Fitzroy River Corporation Ltd

ABN: 75 075 760 655

Interim Financial Statements

For the Period Ended 31 December 2013

Fitzroy River Corporation Ltd
ABN: 75 075 760 655

Contents
31 December 2013

Directors' Report
31 December 2013

Your directors submit the interim financial report of Fitzroy River Corporation Ltd ('the Company' or "FZR" or "Fitzroy") and its controlled entities (collectively, 'the Group') for the half-year ended 31 December 2013.

Directors

The following persons were directors of the Company during the whole of the half-year and up to the date of this report, unless otherwise stated:

Names	Position	Director Since
Mr Malcolm McComas	Non-executive Chairman	26 November 2012
Ms Susan Thomas	Non-executive Director	26 November 2012
Mr Sebastian Hempel	Executive Director	1 September 2009

Review of operations

The Company's operations during the half-year are reviewed as follows.

As a direct result of the demerger of European Gas Limited (an unlisted private company incorporated in England and Wales) ('EGL UK') in July 2012, 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 and minority equity positions.

The Company's primary focus has to date been in Western Australia, specifically the Canning Basin where the Company holds royalty interests in several permits via two separate Royalty Deeds, entered into as part of an Australian assets sales process in 2006. During the half-year, the Company's activities have been generally passive in nature and its royalty income is dependent on the activities and quantum of oil production and sales by third parties.

Shareholders endorsed this strategic shift by:

- strongly supporting the February 2013 renounceable rights issue, which recorded take up by shareholders of 76% of the new shares on offer and raised approximately $3.8 million for the purposes set out in the offer booklet dated 12 February 2013; and
- the high level of support for the resolution passed at the general meeting held during the half-year, on 24 September 2013.

Fitzroy advised shareholders in the August 2013 Explanatory Memorandum issued for the September general meeting that it might acquire further oil and gas passive investments or royalty interests compatible with the Company's principal activities, which may include royalties and other financial investments in projects and companies in the energy and resources sectors.

Fitzroy announced the sale of its remaining shares in EGL UK during the half-year, on 12 August 2013. The sale was completed on 27 September 2013 and the share transfers were registered during October 2013. Fitzroy's shareholders approved the sale at a general meeting held on 24 September 2013, and a comprehensive Explanatory Memorandum was issued in August 2013 with the notice of meeting which contained a detailed discussion of the impact of the proposed sale on the Company. The gross proceeds of this share sale amounted to $9.079 million.

As at the end of the half-year, the Company had cash and cash equivalent assets of $12.2 million, and net assets of $12.3 million.

Fitzroy continues to hold 1.33 million shares in Columbus Energy Ltd, a Canadian listed company in the energy sector. These shares were acquired during the Company's Australian asset sales program in 2006.

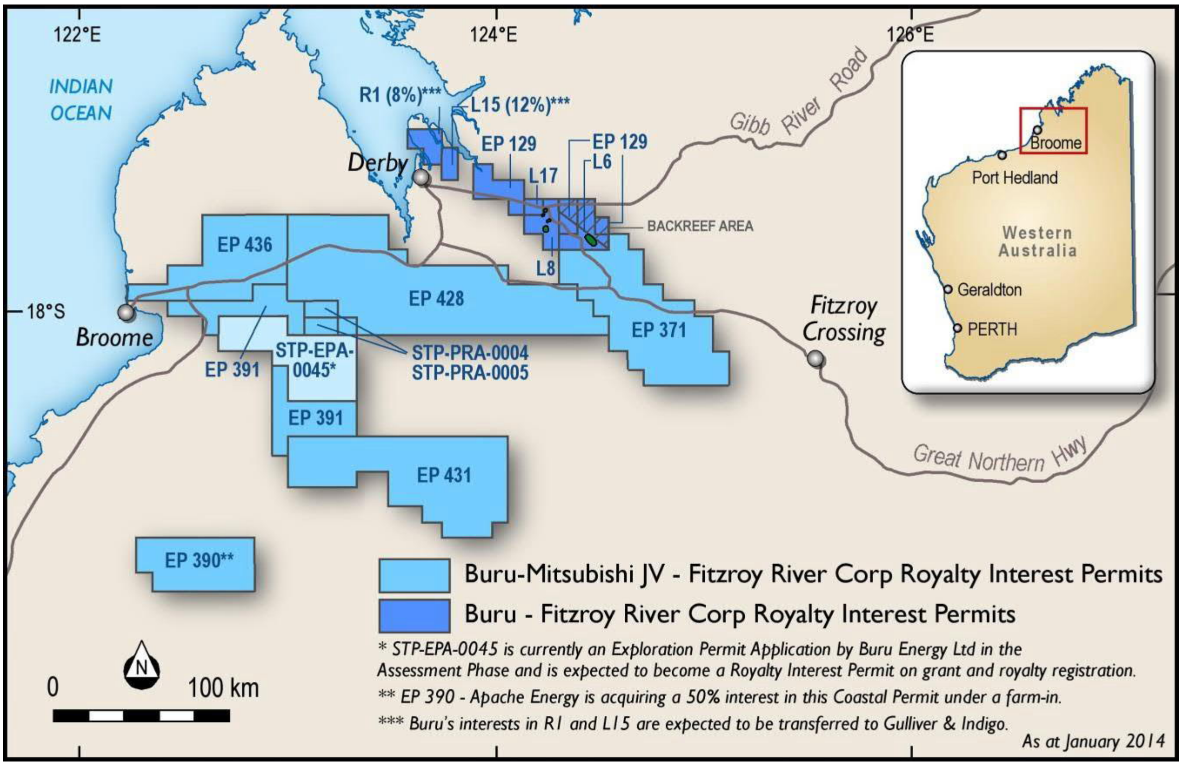
The Company relocated its registered office to Sydney during the half-year.

Fitzroy holds royalty interests in several permits in the Canning Basin (via 2 separate Royalty Deeds). Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant Royalty Deeds.

Review of operations continued

1) Canning Basin Royalty - Canning Basin (Western Australia)

The map below shows the location of all of the Company's royalty interests, including those under the Canning Basin Royalty.



The 2% Canning Basin Royalty has the potential to become animportant income producing asset of Fitzroy. It covers 6 primary Permits, namely EP 391, EP 431, EP 436, EP 371, EP 390 and EP 428 as well as covering other areas or interests (including R1 and L15) as shown in the map above.

These 6 Permits are (as at 31 December 2013) held 50% by Buru Energy Ltd ('Buru') and 50% by either Diamond Resources (Fitzroy) Pty Ltd ('DRF'), or Diamond Resources (Canning) Pty Ltd ('DRC'), both of which are wholly owned subsidiaries of Mitsubishi Corporation ('Mitsubishi')). DRF and DRC are currently each responsible, as to 50%, for the obligations and liabilities under the 26 August 2006 'Canning Basin Royalty Deed' relating to these 6 Permits. Mitsubishi has guaranteed to Fitzroy the performance of DRF's and DRC's obligations.

Of these 6 Permits, 5 are classed as State Agreement permits (all except EP 390).

The Company is in dispute with Buru, Mitsubishi, DRF and DRC concerning the method of calculation of the Canning Basin Royalty and the Company commenced proceedings in the Supreme Court of Western Australia during the half-year. Towards the end of the half-year the Company received the Defendants' Defence and Counterclaim.

Buru announced on 13 December 2013 that oil production from the Ungani Field had recommenced under a 3 stage development program. Crude oil is now trucked from Ungani to a storage facility at the Port of Wyndham.

No Ungani Field royalty payments were received by Fitzroy from Buru and DRF during the half-year under the Canning Basin Royalty (other than an amount less than $1,000 received in July 2013 (accrued in the previous financial year) in respect of crude oil sold in April-May 2013, after the end of the 2012-13 extended production test that produced over 100,000 bbls).

Late in the half-year, Buru announced various transactions pertaining to R1, L15 and EP 390 that will involve Buru (and DRC) assigning royalty obligations to new parties.

Directors' Report
31 December 2013

Review of operations continued

2) Lennard Shelf Royalty - Canning Basin (Western Australia)

This royalty is at 3% of Well Head Value (net) over EP129 and L6 and L8 production and sales.

No Blina/Sundown oilfield royalty payments were received by Fitzroy from Buru during the half-year under the Lennard Shelf Royalty, due to the January 2013 shut-in of these fields.

The results of the Company's operations as reviewed above are as described below.

Statement of profit or loss and other comprehensive income.

The Company made a loss of $392,000 for the six months ended 31 December 2013. The result reflects that there were no royalties received for the half-year as oil production from the Ungani field only re-commenced late in the half-year. Income comprised mainly interest from term deposits. Operating costs include abnormal expenses in relation to the sale of the remaining EGL UK shares and in relation to the legal proceedings mentioned above. The remaining shares in EGL UK were sold at the 30 June 2013 fair value, and as a result there was no impact on profit for the half-year.

Statement of financial position

The major movement in the Statement of financial position was the sale of EGL UK shares during the half-year which has resulted in an increase in cash and cash equivalents.

Statement of changes in equity

The only movement in equity during the half-year was the loss for the period.

Statement of cash flows

Overall there was a cash outflow from operations during the half-year as a result of the operating loss for the period. This was off-set by the inflow of funds from the sale of the shares in EGL UK.

Auditor's independence declaration

The auditor's independence declaration and Review Report are set out on page 19 and form part of the directors' report for the half-year ended 31 December 2013.

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

Dated 13 March 2014

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year ended 31 December 2013

	Note	Consolidated 31 December 2013 $'000	Consolidated 31 December 2012 $'000
Revenue		**153**	55
Other income		**2**	63
Professional and consultancy		**(116)**	(228)
Other expenses		**(431)**	(262)
Profit/(Loss) before income tax		**(392)**	(372)
Income tax expense		**-**	-
Profit/(Loss) from continuing operations		**(392)**	(372)
Profit/(loss) from discontinued operations	4	**-**	10,669
Profit/(loss) for the period		**(392)**	10,297
Other comprehensive income:			
Exchange loss transferred to profit on disposal of foreign operations		**-**	6,582
Other comprehensive income/(loss) for the half-year, net of tax		**-**	6,582
Total comprehensive income/(loss) for the half-year		**(392)**	16,879

Earnings per share		
From continuing operations:		
Basic earnings/(loss) per share (cents)	**(0.43)**	(0.35)
Diluted earnings/(loss) per share (cents)	**(0.43)**	(0.35)
From continuing and discontinued operations:		
Basic earnings/(loss) per share (cents)	**(0.43)**	9.63
Diluted earnings/(loss) per share (cents)	**(0.43)**	9.63

The accompanying notes form part of these financial statements.

Condensed Interim Statement of Financial Position

As At 31 December 2013

	Note	Consolidated 31 December 2013 $'000	30 June 2013 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**12,201**	3,616
Trade and other receivables		**104**	30
TOTAL CURRENT ASSETS		**12,305**	3,646
NON-CURRENT ASSETS			
Available for sale financial assets	5	**28**	9,107
TOTAL NON-CURRENT ASSETS		**28**	9,107
TOTAL ASSETS		**12,333**	12,753
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**12**	40
TOTAL CURRENT LIABILITIES		**12**	40
NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		**12**	40
NET ASSETS		**12,321**	12,713
EQUITY			
Issued capital	7	**42,284**	42,284
Reserves		**17**	17
Accumulated losses		**(29,980)**	(29,588)
TOTAL EQUITY		**12,321**	12,713

Fitzroy River Corporation Ltd

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Condensed Interim Statement of Changes in Equity

For the Half-Year Ended 31 December 2013

31 December 2013	Consolidated					
	Issued Capital $'000	Accumulated losses $'000	Foreign Currency Translation Reserve $'000	Available for sale investment reserve $'000	Share based payment reserve $'000	Total $'000
Balance at 1 July 2013	**42,284**	**(29,588)**	**-**	**17**	**-**	**12,713**
Profit/(loss) for the half-year	**-**	**(392)**	**-**	**-**	**-**	**(392)**
Other comprehensive income for the half-year (net)	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the half-year	**-**	**(392)**	**-**	**-**	**-**	**(392)**
Balance at 31 December 2013	**42,284**	**(29,980)**	**-**	**17**	**-**	**12,321**

31 December 2012	Consolidated					
	Issued Capital $'000	Accumulated losses $'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 for the half-year (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						
Shares bought back during the half-year	(42,550)	-	-	-	-	(42,550)
Transfers to retained earnings on lapse of options	-	5,125	-	-	(5,125)	-
Balance at 31 December 2012	38,812	(28,329)	-	54	-	10,537

The accompanying notes form part of these financial statements.

Condensed Interim Statement of Cash Flows
For the Half-Year ended 31 December 2013

	Consolidated	
	31 December 2013 $'000	**31 December 2012 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	**2**	63
Payments to suppliers and employees	**(574)**	(539)
Interest and Royalties received	**78**	55
Net cash provided by (used in) operating activities	**(494)**	(421)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment	**9,079**	-
Cash outflow on disposal of subsidiaries	**-**	(5,828)
Net cash used by/(used in) investing activities	**9,079**	(5,828)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in cash and cash equivalents held	**8,585**	(6,249)
Cash and cash equivalents at beginning of period	**3,616**	6,575
Cash and cash equivalents at end of the half-year	**12,201**	326

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Period Ended 31 December 2013

1 Corporate Information

This interim financial report includes the consolidated financial statements and notes of Fitzroy River Corporation Ltd ('the Company' or "FZR" or "Fitzroy") and its controlled entities (the 'Group'). The interim financial statements were authorised for issue by the Board of Directors on 13 March 2014.

Fitzroy River Corporation Ltd 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 current focus on non-operational assets such as royalties 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.

2 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2013 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 half-year 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 2013, together with any public announcements made during or since the half-year.

3 Significant Accounting Policies

(a) Accounting policies

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, except in relation to some of the matters discussed at Note 3 (b) below.

(b) Adoption of new and revised accounting standards

During the current half-year, the following standard became mandatory and have been adopted retrospectively by the Group:

AASB 13 *Fair Value Measurement*

The Group has adopted AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this interim financial report have been provided in Note 6. Although these Standards do not significantly impact the fair value amounts reported in the Groups financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(f), should be incorporated in these financial statements.

3 Significant Accounting Policies continued

(c) 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. 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 half-year, 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.

The components of the Group are:

	Incorporated in	***31/12/2013***	***30/6/2013***	***31/12/2012***	***30/6/2012***
Fitzroy River Corporation Ltd [Parent]	Australia				
Subsidiary of Fitzroy River Corporation Ltd: European Gas Limited (UK)	England & Wales	0%	25.5%	25.5%	100%

All controlled entities have a June financial year-end.

(d) 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 profit or loss and other 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.

(e) 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.

3 Significant Accounting Policies continued

(f) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

3 Significant Accounting Policies continued

(f) Fair Value of Assets and Liabilities continued

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

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").

Shareholder approval for a 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. As a result of the Buy-back the Company did not have control or a significant influence over EGL UK and the operations of EGL UK were accounted for as a discontinued operation.

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

Notes to the Financial Statements
For the Period Ended 31 December 2013

4 Discontinued Operations continued

	31 December 2013 $'000	31 December 2012 $'000
Other income	-	39
Gain on disposal of subsidiary	-	21,570
Exchange loss transferred to profit or loss on disposal of foreign operation	-	(6,582)
Deferred tax relating to fair value of retained investments	-	(4,358)
Total profit/(loss) after tax attributable to the discontinued operation	-	10,669

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	
	31 December 2013 $'000	31 December 2012 $'000
Consideration for disposal of the subsidiary		
Buy-back of 221,615,657 shares @ $0.192	-	42,550
Fair value of investment retained in the subsidiary (75,656,848 shares @ $0.192)	-	14,526
Net cash flow	-	57,076
Net assets of disposed group as at 26 July 2012	-	(35,506)
	-	21,570

Notes to the Financial Statements
For the Period Ended 31 December 2013

5 Other Financial Assets

Available-for-sale financial assets

	Consolidated	
	31 December 2013 $'000	**30 June 2013 $'000**
Listed investments, at fair value:		
- shares in Columbus Energy Ltd	**28**	28
	28	28
Unlisted investments, at fair value		
- shares in European Gas Limited UK (at 12 cents per share)	**-**	9,079
	-	9,079
Total available-for-sale financial assets	**28**	9,107

At 30 June 2013 the Company 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 accounted for this 25.5% investment as an available for sale investment as the Company did not have control or a significant influence over EGL UK.

The Company's shareholders approved the sale of the Company's remaining EGL UK shares for $0.12 per share at a General Meeting of shareholders held on 24 September 2013. The sale was completed on 27 September 2013. Proceeds of the share sale amounted to $9,079,821.76.

6 Fair Value Measurement

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Group:

	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2013	**$'000**	**$'000**	**$'000**	**$'000**
Recurring fair value measurements				
Financial assets				
Listed Shares	**28**	**-**	**-**	**28**

Notes to the Financial Statements
For the Period Ended 31 December 2013

30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Listed Shares	28	-	-	28
Unlisted Shares	-	9,079	-	9,079

Level 2 measurements

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

- UGL 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 was called for 24 September 2013 to seek approval of shareholders to the sale.

7 Contributed Equity

Ordinary Shares

	Consolidated		**Consolidated**	
	31 December 2013 No.	30 June 2013 No.	**31 December 2013 $'000**	30 June 2013 $'000
At the beginning of the reporting period	**90,788,298**	297,272,505	**42,284**	81,883
Shares issued during the year				
1 for 5 Rights issue	**-**	15,131,450	**-**	3,471
Share bought back during the year:				
Share buy-back 26 July 2012	**-**	(221,615,657)	**-**	(42,550)
At the end of the reporting period	**90,788,298**	90,788,298	**42,284**	42,284

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.

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

Outstanding Options

The Company had no options or other convertible securities on issue at 31 December 2013 or 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.

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

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

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

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

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

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.

9 Contingent Liabilities and Contingent Assets continued

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 (considered to be unlikely) 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$98,000 under its royalty interest in respect of EP391 Ungani oil production.

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

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

During the half-year, the Company received the 'Defendants' Defence and Counterclaim' dated 10 December 2013. The dispute remains unresolved as at 31 December 2013.

Carry forward capital losses

The Company's financial statements for the year ended 30 June 2013 (at Note 8) referred to significant deferred tax assets comprising tax losses that had not been recognised as a deferred tax asset. In order to recoup any such 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 at applicable times. In addition, in connection with work currently being done on the Company's 2013 tax return, the Company is reviewing its overall capital and tax loss position including as to quantum. 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.

Notes to the Financial Statements
For the Period Ended 31 December 2013

10 Events after the end of the Reporting Period

No matters or circumstances have arisen since the end of the half-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.

11 Company Details

The registered office of the company is:

Fitzroy River Corporation Ltd
Suite 2, Level 1
50 Margaret Street
Sydney NSW 2000

Telephone: 1300 003 686
Fax: +61 2 9290 2707
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 4 to 17 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 2013 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

Dated 13 March 2014

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

13 March 2014

Dear Board Members,

Fitzroy River Corporation Limited

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

As lead audit partner for the review of the financial statements of Fitzroy River Corporation Limited for the half-year ended 31 December 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith

Neil Smith
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of Fitzroy River Corporation 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 2013, 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 4 to 18.

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 2013 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 2013 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

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 13 March 2014