</b>	<b>(8,381)</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 2013

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

	Consolidated 30 June 2012 \$'000
<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>	<b>36,481</b>
<b>Liabilities</b>	
Trade and other liabilities	(975)
<b>Net Assets</b>	<b>35,506</b>

## Gain on disposal of subsidiary

	Consolidated year ended 30 June 2013 \$'000
<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>	<b>57,076</b>
Net assets of disposed group at 26 July 2012	(35,506)
Gain on disposal of subsidiary	21,570

## 10 INTERESTS OF KEY MANAGEMENT PERSONNEL

### Totals of remuneration paid

The totals of remuneration paid to key management personnel of the Company and the Group during the year are as follows:

	2013 \$'000	2012 \$'000
Short-term employee benefits	253	834
Post-employment benefits	10	10
Share-based payments	-	411
	<b>263</b>	<b>1,255</b>

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2013.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## Key management personnel shareholdings

The number of ordinary shares in Fitzroy River Corporation Ltd held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year No.	On exercise of options No.	Other changes during the year No.	Resignation No.	Balance at end of year No.
<b>30 June 2013</b>					
<b>Directors</b>					
Mr Malcolm McComas	-	-	217,235	-	217,235
Mr Sebastian Hempel	21,000	-	104,200	-	125,200
Ms Susan Thomas	-	-	16,424,704	-	16,424,704
Mr Rod Bresnehan**	46,950	-	9,390	(56,340)	-
Mr Julien Moulin	-	-	-	-	-
	67,950	-	16,755,529	(56,340)	16,767,139

\*\* Note Mr Bresnehan resigned on 14 May 2013.

	Balance at beginning of year No.	On exercise of options No.	Other changes during the year No.	Resignation No.	Balance at end of year No.
<b>30 June 2012</b>					
<b>Directors</b>					
Mr Sebastian Hempel	-	-	21,000	-	21,000
Mr Julien Moulin	-	-	-	-	-
Mr Rod Bresnehan	-	-	46,950	-	46,950
	-	-	67,950	-	67,950

All equity transactions with directors and executives, other than those from the exercise of remuneration options have been entered into under an arm's length terms and conditions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## Key management personnel options and rights holdings

Details of options provided as remuneration and shares issued on the exercise of such options together with terms and conditions of the options can be found in the Remuneration Report within the Director's Report.

30 June 2013	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
<b>Directors</b>							
Mr Malcolm McComas	-	-	-	-	-	-	-
Mr Sebastian Hempel	-	-	-	-	-	-	-
Ms Susan Thomas	-	-	-	-	-	-	-
Mr Rod Bresnehan	-	-	-	-	-	-	-
Mr Julien Moulin	6,000,000	-	-	(6,000,000)	-	-	-
	6,000,000	-	-	(6,000,000)	-	-	-

30 June 2012	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
<b>Directors</b>							
Mr Malcolm McComas	-	-	-	-	-	-	-
Mr Rod Bresnehan	-	-	-	-	-	-	-
Mr Julien Moulin	-	6,000,000	-	-	(6,000,000)	-	-
	-	6,000,000	-	-	(6,000,000)	-	-

## Balances due to directors and executives

At balance date there were no amounts payable to key management personnel (2012: \$45,690).

## 11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of \$9.0 million (2012: Loss \$9.3 million) from continuing and discontinued operations and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 95,713,140 (2012: 297,272,500), calculated as follows:

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

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Profit/(loss) used in the calculation of basic and dilutive profit/(loss) per share from continuing and discontinued operations	<b>9,038</b>	(9,347)
Profit/(loss) used in the calculation of basic and dilutive profit/(loss) per share from continuing operations	<b>(1,631)</b>	(968)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<b>95,713,140</b>	297,272,500
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<b>95,713,140</b>	297,272,500

## (c) Anti-dilutive options on issue not in dilutive EPS calculation

Potential ordinary shares that are not dilutive and are excluded from the weighted average number of shares for the purposes on diluted earnings per share.

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Equity share Options	-	19,000,000
	-	19,000,000

## 12 CASH AND CASH EQUIVALENTS

	Note	CONSOLIDATED	
		2013 \$'000	2012 \$'000
Cash at bank and in hand		<b>616</b>	6,574
Short-term bank deposits		<b>3,000</b>	-
Reclassified to assets available for distribution to shareholders	9	-	(5,827)
		<b>3,616</b>	747

## 13 TRADE AND OTHER RECEIVABLES

	Note	CONSOLIDATED	
		2013 \$'000	2012 \$'000
<b>CURRENT</b>			
Accrued income		<b>29</b>	-
Other receivables		<b>1</b>	475
Reclassified to assets available for distribution to shareholders	9	-	(437)
Total current trade and other receivables		<b>30</b>	38

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 14 OTHER FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>NON-CURRENT</b>		
Listed investments, at fair value		
- shares in Columbus Energy Ltd	28	64
	<b>28</b>	64
Unlisted investments, at fair value		
- shares in European Gas Limited (EGL UK)	9,079	-
	<b>9,079</b>	-
Total available-for-sale financial assets	<b>9,107</b>	64

The Company is the registered holder of 75,656,848 shares in European Gas Ltd (an unlisted private company incorporated in England and Wales, and former subsidiary of the Company, 'EGL UK'). The Company's one share in EGL UK (acquired some years ago) was split into approx. 300 million shares in May 2012. About 75% of those resulting shares were disposed of by the Company in July 2012, leaving the Company as the largest registered shareholder.

The Company has accounted for this investment as an available for sale investment as the Company does not have control or significant influence over EGL UK.

The Directors initially recognised the EGL UK shares at 19.2 cents per EGL UK share which they considered to be the best indicator of the fair value of the investment in EGL UK for financial reporting purposes. This was the value attributed to each EGL UK share on 26 July 2012 as 'Sale Consideration' for the Company's share buy-back. The Directors considered this to be the best indicator of the investment's fair value for the time being for the following reasons (having, where appropriate, made enquiries of EGL UK):

- As an unlisted private company, shares in EGL UK do not have a quoted market price in an active market, there are no quoted prices available and there are no known actual and regularly occurring market transactions (on an arm's length basis or otherwise);
- The Company was not aware of any corporate activities with material financial impact being completed or announced by EGL UK between 26 July 2012 and 30 June 2013; and
- There have not been any private arm's length transactions in the shares since 26 July 2012 that EGL UK knows of and as to which the price at which the shares were sold may be disclosed;

As at 30 June 2013, the Directors have reviewed the fair value of the EGL UK shares and have revalued them at 12 cents per EGL UK share for the following reasons:

- EGL UK released a letter to shareholders in May 2013 indicating uncertainty regarding the renewal of licenses in France and delays in EGL UK's fundraising; and
- 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. A general meeting of shareholders has been called for 24 September 2013 to seek approval of shareholders

The Directors of the Company can give no assurance that, in accordance with AASB 139, the Company's investment in EGL UK will not need in future to be re-measured at a fair value different to 12 cents per share (it could be higher and it could be lower in the event that the proposed share sale does not complete).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 15 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Plant and equipment		
At cost	-	11
Accumulated depreciation	-	(11)
<b>Total plant and equipment</b>	<b>-</b>	<b>-</b>

## 16 EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	Exploration and Evaluation expenditure \$'000	Total \$'000
<b>Year ended 30 June 2012</b>		
Balance at the beginning of the year	33,058	33,058
Expenditure capitalised during the year	2,064	2,064
Disposed during the year	(5,005)	(5,005)
Reclassified to assets available for distribution to shareholders	(30,117)	(30,117)
<b>Closing value at 30 June 2012</b>	<b>-</b>	<b>-</b>

No exploration or evaluation expenditure was incurred during the year ended 30 June 2013.

## 17 TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED	
		2013 \$'000	2012 \$'000
<b>CURRENT</b>			
Unsecured liabilities			
Trade payables		<b>40</b>	1,046
Payable to shareholders of Heritage Petroleum		-	76
Reclassification to liabilities available for distribution to shareholders	9	-	(975)
		<b>40</b>	147

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 18 ISSUED CAPITAL

### Ordinary shares

	CONSOLIDATED		CONSOLIDATED	
	30 June 2013 No.	30 June 2012 No.	30 June 2013 \$'000	30 June 2012 \$'000
At the beginning of the reporting period	<b>297,272,505</b>	296,161,505	<b>81,362</b>	80,883
Shares issued during the year:				
Share Placement	-	1,111,000	-	479
1 for 5 Rights issue	<b>15,131,450</b>	-	<b>3,472</b>	-
Shares bought back during the year:				
Share buy-back 26 July 2012 (refer note 9)	<b>(221,615,657)</b>	-	<b>(42,550)</b>	-
At reporting date	<b>90,788,298</b>	297,272,505	<b>42,284</b>	81,362

During February 2013 the company raised \$3.783 million through a 1 for 5 rights issue and the issue of 15,131,446 new shares at \$0.25 per share.

In May 2011 the company issued 30,217,146 ordinary shares to sophisticated and institutional investors to raise \$13.67 million before costs. These shares were issued at \$0.45 each. During the year ended 30 June 2012 the Company raised a further \$0.479 million by the issue of a further 1,111,000 shares as part of this placement.

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 following options to issue ordinary shares were on issue during the period. All options outstanding were over unissued shares in Fitzroy River Corporation Limited.

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Unlisted options expiring on:		
31 Dec 2012 (exercise price \$0.50)	-	3,000,000
31 Dec 2012 (exercise price \$0.70)	-	10,000,000
31 Dec 2012 (exercise price \$0.50)	-	6,000,000
At the end of the reporting period	-	19,000,000

The options existing at 30 June 2012 lapsed during the year. The Company has no options or other convertible securities on issue at 30 June 2013.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 19 RESERVES

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>Foreign currency translation reserve</b>		
Opening balance	(6,582)	(2,449)
Transfers in	-	(4,133)
Transfers out	6,582	-
	-	(6,582)
<b>Available-for-sale investment reserve</b>		
Opening balance	54	54
Transfers out	(37)	-
	17	54
<b>Share based payment reserve</b>		
Opening balance	5,125	4,820
Transfers in	-	305
Transfers out	(5,125)	-
	-	5,125
<b>Total reserves</b>	<b>17</b>	<b>(1,403)</b>

### (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.

### (b) 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.

### (c) 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.

## 20 OPERATING SEGMENTS

The Board has determined that the Group presently has one reporting segment, being the investment in royalty interests in the Canning Superbasin in Western Australia. The Board monitors the Group 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 Group and its ongoing activities.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 21 CASH FLOW INFORMATION

### (a) Reconciliation of cash

		CONSOLIDATED	
	Note	2013 \$'000	2012 \$'000
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	12	<b>3,616</b>	747
Discontinued operations cash and cash equivalents	9	-	5,828
		<b>3,616</b>	6,575

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

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

		CONSOLIDATED	
		2013 \$'000	2012 \$'000
Profit/(loss) for the year		<b>9,037</b>	(9,347)
Cash flows excluded from profit attributable to operating activities			
Non-cash flows in profit:			
- depreciation		-	171
- share based payments expense		-	305
- net loss on sale of available for sale financial assets		-	10
- write off of non current assets		-	6,416
- net (gain) on disposal of controlled entity		<b>(10,630)</b>	-
- net unrealised loss on fair value adjustment of available for sale financial assets		<b>5,447</b>	-
- Income tax benefit		<b>(4,358)</b>	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
- (increase)/decrease in trade and other receivables		<b>38</b>	(409)
- (increase)/decrease in other assets		<b>(30)</b>	19
- increase/(decrease) in trade and other payables		<b>(107)</b>	(1,118)
Cashflow from operating activities		<b>(603)</b>	(3,953)

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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## 22 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 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.

### Possible joint and several liability under European contracts

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

As announced to the ASX on 2 October 2012, the Company is currently disputing the basis for the calculation of its 2% royalty interest in respect of EP391 Ungani oil production. EP 391 is currently held by Buru Energy (50%) and Diamond Resources (Fitzroy) Pty Ltd (50%), and operated by Buru Energy.

To date, the Company has received payments totalling approximately A\$98,369 under its royalty interest in respect of EP391 Ungani oil production.

The dispute remains unresolved as at 30 June 2013. On 26 August 2013 the Company filed an Originating Summons in the Western Australian Supreme Court seeking a declaration concerning the proper construction of those terms of its 'Canning Basin Royalty Deed' that relate to the calculation of the royalty.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 23 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transaction with related parties:

- The Company received \$77,163 in reimbursement of expenses from European Gas Limited under the Deed of Indemnity during the year.
- Refer to Note 10 for key management personnel information.

There were no other related party transactions during the year.

## 24 SHARE-BASED PAYMENTS

At 30 June 2013 the Group has the following share-based arrangements:

The company established the European Gas Limited Share Option Incentive Plan in 2000 (Plan). The board in its absolute discretion may invite eligible participants to join the Plan based on its assessment of the perspective participant's contribution to the performance of the group. The total number of Shares to issue upon exercise of Options subject to the Plan at any time, together with any other shares which may be issued under, or which are the subject of, any other of the company's employees share or option incentive schemes, shall not represent more than 10% of the number of the shares on issue in the company at the time of the issue of the options under the Plan. The terms and conditions applicable to options granted will be as determined from time to time by the board in its absolute discretion at the time of the grant of the option's and options may be granted upon different terms and conditions to those applicable to any other options granted.

Subsequently and in general meeting the company approved the renewal and upgrade of the Employee Share Option Plan ("Incentive Plan") firstly in November 2006 and then in March 2011. These renewals enabled the Company to ensure it complied with listing rule 7.2 of the Australian Stock Exchange and to ensure the Incentive Plan continued to meet the future objectives of the company. The grant of options is designed to encourage the recipients to have a greater involvement in the achievement of the company's objectives and to provide an incentive to directors by participating in the future growth and prosperity of the company through share ownership.

On 26 November 2010, the Company granted 14,500,000 director options in consideration for the services of the then CEO Mr Peter Cockcroft. These options vested immediately and had the following exercise prices and expiry date:

- 1,500,000 exercisable at AU\$0.35 expiring on 31 December 2011
- 3,000,000 exercisable at AU\$0.50 expiring on 31 December 2011
- 10,000,000 exercisable at AU\$0.70 expiring on 31 December 2012

On 29 November 2011, the Company granted 6,000,000 director options in consideration for the services of the then Chairman Mr. Julien Moulin. These options vested immediately and exercisable at any time up until 31 December 2012 at an exercise price of \$0.50 per option. The fair value was assessed to be \$305,521 and was expensed during the 2012 year.

Except in prescribed circumstances, all options lapse on the day that is 20 business days after the termination of employment or office of the option holder. The options in each of the abovementioned series were fully vested from the date of grant and are un-listed and contain restrictions on transfer.

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

2013					
Grant Date	Expiry Date	Exercise price	Start of the year	Forfeited during the year	Balance at the end of the year
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)	-

The weighted average remaining contractual life of options outstanding at year end was Nil years (2012: 0.5). The weighted average exercise price of outstanding shares at the end of the reporting period was Nil (2012: \$0.61).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 25 FINANCIAL RISK MANAGEMENT

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

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank overdrafts, loans to and from subsidiaries.

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:

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	3,616	747
Trade and other receivables	-	38
Available-for-sale financial assets:		
- at fair value		
- listed investments	28	64
- unlisted investments	9,079	-
<b>Total financial assets</b>	<b>12,723</b>	<b>849</b>
<b>Financial Liabilities</b>		
- Trade and other payables	40	147
<b>Total financial liabilities</b>	<b>40</b>	<b>147</b>

### Financial risk management policies

The Board of Directors has overall responsibility for the establishment of the Group'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 Group'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 Group and arises principally from the Group's receivables.

It is the Group'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.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## (b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through 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 Group does not differentiate the policy it implements as a group with regards to liquidity risk management towards its subsidiaries.

The following are the contractual maturities of the financial liabilities.

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

	WITHIN 1 YEAR		TOTAL	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Financial liabilities due for payment</b>				
Trade and other payables	<b>40</b>	147	<b>40</b>	147

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

## (c) Interest rate risk

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

The Groups 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 2013, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Change in profit		
- Increase in 1%	<b>36</b>	7
- Decrease in 1%	<b>(36)</b>	(7)

## (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 Group holds financial instruments which are other than the AUD functional currency of the Group.

The Groups policy is to maintain and hold the sufficient foreign currency to meet its liabilities when due. Surplus financial assets are transferred and held within Australian currency based financial products.

At the end of the reporting period the Group the only foreign currency risk is in relation to the Company's available for sale investments in European Gas Limited and Columbus Energy Ltd. Both of these companies have operations that are denominated in currencies other than Australian Dollars.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## *Foreign currency risk sensitivity analysis*

At 30 June 2013, the effect on profit and equity as a result of changes in foreign currency, with all other variables remaining constant would be as follows:

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Change in profit		
- Increase in 10%	911	6
- Decrease in 10%	(911)	(6)
Change in equity		
- Increase in 10%	911	6
- Decrease in 10%	(911)	(6)

## **(e) Commodity price risk**

The Group is not currently exposed to changes in commodity prices, however the royalty agreements will give the Company exposure to oil and gas commodity price risk in the future.

## **(f) Equity price risk**

The Group's 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 Group 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 Group assets, the policy is to hold any investments until a sale can be achieved that would give the Group a reasonable cash asset.

## **(g) Capital risk management**

The Group ensures effective management of its capital structure so that it will be able to continue as a going concern. The Consolidated Entity's capital structure consists on cash and cash equivalents and equity attributable to the holders of equity within the Parent Entity, 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 2013

## 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.

	2013		2012	
	Net Carrying Value \$'000	Net Fair value \$'000	Net Carrying Value \$'000	Net Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	3,616	3,616	747	747
Trade and other receivables	-	-	38	38
Available-for-sale financial assets: at fair value				
- listed investments	28	28	64	64
- unlisted investments	9,079	9,079	-	-
	<b>9,107</b>	<b>9,107</b>	64	64
<b>Total financial assets</b>	<b>12,723</b>	<b>12,723</b>	849	849
<b>Financial liabilities</b>				
Trade and other payables	40	40	147	147
<b>Total financial liabilities</b>	<b>40</b>	<b>40</b>	147	147

- 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.

### Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements between those whose fair value is based on. The fair value hierarchy consists of the following levels:

- 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).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

2012				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets:</b>				
Available-for-sale financial assets:				
- listed investments	64	-	-	64
	64	-	-	64

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.

## Reconciliation of level 3 investments

	LEVEL 3 INVESTMENTS
Fair value of the investment at initial recognition	14,526
Gains or losses recognised in profit or loss	(5,447)
Balance at the end of the year	9,079

## 26 EVENTS AFTER THE END OF THE REPORTING PERIOD

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. A general meeting of shareholders has been called for 24 September 2013 to seek the approval of shareholders to the sale. A deposit of \$200,000 has been received from the buyers.

On 26 August 2013 the Company filed an Originating Summons in the Western Australian Supreme Court seeking a declaration concerning the proper construction of those terms of its 'Canning Basin Royalty Deed' that relate to the calculation of the royalty.

Except for the above, no other matters or circumstances 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.

## 27 COMPANY DETAILS

The registered office of the company is:

**Fitzroy River Corporation Ltd**  
117 Faulkner Street  
Armidale NSW 2350

**Postal address:** PO Box 1117, Armidale NSW 2350  
**Telephone:** 1300 003 686  
**Email:** enquiries@fitzroyriver.net.au  
**Website:** www.fitzroyriver.net.au

# DIRECTORS' DECLARATION

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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 3 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 2013 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 Sebastian Hempel (Executive Director)

Dated 9 September 2013

# INDEPENDENT AUDITOR'S REPORT



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## 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 2013, 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 17 to 53.

### 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 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

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

# INDEPENDENT AUDITOR'S REPORT

## Deloitte.

### *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 2013 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 11 to 15 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



**Neil Smith**  
Partner  
Chartered Accountants  
Perth, 9 September 2013

# CORPORATE GOVERNANCE STATEMENT

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## INTRODUCTION

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.

Given the size and structure of the Company, the nature of its business activities and the cost of strict and detailed compliance with all of 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: Laying 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 management, the Board:

- defines and sets its business objectives and subsequently monitors performance and achievement 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;
- 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: Structuring 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, are subject to re-election by rotation every three years.

The names of the Directors of the Company and their qualifications are set out in the Directors' Report and on the Company's web site at <http://fitzroyriver.net.au/>.

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

The Recommendations provide that a majority of the Directors and in particular the Chairperson, should be independent. The Board is currently not made up of a majority of independent Directors, although the current Chairman (see below) is considered by the Board to be independent. The Board considers that both its structure and composition are appropriate given the size of the Company, and that the interests of the Company and its shareholders are appropriately served. The Board will consider its composition as the Company's size and operations evolve, and may appoint additional independent Directors as it deems appropriate.

#### *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;

# CORPORATE GOVERNANCE STATEMENT

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- 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 a 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 interests 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 have been separated.

## *Nomination of 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.

## *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.

## **Principle 3: Promotion of Ethical and Responsible Decision-Making**

Directors, officers, employees and consultants to the Company are required to observe high standards of behavior 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 taking no part in the decision making process or discussions where that conflict or interest does arise.

## *Code of Conduct*

In 2013, 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 one employee (being the Executive Director and Company Secretary) and two other non-executive Board members. Nevertheless the Board has previously implemented and

# CORPORATE GOVERNANCE STATEMENT

maintains a Diversity Policy in line with the ASX's Corporate Governance guidelines. The Group believes that 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.

## *Gender Diversity*

The Company, in keeping with the Recommendations provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2013:

	MALE	FEMALE	TOTAL	PROPORTION FEMALE
Board and Senior Management	2	1	3	33.3%
	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 year's 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, advisers 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.

# CORPORATE GOVERNANCE STATEMENT

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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 at <http://fitzroyriver.net.au/>) also includes a clause prohibiting Directors and employees from entering into transactions in associated products which operate to limit the 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 the 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 the ASX Listing Rules.

## **Principle 4: Safeguarding 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 the Company Secretary (currently also the Executive Director) 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 the Executive Director (assisted by an external accounting firm) who reports to the Board (generally monthly) at Board meetings.

## **Principle 5: Making 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 at <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 (currently also the Executive Director) is the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

## **Principle 6: Respecting 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;



# CORPORATE GOVERNANCE STATEMENT

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- 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: Recognising 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 2013.

While the Board as a whole is responsible for supervising the management of risks by the Company, it has delegated the responsibility for day to day risk management to the Executive Director.

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.

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 executive officer and chief financial officer 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.

# CORPORATE GOVERNANCE STATEMENT

## 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.

The Executive Director currently receives a salary package. 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.

*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 nearly the entire period the Executive Director had responsibility for day to day management of the Company. The European based executive management team ceased working for the Company by August 2012 after the demerger of the European operations.</p> <p>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 rights issue to raise \$3.8 million, the sale of the 25% stake in European Gas Limited, and a review of the royalty dispute with Buru Energy Limited.</p> <p>Although Mr Hempel is the Company's only employee, is the Company Secretary and Executive Director, and holds 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>
1.2 and 1.3	The Company does not currently have a formal process for evaluating the performance of senior executives	<p>During the majority of the reporting period, the Company has only had one executive (being the current Executive Director and Company Secretary), who has 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.</p>

# CORPORATE GOVERNANCE STATEMENT

"RECOMMENDATION" REF ("PRINCIPLE NO" REF FOLLOWED BY RECOMMENDATION REF)	DEPARTURE	EXPLANATION
2.1	A number of changes to Board composition took place during the year. However at no time was there a majority of independent Directors.	<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.
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 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 and 8.2 and 8.4	No formal remuneration committee has been established.	Given the size and involvement of the Board in the Company's management, the Board believes that the formation of a separate remuneration committee is not warranted.
	Non-executive Directors have to date been eligible to participate in the Company's Employee Share Option Plan (Incentive Plan).	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.

# 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 23 September 2013):

DISTRIBUTION	NUMBER OF SHAREHOLDERS
1 -1,000	167
1,001 - 5,000	264
5,001 - 10,000	211
10,001 - 100,000	378
More than 100,000	92
<b>Total number of holders of ordinary shares</b>	<b>1,112</b>

There were 212 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 23 September 2013 are listed below:

SHAREHOLDER NAME	ORDINARY SHARES	
	Number	Percentage of Issued Shares
JP Morgan Nominees Australia Limited	19,814,104	21.82%
Flexiplan Management Pty Ltd	12,466,831	13.73%
McNeil Nominees Pty Limited	5,440,954	5.99%
Maxigold Holdings Pty Ltd	3,100,000	3.41%
National Nominees Limited	2,729,666	3.01%
Rocket Science Pty Ltd	2,400,000	2.64%
Mrs Susan Patricia Thomas	2,128,425	2.34%
AMK Investments (WA) Pty Ltd	1,879,448	2.07%
HSBC Custody Nominees (Australia) Limited	1,643,677	1.81%
Mrs Carole Christine Rowan	1,375,000	1.51%
MEJC Pty Ltd	1,100,000	1.21%
Norfolk Enchants Pty Ltd	1,000,000	1.10%
Citicorp Nominees Pty Ltd	763,546	0.84%
Mr Russell John Bath and Mrs Dianne Margaret Bath	750,000	0.83%
Mr Kenneth Bruce Willimott	608,200	0.67%
Mr Mitchell James Voss and Mrs Linda Michelle Voss	600,002	0.66%
Mr Robert Hanwright and Mrs Margaret Hanwright	575,000	0.63%
BNP Paribas Noms Pty Ltd	564,026	0.62%
Mrs Suzanne Ferrier	502,200	0.55%
Check-Kian Low	500,000	0.55%
<b>TOTAL</b>	<b>59,941,079</b>	<b>66.02%</b>

# ASX SHAREHOLDER INFORMATION

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## (c) Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (known to hold 5% or more of the current issued ordinary shares) is set out below:

SUBSTANTIAL HOLDER NAME	ISSUED ORDINARY SHARES	
	Number of shares	Percentage of shares
Australasia Resources Limited	11,900,000	13.11%
Susan Patricia Thomas	16,288,104	17.94%

## (d) Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are that on a show of hands, each member present in person or by proxy has one vote, and that on a poll, each member present in person or by proxy has one vote per share.

## (e) Unquoted Securities

The Company has no unquoted securities on issue as at 23 September 2013.



Fitzroy River

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