Fitzroy River Corporation Ltd

ABN: 75 075 760 655

Interim Financial Statements

For the Period Ended 31 December 2012

Fitzroy River Corporation Ltd

ABN: 75 075 760 655

Contents

31 December 2012

Directors' Report

31 December 2012

Your directors submit the interim financial report of Fitzroy River Corporation Ltd ('the Company') and its controlled entities (collectively, 'the Group') for the period ended 31 December 2012.

Information on directors

The names of each person who has been a director of the Company during the period and to the date of this report are:
Mr Malcolm McComas
(Non-executive Chairman appointed 26 November 2012)
Mr Rod Bresnehan
(Non-executive Director)
Mr Sebastian Hempel
(Executive Director)
Ms Susan Thomas
(Non-executive Director appointed 26 November 2012)
Mr Julien Moulin
(not re-elected 26 November 2012)

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 11 (previously 12) 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.

The following significant change in the nature of the principal activities occurred during the period:

As a result of a large share buy-back completed in July 2012, the Company ceased to have control of European Gas Limited (a company incorporated in England and Wales with company number 05321791, '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 period.

Operating results and review of operations for the half-year

A review of the operations of the Group during the period and the results of those operations show the impact of the share buy-back and the loss of control of the EGL UK Group on 26 July 2012.

The Group made a profit of $10.3 million for the 6 months to 31 December 2012 mainly due to the recognition of a gain on the disposal of EGL UK shares.

The major movements in the Statement of Financial Position reflect the de-consolidation of EGL UK as a result of the loss of control and the recognition of the available for sale investment in EGL UK at its estimated fair value of 19.2 cents per share.

The Directors consider the 19.2 cents per EGL UK share to be the best indicator of the fair value of the investment in EGL UK as at 31 December 2012 for financial reporting purposes. Refer Note 5 to the Financial Statements.

Directors' Report
31 December 2012

Operating results and review of operations for the half-year continued

About Fitzroy River Corporation Ltd

A) Canning Superbasin (Western Australia)

The Company holds royalty interests in 11 permits in the Canning Superbasin via 2 separate Royalty Deeds. The approach in this section A of the report is to explain activities by topic, rather than by permit.

EP 391, EP 431, EP 436 (2% Royalty on 100% participation interest)

These 3 Permits are held 50% by Buru Energy Ltd ('Buru') and 50% by Diamond Resources (Fitzroy) Pty Ltd ('DRF', a wholly owned subsidiary of Mitsubishi Corporation ('Mitsubishi')). During the half-year, a Deed of Assignment and Assumption ('DAA') was signed, which makes DRF responsible, as to 50%, for the obligations and liabilities under the 26 August 2006 Royalty Deed. Mitsubishi has guaranteed to the Company the performance of DRF's obligations. The effective date of DRF's assumption of responsibility is 30 November 2010.

The DAA, which is dated 7 September 2012, was registered against these 3 Permits on 13 December 2012.

These 3 Permits are 3 of the 5 initial Petroleum Titles under the Natural Gas (Canning Basin Joint Venture) Agreement 2012 executed during the period and dated 7 November 2012 (which is a State Agreement awaiting ratification by an Act of Parliament). This is discussed further below.

EP 371, EP 390, EP 428 (2% Royalty on 100% participation interest)

These 3 Permits are held 50% by Buru and 50% by Diamond Resources (Canning) Pty Ltd ('DRC', a wholly owned subsidiary of Mitsubishi). During the half-year, a Deed of Assignment and Assumption ('DAA') was signed, which makes DRC responsible, as to 50%, for the obligations and liabilities under the 26 August 2006 Royalty Deed. Mitsubishi has guaranteed to the Company the performance of DRC's obligations. The effective date of DRC's assumption of responsibility is 30 November 2010.

The DAA, which is dated 7 September 2012, was registered against these 3 Permits on 13 December 2012.

Two of these 3 Permits (EP 371 (R1) and EP 428) are 2 of the 5 initial Petroleum Titles under the Natural Gas (Canning Basin Joint Venture) Agreement 2012 executed during the period and dated 7 November 2012 (which is a State Agreement awaiting ratification by an Act of Parliament). This is discussed further below.

EP 391 (2% Royalty on 100% participation interest)

The Company continues to monitor the Ungani Field extended production test being conducted, and associated periodic announcements that are made, by Buru. The next Ungani royalty payments are expected to be received by the Company from Buru and from DRF/Mitsubishi in late January 2013 in respect of production during the Quarter ended 31 December 2012.

The total amount paid to the Company and received during the Quarter ended December 2012 from Buru and DRF in respect of Ungani production (during the previous quarter) was $28,180. For further details regarding calculation of this royalty please refer to the Company's announcement of 2 October 2012.

The first ever payment of a royalty under the 26 August 2006 Royalty Deed was received in respect of Ungani production (under the extended production test) in late July 2012 from Buru and DRF. The total amount paid to the Company on that occasion was $5,596.72.

Directors' Report

31 December 2012

Operating results and review of operations for the half-year continued

EP 431 (2% Royalty on 100% participation interest)

During the Quarter ended 30 June 2012, a Deed of Indemnity was entered into, which has the effect of Buru indemnifying the Company against any liability or loss in connection with a Native Title and Heritage Protection Agreement relating to EP 431 ('Heritage Agreement') and for the period since 26 August 2006.

The Heritage Agreement (relating to the Ngurrara native title holders) dates from July 2003 and primary negotiations with the Kimberly Land Council Aboriginal Corporation concerning it and exploration on EP 431 have been assumed by Buru. The Company continues to review the matter.

Since 26 August 2006, Arc Energy Pty Ltd ('Arc') has covenanted with the Company to be bound by and be entitled to all the provisions of the Heritage Agreement in the place of FZR. Arc transferred EP 431 to Buru in August 2008. As indicated above, EP 431 is now 50% owned by DRF.

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

During the half-year, the Company executed a Deed which removes it from any contingent obligation to make so-called 'Discovery Payments' in the event of hydrocarbon discoveries on EP 428 and EP 436.

Negotiations have run for a long time to remove the Company from the contractual matrix in connection with any obligation (dating back to March 2004) to make certain 'Discovery Payments' to certain third parties in the event of hydrocarbon discoveries on EP 428 and EP 436 which are proven to be commercial and with an initial production of over 260 BOEPD. Since June 2006, Arc has agreed with the Company to assume the obligation to make any Discovery Payments to the third parties and to indemnify the Company in that regard.

The Company is pleased to advise that the Deed, which is dated 19 December 2012, has now been signed by 8 different parties (including the Company) and it provides that Buru, DRC and/or DRF will directly assume all the ongoing obligations to make any Discovery Payments to the third parties. FZR's ongoing royalty interest in EP 428 and EP 436 is not affected by this Deed.

Retention Lease R1 and EP 104 (2% Royalty on 8% participation interest)

The Company continues to monitor activities by the EP104 and R1 joint venture participants. The Company's 8% participating interest in EP 104 and R1 was sold together with various other Canning Basin Assets in 2006. Changes to the EP 104 joint venture are expected during the 6 months ending 30 June 2013.

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

During the half-year, the Company progressed (with Buru) getting its royalty interest formally registered against the title to this relatively new Production Licence. The dealing was registered on 31 October 2012 (during the period).

The Company continues to monitor activities by the L15 joint venture participants.

Operating results and review of operations for the half-year continued

Royalty (3% of Well Head value) over EP129 and L6 and L8

Blina oil field royalties continued to be received by the Company from Buru on a monthly in arrears basis during the half year.

The Company is monitoring the activities on the Backreef Area of L6 and EP129, particularly those of Oil Basins Ltd.

Total revenue from royalties under both Royalty Deeds for the period was $43,589.

B) Other Projects and Assets & Corporate Matters

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.

Capital Gains Treatment of disposal of shares in EGL UK in July 2012

In the Company's quarterly activities report for the 3 months ended 30 September 2012, the Company stated that the Company's new management was reviewing the capital gains tax treatment of the disposal of the shares it held in the England and Wales company European Gas Limited ('EGL UK') (a Company registered in England & Wales). That review was completed during the half-year.

The Company at 30 June 2012 had carry forward capital losses (for tax purposes) of approx. $29.3 million. On 26 July 2012, the Company bought back approx. 221.6 million shares in itself. After allowing for an Active Foreign Business Asset Percentage ('AFBAP') reduction of just under 80%, the capital gain to the Company from the disposal of the shares in EGL UK has recently been calculated to be $9.25 million, with the Continuity of Ownership test (COT) satisfied, leaving approx. $20 million in capital losses carried forward. In addition, the Company at 30 June 2012 had a small amount (under $100,000) of carry forward revenue losses for tax purposes. In order to recoup these carried forward losses, the Company would need to satisfy the COT or the same business test (SBT). There can be no assurance that either of these tests will be satisfied by the Company in the future.

Creditors' Claims Paid

Late in the half-year, the Company's new management settled 2 long-standing creditor claims against the Company. One related to professional services provided to the Company during the financial year ended 30 June 2011, and the other related to financial services provided to the Company during and after the Company's capital raising during calendar 2011. Payments of $35,000 and £20,300 (respectively) have recently been made in full and final settlement of these creditor claims.

As indicated in the Company's quarterly activities report for the 3 months ended 30 September 2012, 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 were known as at 1 May 2012 but were yet to be paid, and costs in relation to the recent restructuring of the Company and group. The Deed was entered into in expectation of EGL UK ceasing to be an entity controlled by the Company as a result of the buy-back completed in July 2012.

The Company anticipates making a claim under the Deed of Indemnity in respect of these settled creditor claims.

Directors' Report
31 December 2012

Operating results and review of operations for the half-year continued

Natural Gas (Canning Basin Joint Venture) Agreement Bill 2012

The Company notes the progress of the Natural Gas (Canning Basin Joint Venture) Agreement Bill 2012 (WA). That Bill's purpose is stated as being to ratify, and authorise the implementation of, a so-called 'State Agreement' 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, and for incidental and other purposes. The Bill reached the Second Reading stage in the WA Legislative Assembly on 15 November 2012.

The State Agreement referenced in that proposed legislation is called the Natural Gas (Canning Basin Joint Venture) Agreement 2012 and is dated 7 November 2012. It has not yet taken full legal effect as the Bill has not yet become law.

The Joint Venturers that are parties to the Agreement (Buru, DRF and DRC (as defined above)) are stated to be the registered and beneficial holders of the 5 petroleum exploration permits as listed in the Schedule to the Agreement and granted under the Petroleum and Geothermal Energy Resources Act 1967 (WA). Those 5 'Petroleum Titles' (as defined in the Agreement) are the initial Petroleum Titles for the purposes of the Agreement and the Company is pleased to note that they comprise 5 (out of the 9) Permits covered by the Company's Royalty Deed dated 26 August 2006 (refer above).

The Agreement states that the Joint Venturers are actively exploring the Title Areas for petroleum including for the purposes of: (a) evaluating the technical and economic viability of the natural gas resources within the Title Areas (which areas are prospective for both conventional and unconventional resources); and (b) proving up sufficient reserves of natural gas to underpin the establishment and sustained operation of firstly the Domgas Project (as defined in the Agreement) and secondly the production of liquefied natural gas for export to overseas purchasers. The 'Title Areas' referred to in these provisions are the areas which from time to time during the continuance of the Agreement are the subject of the 'Petroleum Titles' (see above).

The 'Domgas Project' is defined in the Agreement to mean the treatment of natural gas obtained from within the Title Areas (and possibly from other areas) to produce Domgas (being natural gas for delivery and use in Western Australia) and possibly condensate, and the conveyance of Domgas through the 'Domgas Project Pipeline' into the domestic gas pipeline network and all related activities for that purpose.

The Company will continue to monitor the intended commencement and operation of the State Agreement based on publicly available information and announcements by Buru.

EGL UK Shareholding

The share register for European Gas Limited (a company incorporated in England and Wales with company number 05321791, 'EGL UK') commenced activities 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%. Transcor Astra Luxembourg SA started as EGL UK's 6th largest registered shareholder with 22 million shares and has ceased to be a substantial shareholder in the Company. Four different Australian professional custodian companies started as the 2nd to 5th largest registered shareholders in EGL UK, holding a total of 178.67M shares between them.

The Company at 31 December 2012 remains (to its knowledge) the largest registered shareholder in EGL UK at 75.657M shares, or 25.45% of its approx. 297M issued shares. The Company is evaluating this investment.

During the half year period, the Company had no on-going involvement in managing the affairs of EGL UK.

Operating results and review of operations for the half-year continued

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.

The Company has 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 were known as at 1 May 2012 but were yet to be paid, and costs in relation to the recent restructuring of the Company and group.

There are a number of contractual links between the Company and EGL UK or its European subsidiaries that remain in existence. The Company continues to review its position under these contracts.

No planned significant changes to nature or scale of activities

The Company's Prospectus dated 4 June 2012, in preparing for the shareholder approved disposal of the Company's then main undertaking, stated that the Board did not currently have any plans for developing operations in Australia over the next 12 months. It went on to state that: "However, it wishes to maintain the Company's ASX listing in order to keep the Company's options open in the event that any opportunities arise in the future. If any potential opportunities arise in Australia or if any favourable opportunities arise to acquire unconventional oil and gas assets in Australia, a listed vehicle is likely to be needed. However, the Board is not currently considering or pursuing any opportunities."

The Board is currently reviewing the operational, business and investment strategy of the Company but is not looking to make a significant change to the Company's current Australian activities (in either nature or scale) in a manner that may have been anticipated by the above statement made in June 2012, before the results of the Company's buy-back.

Share Capital

On 26 July 2012 the Company cancelled 221,615,657 ordinary shares in its share capital as a result of the buy-back. As a result of this large buy-back, the Company now has approx. 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.

Options

On or before 31 December 2012, all of the Company's remaining issued options lapsed or expired unexercised.

Dividends

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

Operating results and review of operations for the half-year continued

Board Changes

At the Annual General Meeting held in Brisbane on 26 November 2012, the Company's shareholders considered the financial reports, approved the Remuneration Report and approved the Company's change of name. However, Mr Julien Moulin was not re-elected as a director as resolution 2 was not passed. Details of the voting were advised to the market on that date. At a board meeting after the AGM, the Board invited Mrs Susan Thomas, a substantial shareholder in the Company, and Mr Malcolm McComas, an experienced company director to join the Board as directors. The Board also elected Mr McComas as its new Chairman. For further details, see the announcement of 26 November 2012.

Significant changes in state of affairs

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

- The Company at 31 December 2012 was 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 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 the buy-back. As a result of this large buy-back, the Company now has approx. 75.6 million shares, or around 25% of the number of shares it previously had, on issue.

- Following the disposal of the European operations, the functional and presentation currency has been changed from Euro to Australian Dollars to reflect the nature of the Company's remaining operations.

Auditor's independence declaration

The auditor's independence declaration and Review Report are set out on pages 23 and 24 and form part of the directors' report for the half-year ended 31 December 2012.

ASIC class order 98/100 rounding of amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the interim financial statements and directors' report have been rounded to the nearest thousand dollars.

This report is signed in accordance with a resolution of the Board of Directors.

Director: ....

Mr Sebastian Hempel (Executive Director)

Dated: 13 March 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half Year ended 31 December 2012

	Note	Consolidated Half year ended 31 December 2012 $'000	31 December 2011 $'000
Finance income		**55**	211
Other income		**63**	857
Professional and consultancy fees		**(228)**	(352)
Other expenses		**(262)**	(226)
Profit/(loss) before income tax		**(372)**	490
Income tax expense		**-**	-
Profit/(loss) from continuing operations		**(372)**	490
Profit/(loss) from discontinued operations	4	**10,669**	(5,833)
Profit/(loss) for the period		**10,297**	(5,343)
Other comprehensive income:			
Exchange loss on translation of foreign operations		**-**	(2,693)
Exchange loss transferred to profit on disposal of foreign operations		**6,582**	-
Other comprehensive income/(loss) for the year, net of tax		**6,582**	(2,693)
Total comprehensive income/(loss) for the year		**16,879**	(8,036)

Earnings per share	**Cents**	**Cents**
From continuing operations:		
Basic earnings/(loss) per share	**(0.35)**	0.17
Diluted earnings/(loss) per share	**(0.35)**	0.17
From discontinued operations:		
Basic earnings/(loss) per share	**9.63**	(1.80)
Diluted earnings/(loss) per share	**9.63**	(1.80)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position

As At 31 December 2012

	Note	Consolidated 31 December 2012 $'000	30 June 2012 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**326**	747
Trade and other receivables		**19**	38
Non-current assets available for distribution to shareholders	4	**-**	36,481
TOTAL CURRENT ASSETS		**345**	37,266
NON-CURRENT ASSETS			
Available for sale financial assets	5	**14,578**	64
TOTAL NON-CURRENT ASSETS		**14,578**	64
TOTAL ASSETS		**14,923**	37,330
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**28**	147
Liabilities of the disposal group	4	**-**	975
TOTAL CURRENT LIABILITIES		**28**	1,122
NON-CURRENT LIABILITIES			
Deferred tax liabilities	6	**4,358**	-
TOTAL NON-CURRENT LIABILITIES		**4,358**	-
TOTAL LIABILITIES		**4,386**	1,122
NET ASSETS		**10,537**	36,208
EQUITY			
Contributed equity	7	**38,812**	81,362
Reserves		**54**	(1,403)
Accumulated losses		**(28,329)**	(43,751)
TOTAL EQUITY		**10,537**	36,208

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
For the Period Ended 31 December 2012

Consolidated

31 December 2012

	Issued Capital $'000	Retained earnings $'000	Foreign Currency Translation Reserve $'000	Available for sale investment reserve $'000	Share based payment reserve $'000	Total $'000
Balance at 1 July 2012	**81,362**	**(43,751)**	**(6,582)**	**54**	**5,125**	**36,208**
Profit for the half year	**-**	**10,297**	**-**	**-**	**-**	**10,297**
Other comprehensive income (net)	**-**	**-**	**6,582**	**-**	**-**	**6,582**
Total comprehensive income for the half year	**-**	**10,297**	**6,582**	**-**	**-**	**16,879**
Transactions with owners in their capacity as owners						
Transfer to retained earnings on lapse of options	**-**	**5,125**	**-**	**-**	**(5,125)**	**-**
Shares bought back during the half year	**(42,550)**	**-**	**-**	**-**	**-**	**(42,550)**
Total transactions with equity holders	**(42,550)**	**5,125**	**-**	**-**	**(5,125)**	**(42,550)**
Balance at 31 December 2012	**38,812**	**(28,329)**	**-**	**54**	**-**	**10,537**

31 December 2011

	Issued Capital $'000	Retained earnings $'000	Foreign Currency Translation Reserve $'000	Available for sale investment reserve $'000	Share based payment reserve $'000	Total $'000
Balance at 1 July 2011	80,883	(34,404)	(2,449)	54	4,820	48,904
Loss for the half year	-	(5,343)	-	-	-	(5,343)
Other comprehensive income (net)	-	-	(2,693)	-	-	(2,693)
Total comprehensive income for the year	-	(5,343)	(2,693)	-	-	(8,036)
Transactions with owners in their capacity as owners						
Issue of shares	504	-	-	-	-	504
Total transactions with equity holders	504	-	-	-	-	504
Balance at 31 December 2011	81,387	(39,747)	(5,142)	54	4,820	41,372

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the Half Year ended 31 December 2012

	Note	Consolidated Half year ended 31 December 2012 $'000	31 December 2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**63**	18
Payments to suppliers and employees		**(539)**	(3,161)
Interest & Royalties received		**55**	211
Net cash provided by (used in) operating activities		**(421)**	(2,932)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**-**	(259)
Payment for exploration and development expenditure		**-**	(707)
Cash outflow on disposal of subsidiaries	4	**(5,828)**	-
Net cash used by investing activities		**(5,828)**	(966)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**-**	504
Net cash used by financing activities		**-**	504
Net increase (decrease) in cash and cash equivalents held		**(6,249)**	(3,394)
Cash and cash equivalents at beginning of the half year		**6,575**	13,508
Effect of exchange rate movements		**-**	3
Cash and cash equivalents at end of the half year		**326**	10,117

The accompanying notes form part of these financial statements.

1 Corporate Information

This interim financial report includes the consolidated financial statements and notes of Fitzroy River Corporation Ltd (formerly European Gas Limited, 'the Company') and its controlled entities (the 'Group'). The interim financial statements were authorised for issue by the Board of Directors on 13 March 2013.

Fitzroy River Corporation Ltd (formerly European Gas 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 11 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

This condensed consolidated interim financial report for the reporting period ending 31 December 2012 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such it does not contain information that represents relatively insignificant changes occurring during the period within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2012, together with any public announcements made during or since the period.

3 Significant Accounting Policies

(a) Accounting policies

With the exception of the change in presentation and functional currency referred to in note 3(f) and the impact of the Standards ad Interpretations described in note 3(g), the same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Fitzroy River Corporation Ltd at the end of the reporting period or from time to time during the period. A controlled entity is any entity over which Fitzroy River Corporation Ltd 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.

Where controlled entities have entered or left the Group during the period, the financial performance of those entities is included only for the period that they were controlled. A list of controlled entities is set out below.

3 Significant Accounting Policies continued

(b) Principles of consolidation continued

The components of the Group are:

	Incorporated in	31/12/2012	30/6/2012
Fitzroy River Corporation Ltd (Parent)	Australia		
Subsidiary of Fitzroy River Corporation Ltd:			
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%

All controlled entities have a June financial period-end.

Refer to Note 4 for further information regarding the disposal of the European operations during the period.

(c) 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.

(d) 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 taken directly to equity.

Notes to the Financial Statements

For the Period Ended 31 December 2012

3 Significant Accounting Policies continued

(e) Income tax

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the interim financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(f) 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 Stock 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.

(g) Adoption of new and revised accounting standards

During the current period, 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 interim financial statements of Fitzroy River Corporation Ltd.

New and revised standards and amendments thereof and interpretations effective for the current half-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 2011-9 '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 half year 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 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.

4 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 segment was not a discontinued operation or classified as held for sale as at 31 December 2011 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

4 Discontinued Operations continued

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

	Consolidated Half year ended 31 December 2012 $'000	Consolidated Half year ended 31 December 2011 $'000
Other income	**39**	-
Administration expenses	**-**	(1,198)
Depreciation expense	**-**	(33)
Write off of exploration and evaluation costs	**-**	(3,183)
Write off of property, plant and equipment	**-**	(1,419)
Gain on disposal of subsidiary	**21,570**	-
Exchange loss transferred to profit or loss on disposal of foreign operations	(6,582)	-
Deferred tax relating to fair value of retained investments	**(4,358)**	-
	10,669	(5,833)

Note EGL UK results included in the Group's financial statements for the half year ended 31 December 2012 are for the period from 1 July 2012 to the date of disposal (26 July 2012).

Assets and liabilities classified as held for distribution to shareholders

	30 June 2012 $'000
Assets	
Cash and cash equivalents	**5,828**
Trade and other receivables	**437**
Property, plant and equipment	**99**
Exploration and evaluation expenditure	**30,117**
	36,481
Liabilities	
Trade and other payables	**(975)**
Net assets	**35,506**

Gain on disposal of subsidiary	Consolidated Half year ended 31 December 2012 $'000
Consideration for disposal of the subsidiary	
Buy-back of 221,615,657 shares @ $0.192	**42,550**
Fair value of investments retained in the subsidiary (75,656,848 shares @ $0.192)	**14,526**
Total consideration	**57,076**
Net assets of disposal group at 26 July 2012	**(35,506)**
Gain on disposal of subsidiary	**21,570**

5 Other Financial Assets

Available-for-sale financial assets

	31 December 2012 $'000	30 June 2012 $'000
Listed investments, at fair value:		
- shares in Columbus Energy Ltd	**52**	64
	52	64
Unlisted investments, at fair value		
- shares in European Gas Limited UK (at 19.2 cents per share)	**14,526**	-
	14,526	-
Total available-for-sale financial assets	**14,578**	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 (refer to Note 4 for further information), 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 and has no management or board representation.

The Directors consider the 19.2 cents per EGL UK share to be the best indicator of the fair value of the investment in EGL UK as at 31 December 2012 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 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 31 December 2012;

- 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; and

- There is nothing else EGL UK can point to or disclose (with reference to IAS 39) that would assist its shareholders who need to value their shares as at 31 December 2012.

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 19.2 cents per share (it could be higher and it could be lower).

Notes to the Financial Statements
For the Period Ended 31 December 2012

6 Deferred Tax Liability

	31 December 2012 $'000	30 June 2012 $'000
Deferred tax liabilities	**4,358**	-

A deferred tax liability of approx. $4.4 million in relation to the fair value measurement of shares in EGL UK has been recognised in the statement of financial position. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the pro-forma statement of financial position. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year.

7 Contributed Equity

Ordinary shares

	Consolidated		Consolidated	
	31 December 2012 No.	30 June 2012 No.	31 December 2012 $'000	30 June 2012 $'000
At the beginning of the reporting period	**297,272,505**	296,161,505	**81,362**	80,883
Shares issued during the year:				
Share placement	**-**	1,111,000	**-**	479
Shares bought back during the year:				
Share buy-back 26 July 2012 (refer Note 4)	**(221,615,657)**	-	**(42,550)**	-
At the end of the reporting period	**75,656,848**	297,272,505	**38,812**	81,362

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

At 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.

	31 December 2012 No.	30 June 2012 No.
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 Company has no options or other convertible securities on issue at 31 December 2012.

8 Operating Segments

The Board has determined that the Group 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 the disposal of EGL UK during the half year period, the Group had operations in Europe which are classified as discontinued operations.

9 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, and costs in relation to the recent restructuring of the Company and group. The Company expects to make a claim under the Deed in respect of settled creditor claims and other expenses.

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 has recently informed the Company that the above agreements have been extended, but that no work programs have been agreed in respect of those agreements in order for EGL UK to commence meeting its expenditure requirements.

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 to perform the obligations of EGL UK under the Farmout Agreements or Production Sharing Agreement referred to above, there can be no guarantee that the Company will 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 production. EP 391 is currently held by Buru Energy (50%) and Diamond Resources (Fitzroy) Pty Ltd (50%), and operated by Buru Energy.

9 Contingent Liabilities and Contingent Assets continued

To date, and for the quarters ending 30 June 2012, 30 September 2012 and 31 December 2012, the Company has received payments totalling approximately A$68,000 under its royalty interest in respect of EP391 Ungani production. The dispute remains unresolved as at 12 February 2013.

Carry forward capital losses

The Company's carry forward capital losses of approximately $20.1 million have not been recognised as a deferred tax asset as in order to recoup these losses the Company would need to satisfy the continuity of ownership test or the same business test. There can be no assurance that either of these tests will be satisfied. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

10 Events after the end of the Reporting Period

The Company announced on 12 February 2013 an Offer of New Shares through a pro rata renounceable entitlement offer. Eligible Shareholders are able to subscribe for one (1) New Share for every five (5) Shares held as at 7:00pm AEDT on the Record Date (20 February 2013) at an Issue Price of A$0.25.

The Offer is fully underwritten and will result in the issue of 15,131,446 New Shares, raising approximately $3.8 million (excluding costs relating to the Offer).

The proceeds of the Offer will be used:

- to maintain and progress the Company's existing Australian assets and in particular to fund the maintenance, administration, and other activities concerning the Company's suite of contracts surrounding and including the two Royalty Agreements with Buru Energy;
- to invest in EGL UK if the opportunity arises and to the extent the Board may consider necessary to protect or enhance the value of its investment in that company. EGL UK is a private company incorporated in England and Wales (and a former subsidiary of the Company), which focuses on unconventional hydrocarbon exploration in Europe;
- to address any potential legacy issues and contingent liabilities concerning the Company and in particular to fund any legal action required in relation to various matters; and
- for general working capital purposes, including general listed company expenses.

Except for the above, no other matters or circumstances have arisen since the end of the period 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.

11 Company Details

The registered office of and principal place of business 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
Fax: +61 2 6738 9999
Email: enquiries@fitzroyriver.net.au
Website: www.fitzroyriver.net.au

Directors' Declaration

The directors of the company declare that:

1. The interim financial statements and notes, as set out on pages 8 to 21 are in accordance with the *Corporations Act 2001*, including:

    (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

    (b) give a true and fair view of the consolidated group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: ....

Mr Sebastian Hempel (Executive Director)

Dated: 13 March 2013

Deloitte Touche Tohmatsu
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Board of Directors
Fitzroy River Corporation Limited
117 Faulkner Street
Armidale NSW 2350

13 March 2013

Dear Board Members

Fitzroy River Corporation Limited (formerly European Gas 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 review of the financial statements of Fitzroy River Corporation Limited for the half-year ended 31 December 2012, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountant

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Review Report to the members of Fitzroy River Corporation Limited (formerly European Gas Limited)

We have reviewed the accompanying half-year financial report of Fitzroy River Corporation Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 22.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fitzroy River Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, 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 review report.

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity’s financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 13 March 2013