

## Appendix 4D

### Energy World Corporation Ltd and Controlled Entities ABN 34 009 124 994

**Half year ended: 31 December 2017**

**Previous corresponding reporting period: 31 December 2016**

This information should be read in conjunction with the 30 June 2017 Annual Report.

Results for announcement to the market				US\$'000
Revenue from ordinary activities	Down	8.9%	to	85,023
Profit before tax	Down	11.0%	to	25,503
Profit after income tax expense for the period attributable to members	Down	14.3%	to	12,862
Dividends (distributions)		Amount per security	Franked amount per security	
Interim dividend		Nil	Nil	
Previous corresponding period		Nil	Nil	
Record date for determining entitlements to the dividend				N/A
<b>Commentary on the results for the period</b>				
The commentary on the results of the period is contained in the Directors Report included in the Half Year Financial Report.				

	31 Dec 2017	31 Dec 2016
<b>Net Tangible Asset Backing</b>		
Net tangible asset backing per ordinary security	<b>34.35 cents</b>	32.11 cents

#### Loss of control over entities

Control gained or lost over entities during the year: None

#### Details of associates and joint venture entities

Please see the Annual Report 2017 for details regarding joint venture entities.

#### Foreign entities

Origin of accounting standards for foreign entities used in compiling the report: Not Applicable.

#### Audit qualification or review

The accounts were subject to a review by the auditors and the review report is attached.

#### Attachments

The Report for the half-year ended 31 December 2017 for Energy World Corporation Ltd is attached.

# **Energy World Corporation Ltd**

**ABN 34 009 124 994**

Interim financial statements

**31 December 2017**

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Energy World Corporation Ltd and its Controlled Entities  
For the Half Year Ended 31 December 2017

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# Company Information

Energy World Corporation Ltd and its Controlled Entities  
For the Half Year Ended 31 December 2017

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## Company Information

<b>DIRECTORS</b>	Mr. S.W.G. Elliott Mr. I.W. Jordan Mr. B.J. Allen Mr. G.S. Elliott Mr. J.J. Fong	Chairman, Managing Director and Chief Executive Officer Executive Director Executive Director and Finance Director Executive Director Executive Director and additional Company Secretary (resigned on 28 November 2017)
	Dr. B.D. Littlechild Mr. M.P. O'Neill Mr. L.J. Charles Mr. Kevin Blount Mr. Winston Mandrawa	Independent Non-Executive Director (retired on 28 November 2017) Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director (resigned on 28 November 2017) Non-Executive Director (appointed on 31 July 2017)

<b>COMPANY SECRETARY</b>	Mr. I.W. Jordan Mr. J.J. Fong (resigned on 28 November 2017)
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<b>REGISTERED AND SYDNEY OFFICE</b>	9A, Seaforth Crescent Seaforth, NSW 2092 AUSTRALIA Telephone: (61-2) 9247 6888 Facsimile : (61-2) 9247 6100
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<b>HONG KONG OFFICE</b>	Suite 08, 48 <sup>th</sup> Floor Sun Hung Kai Centre 30 Harbour Road HONG KONG Telephone: (852) 2528 0082 Facsimile : (852) 2528 0966
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<b>AUDITORS</b>	Ernst & Young 200 George Street Sydney, NSW 2000 AUSTRALIA	<b>SHARE REGISTRY</b>	Computershare Registry Services Pty Ltd 45 St George's Terrace Perth, WA 6000 AUSTRALIA
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<b>LEGAL ADVISORS</b>	Hogan Lovells 11/F One Pacific Place 88 Queensway HONG KONG	<b>BANKERS</b>	Standard Chartered Bank Marina Bay Financial Centre (Tower 1) 8 Marina Boulevard SINGAPORE 018981  Standard Chartered Bank Standard Chartered Bank Building 4-4A Des Voeux Road Central HONG KONG  Mizuho Corporate Bank, Ltd. 17 <sup>th</sup> Floor, Two Pacific Place 88 Queensway HONG KONG  The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central HONG KONG
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<b>EMAIL</b>	<a href="mailto:188ew@optusnet.com.au">188ew@optusnet.com.au</a>
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<b>LISTED ON THE AUSTRALIAN STOCK EXCHANGE</b>	<b>CODE</b>	EWC
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<b>AUSTRALIAN BUSINESS NUMBER</b>	34 009 124 994
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Energy World Corporation Ltd, is a publicly listed company limited by shares incorporated and domiciled in Australia.

## Directors' Report

The Directors present their report together with the financial report of Energy World Corporation Ltd ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the half year ended 31 December 2017.

### Directors

The Directors of the Company at any time during or since the end of the half year are:

Mr. S.W.G. Elliott	Chairman, Managing Director and Chief Executive Officer
Mr. I.W. Jordan	Executive Director
Mr. B.J. Allen	Executive Director and Finance Director
Mr. G.S. Elliott	Executive Director
Mr. J.J. Fong	Executive Director and additional Company Secretary (resigned on 28 November 2017)
Dr. B.D. Littlechild	Independent Non-Executive Director (retired on 28 November 2017)
Mr. M.P. O'Neill	Independent Non-Executive Director
Mr. L.J. Charles	Independent Non-Executive Director
Mr. Kevin Blount	Independent Non-Executive Director (resigned on 28 November 2017)
Mr. Winston Mandrawa	Non-Executive Director (appointed on 31 July 2017)

### Overview

We are an independent energy company primarily engaged in the production and sale of power and natural gas and we are expanding into liquefied natural gas (LNG). Our strategy is to become a leader in modular LNG development and the operator of a vertically integrated clean energy supply chain delivering power, natural gas and LNG throughout the Asia Pacific region.

The consolidated entity's principal activities during the course of the financial year were:

- development, design, construction, operation and maintenance of power stations;
- development of liquefied natural gas, design, construction, operation and maintenance of LNG plants and road transport of LNG, and design and development of LNG receiving terminals; and
- exploration, development and production of gas and oil, design, construction, operation and maintenance of gas, processing plants and gas pipelines.

Our existing assets comprise:

- a 95% interest in the Sengkang Combined Cycle Power Plant (Block 1 and Block 2) in Indonesia;
- a 100% interest in the Sengkang Gas Field in Indonesia;
- a 100% interest in the Alice Springs Power Plant which is not currently in production;
- a 100% interest in the Alice Springs LNG Facility located at Alice Springs, Australia, which is not currently in production; and
- a 100% interest in the Gilmore Gas Field and Eromanga Gas Field which is in care and maintenance.

Our projects which are under development comprise:

- a 100% interest in the Gilmore LNG Project in Gilmore, Australia;
- a 100% interest in the Sengkang LNG Project in Indonesia;
- a 100% interest in the Philippines LNG Hub in Pagbilao, Philippines; and
- a 100% interest in the Philippines Power Plant, in Pagbilao, Philippines.

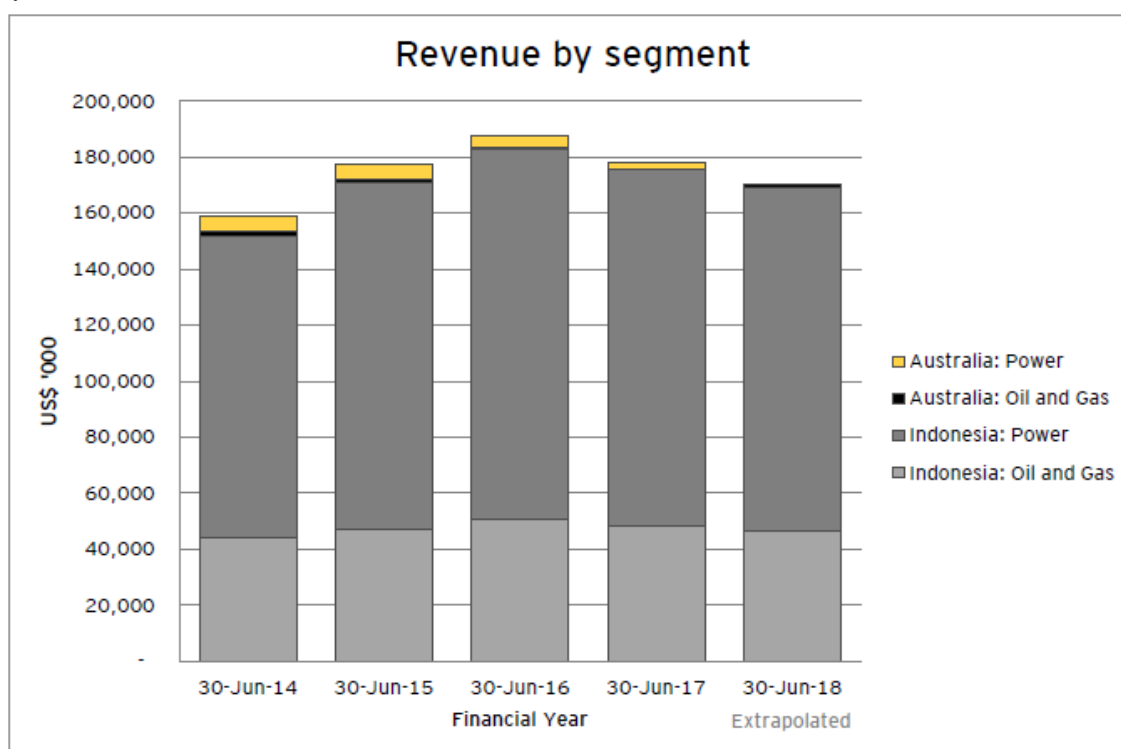
In addition, we are considering the feasibility of:

- the Abbot Point LNG Project.

## Review and Results of Operations

### REVENUE BY SEGMENT

Revenue for the consolidated group for the six month period was \$85.0 million which extrapolates to \$170 million for the full year. This has declined 4.3% from the revenues in FY17 of \$177.8 million.



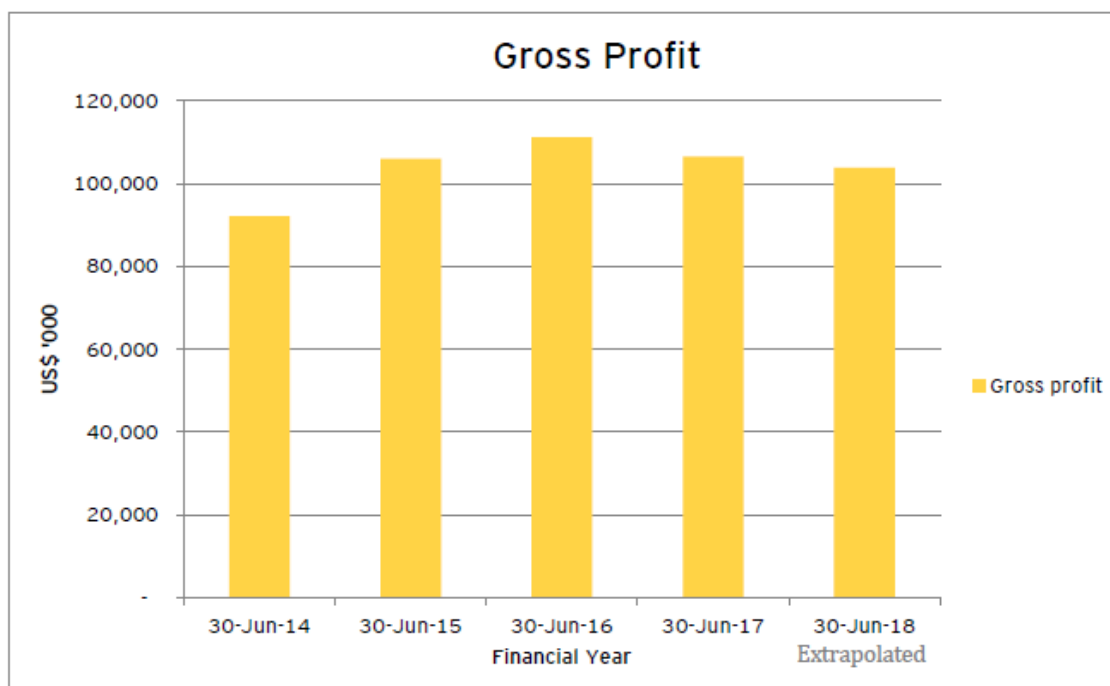
Revenue has increased from FY14 to FY16 with a slight decrease in FY17 and the current year. The decrease from 2017 to 2018 (annualised) is mainly due to the following:

- Indonesian Gas (FY18: \$46.6m, FY17: \$48.2m): \$1.6 million decrease due to lower volumes delivered (7,571,485 MMBTU YTD, 15,142,970 MMBTU annualised) when compared against FY17 volumes (16,174,741 MMBTU). Offset by slight increases in price. Decreased volumes were a result of decreased flow rates at the Kampung Baru wells. While this has not had a significant impact on operations, a new compressor is expected to be purchased to increase gas pressure going forward. Management also plans to drill new wells within the next 12-18 months.
- Indonesian Power (FY18: \$122.6m, FY17: \$127.1m): Annualised power revenue is expected to decrease 3.5% compared to FY17, in line with the decrease in the availability of gas from Kampung Baru.
- Australian Power (FY18: nil, FY17: \$2.0m): Revenue has ceased as a result of the expiration of the Territory Generation contract in March 2017 which was not subsequently renewed.

- Australian Oil & Gas (FY18: \$0.7m, FY17: \$0.5m): Revenue has remained relatively stable during HY18 with an expected annualised increase of \$0.2 million compared to FY17.

## GROSS PROFIT

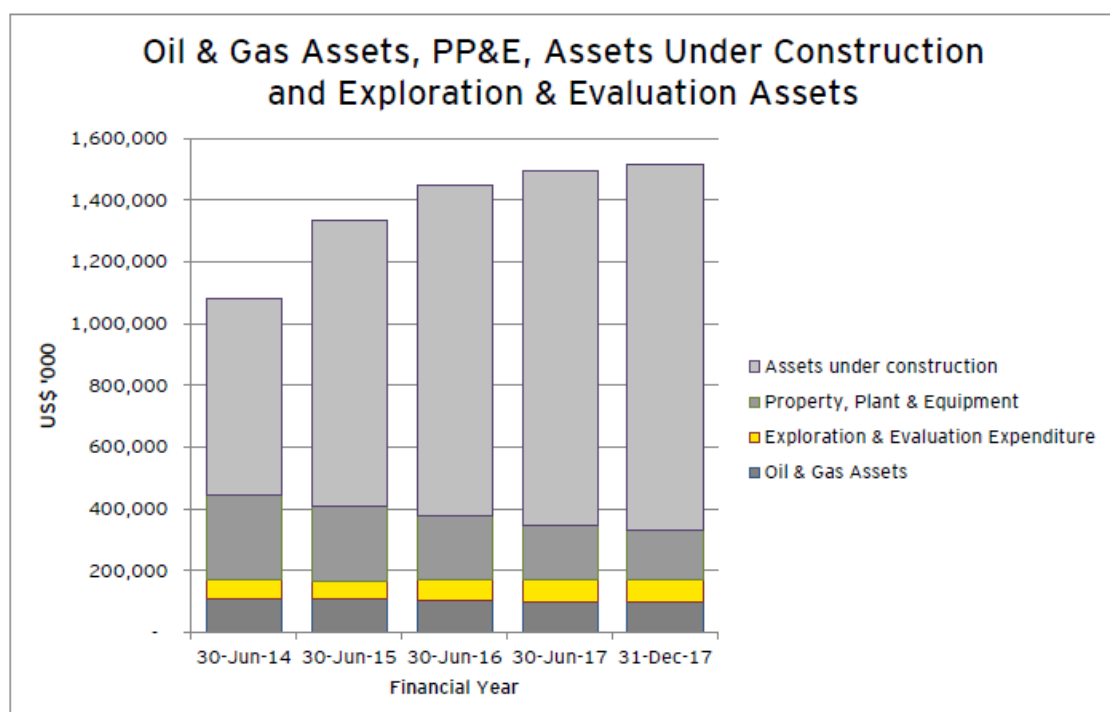
Gross profit for the consolidated group for the six month period was \$51.8 million. Extrapolated to \$103.6 million for a full year, this equates to a decrease of 2.5% from FY17.



Gross profit as a percentage of revenue for FY18 is projected at 61%. This is slightly above FY17 of 60%.

Gross profit in dollar terms has decreased by 2.5%, which is primarily a result of the decrease in revenue experienced in the Indonesian Gas and Power businesses.

## OIL & GAS ASSETS, PP&E, ASSETS UNDER CONSTRUCTION and EXPLORATION & EVALUATION ASSETS



Assets under construction has increased by \$35.8 million as a result of:

- Sengkang LNG: Additions of \$12.4 million, primarily relating to construction progress.
- Philippines Power Project: \$17.7 million of additions related to construction progress.
- Philippines LNG hub terminal: \$4.4 million of additions related to construction progress.
- Gilmore LNG Project: Additions of \$1.3 million pertaining to construction progress.

The remainder of the increase relates to capitalised interest and small additions to other projects within the group.



## **Our Business**

We set out below, grouped by location, our existing assets, projects under development and projects the feasibility of which we are considering.

### **INDONESIA**

#### **Indonesian power operations**

The Sengkang Power Plant is one of our existing assets.

The Sengkang Power Plant, in which we have a 95% interest (Medco Power Indonesia, an independent third party, owns the remaining 5% interest, as required under Indonesian law), has been operating since 1997 and was the first non-state-owned gas-fired power station in Indonesia. Electricity is sold under a long-term take-or-pay power purchase agreement into the South Sulawesi power grid operated by PLN, the Indonesian state-owned electricity company. We supply all of the gas to fuel the Sengkang Power Plant from our Sengkang Contract Area under a long-term gas supply arrangement.

The Sengkang Power Plant comprises generating plants and auxiliary facilities. It is designed currently to deliver 315 MW (total rated output of 357MW), using two combined cycle plants, Block 1, which is 135 MW (Gross Output 161.6MW), and Block 2, which is 180 MW (Gross Output 196MW).

#### ***Sengkang Power Purchase Agreement***

The Sengkang Power Plant has a take-or-pay power purchase agreement with PLN, to supply power to the South Sulawesi electricity grid, up to 12 September 2022. Payments under the Sengkang PPA have been made at monthly intervals in accordance with its terms. The tariff structure for the Sengkang PPA is conventional for Indonesian power purchase agreements and provides for the recovery of capital costs associated with the construction of the Sengkang Power Plant and associated infrastructure, operation and maintenance costs and fuel costs. The tariff contains two principal components, a capacity payment and an energy payment.

#### **Indonesian Gas Operations**

##### ***Sengkang Gas Field***

Our Sengkang Gas Field, within the Sengkang Contract Area, is one of our existing assets.

In Indonesia, we have a 100% interest in the 2,925.2 km<sup>2</sup> Sengkang Contract Area under a production sharing contract entered into with SKKMigas<sup>\*</sup> predecessor, BPMigas, the Indonesian gas regulator and supervising body of upstream oil and gas activities. The Sengkang PSC gives us the exclusive right to explore for and produce petroleum, including natural gas, within the Sengkang Contract Area until 22 October 2022. Our current operations in Indonesia consist of extracting and processing gas from the Kampung Baru Gas Field in the Sengkang Contract Area for supply to our Power Plant using our own gas infrastructure. In June 2011, BPMigas approved our plan of development for the Wasambo Gas Fields at Sengkang. In December 2017, we were formally invited by SKKMigas to apply to extend the Sengkang PSC for a further period. Our formal application is currently being prepared for submission to SKKMigas in June 2018.

Natural gas from the production wells in the Sengkang Contract Area is piped to the central processing plant located in Wajo Regency, South Sulawesi. The central processing plant processes the gas to reduce the water, hydrogen sulphide and carbon dioxide content of the gas, which is then transmitted via pipeline to the Sengkang Combined Cycle Power Plant. We have upgraded and supplemented our gas production, pipeline and processing facilities in order to accommodate the increased gas supply to the recently expanded Sengkang Combined Cycle Power Plant.

In addition to the Kampung Baru Gas Field and Wasambo Gas Fields, there are a considerable number of reefal buildups and structures in the Sengkang Contract Area which are classified as leads, indicating exploration potential which require more seismic data acquisition or evaluation to resolve positioning issues before drilling.

The Company has evaluated the results of a seismic program completed in 2013 in other locations within the Sengkang PSC to identify the next drilling prospects and to further define additional gas reserves. The 2D seismic program was completed in April 2013 by PT. Kharisma Geophysical Bumiputra (a seismic contractor) assisted by PT. Bimayudha Utama Putera (the subcontractors for labor supply and seismic drilling equipment). A total of 226.5

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<sup>\*</sup> In November 2012 BPMigas was dissolved by constitutional court order in Indonesia. Following their dissolution, the Government of Indonesia established SKKMigas to take over for BPMigas as the state sanctioned upstream oil and gas regulator.

km of surface coverage was surveyed in the acquisition which consisted of 37 seismic lines that were laid on four separate sub-blocks: Tosora, Minyak Tanah, Walanga and Sallo Bullo. During the operation, 3,566 shot-holes were drilled with a cumulative depth of approximately 84,359 meters. The data acquired 3,554 seismic profiles or 99.83% of the preliminary programme (3,560 SP). Based on initial evaluation, we believe the most likely favorable drillable prospects are Sallo Bullo, Tosora and North Minyak Tanah.

### ***Sengkang LNG Project***

Our Sengkang LNG Project is one of our projects under development. The Project is controlled by our wholly owned subsidiary, PT South Sulawesi LNG (“PT SSLNG”)

We are developing the Sengkang LNG Project on the South Sulawesi coastline, in the same region as our Sengkang Contract Area and Sengkang Combined Cycle Power Plant, to monetise additional gas reserves and contingent resources in the Sengkang Contract Area in excess of the fuel requirement for the Sengkang Combined Cycle Power Plant. The project consists initially of (i) four modular LNG trains, each with a capacity of 0.5 MTPA for a total LNG capacity of 2 MTPA, (ii) an LNG storage facility and (iii) an LNG loading facility.

This project is well advanced with key equipment, including four cold-boxes, compressors and ancillary equipment already installed on site. The LNG storage tank has been fully slipformed and is now subject to fit out. Jetty works have been finalised and loading arms have been installed. The interconnecting pipework and the installation of the control and instrumentation systems are being completed.

We have experienced delays in the project development due to the conditions required to complete the project financing which amongst other conditions require an agreement to be concluded with PLN for the initial offtake of LNG from the plant. Commercial discussions continue which PLN in regard to the potential offtake of LNG. The timetable for commercial operation of the 500,000 TPA train is determined by the outcome of these discussions.

EWC has held extensive discussion with SKKMigas and PLN and have identified a commercial solution potentially acceptable to all parties on the price of the feedstock gas and the free on board (FOB) price of the LNG. This data is now being processed for approval through the appropriate channels in Indonesia. Once approved it will enable PT SSLNG to finalise matters to bring the first phase of the project into commercial operation.

If the development of gas resources justifies (which is not known at the present time), we envisage expanding the capacity of the Sengkang LNG Project up to 5 MTPA through a phased development of additional 0.5 MTPA modular LNG trains in the long term.

A letter was received from the Ministry of Forestry in June 2017 claiming the land used to construct the LNG Facility did not have their approval for construction. As the land in question was originally fish farms and not forest, we are of the view that we can sufficiently defend our position, and are in the process of resolving this matter.

## **AUSTRALIA**

### **Australian Power Operations**

#### ***Alice Springs Power Plant, Australia***

Our Alice Springs Power Plant is one of our existing assets.

We have operated our Alice Springs Power Plant, in which we have a 100% interest, since 1996 under a 20 years power purchase agreement with NT PWC, the power utility company of the Northern Territory, Australia. NT PWC supplies piped natural gas to fuel the Alice Springs Power Plant under the terms of the power purchase agreement. The gas price under the power purchase agreement was partially inflation adjusted.

This PPA expired in April 2017 and was not extended. The company is therefore considering its options for this plant which include utilising it as a dedicated power source for the LNG plant or moving some of the units to Gilmore LNG facility as the power plant for its development.

Our subsidiary Central Energy Power Pty Ltd is responsible for the operation, repair and maintenance of our Alice Springs Power Plant.

### **Australian Gas Operations**

Our Australian gas fields comprise of our Eromanga Gas Field and our Gilmore Gas Field, each of which is an existing asset.

Historically we have carried on gas operations in Australia from our Gilmore and Eromanga Gas Fields. However, we do not currently produce gas from these gas fields and they are currently held under care and maintenance. Given the recent increases in domestic gas prices the Company is currently developing a plan to recommence the sales of the gas from these assets to domestic customers via pipelines already connected.

AGF is the registered holder for ATP549. APT549 will be replaced by PLA 1030, 1031, 1032 and 1033. On 14 February 2018 we were informed by DNRME that they had all information required for the application and are processing the applications.

Our other existing Australian oil and gas interests comprise of our minority joint venture interests in various gas fields with independent third parties.

AGF has a 2% interest in the Naccowlah Block (part of ATP-259P) which is a producing oil field near to Eromanga. AGF also has a 2% interest in a number of petroleum leases which were derived from the Naccowlah Block. The Naccowlah Block is operated by Santos Limited, an independent third party, under a joint operating agreement originally entered into in 1982 to which AGF subsequently became a party.

AGF has a 19.6% interest in PL184 (known as the Thylungra Gas Field) in Queensland located near our Eromanga Gas Field. Beach Energy Limited, an independent third party, is the operator of Thylungra block, PL184. Some minor geological and geophysical works were undertaken by Beach Energy Limited requiring AGF to fund its participation in this development to maintain its percentage interest. In July 2017, AGF entered into a conditional sale and purchase agreement in relation to acquiring the remaining interest in PL 184. Upon the final payment under this agreement, AGF will acquire the full interest in PL184.

Our wholly-owned subsidiary Australian Gasfields Ltd (AGF) is a party to a joint operating agreement with Strike Energy Limited, an independent third party, in respect of the exploration licence area PEL 96, in the southern part of the Cooper/Eromanga Gas Field Basin in South Australia. PEL 96 was granted in May 2009 and has been renewed till November 2019. The permit area is approximately 4,050 km<sup>2</sup> in an onshore conventional oil and gas region and is located close to a gas production facility and open access gas pipe infrastructure connecting South Australia, Queensland and New South Wales. AGF's interest in PEL 96 is 33.3%.

On 20 December 2017, Strike Energy updated the shareholders regarding progress on Klebb 1 vertical well within its Southern Cooper Basin Gas Project (SCBGP) in PEL 96. Klebb 1 was recompleted in October 2017 to access the Vu Lower coal seam, which despite being fracture stimulated in 2014 has not previously been tested. Since the recompletion, the water level has been drawn down slowly, allowing gas desorption to occur indicative of a gas content of at least 6.1m<sup>3</sup>/t. It was spudded on 15 February and has now reached a TD of 2,164m. Testing and the drilling of the horizontal well will follow.

### **Australian LNG Operations**

Our LNG businesses started in 1989 with our commissioning of a 10,000 TPA modular LNG facility located in Alice Springs, Australia's first commercial LNG plant.

#### ***Alice Springs LNG Facility***

Our Alice Springs LNG Facility is one of our existing assets.

Central Energy Australia Pty. Ltd. ("CEA"), a wholly owned subsidiary of EWC, owns the Alice Springs LNG Facility, a 454 TJ/annum (approximately 10,000 TPA) LNG facility at Alice Springs in the Northern Territory, which was operated by CEA for more than 18 years until the suspension of operations in 2006 at the end of the take-or-pay contract with NT PWC. Under this contract, CEA supplied LNG by cryogenic road tanker to a remote power station located in Uluru (Ayers Rock), operated by NT PWC, before converting LNG back to combustible material for fuelling the power generating equipment.

The Alice Springs facility was our first LNG development and the first commercial LNG facility in Australia. This small-scale modular LNG train confirmed the feasibility of LNG as an alternative to diesel fuel for remote area power generation where grid-supplied electricity or piped gas is not available. By operating a remote facility located at Alice Springs and transporting LNG by road tanker to a remote power station located in Uluru (Ayers Rock) for more than 18 years, we gained experience and established a proven track record in converting natural gas to LNG and in transporting LNG at cryogenic temperatures to be regasified and used at remote power plants. This core experience provides useful background for the development of our LNG business.

Although the facility is not currently in production or operation it has been upgraded and is ready for commercial supply of LNG to the market. Any future LNG supply contracts from our Alice Springs LNG Facility can be backed

up with those from the Gilmore project and vice versa. We anticipate this backup will provide potential customers in the off-grid power generation and transportation markets with additional comfort on reliable LNG supplies.

### ***Gilmore LNG Project***

Our Gilmore LNG Project is one of our projects under development.

We are developing a compact modular 56,000 TPA LNG liquefaction facility adjacent to our Gilmore Gas Plant employing a compact modular LNG train design. We acquired the liquefaction and gas pre-treatment equipment for this plant from Chart. We target to sell LNG from Gilmore as fuel for off-grid power generation at remote mine sites and for long-haul road vehicles. We are also considering developing a network of roadside LNG refueling stations to supply LNG and compressed natural gas as vehicle fuel. These refueling stations would be supplied with LNG from Gilmore by road tanker. We have not entered into any binding arrangements for the sale of LNG from the Gilmore LNG Project.

Having completed the engineering and design under a management services agreement with Slipform (H.K.), we have entered into an engineering, procurement and construction contract with Slipform under which it is responsible for the design, construction and commissioning of the Gilmore LNG Project. We assess the current contingent resources at our Gilmore Gas Field to be sufficient for 8-10 years of LNG production from the plant. We are considering bringing the Eromanga Gas Field on line, once the Gilmore LNG Project becomes operational, to supplement the gas supply from the Gilmore Field to its LNG Project.

Site works have commenced and major equipment including the cold-box have been erected on site and, and our planning is to complete the construction of the Gilmore LNG Project and associated works and undertake commissioning and commence operations once we have established additional funding for the project development.

### ***Abbot Point LNG Project***

The Abbot Point LNG Project is a project the feasibility of which we are considering. The project consists of an LNG facility and a gas pipeline connecting this to the Bowen and Surat Basins in North Queensland, Australia (the “North Queensland Gas Highway”).

Our proposal is to build a modular LNG facility with a capacity of up to 2 MTPA, comprising modular trains and a storage tank and an export facility at Abbot Point. In May 2011 the Queensland Government issued the Suitability Assessment for LNG Industry at Abbot Point report, which re-confirmed that it is a preferred location for an LNG plant. As noted in the report, Abbot Point is a strategic location due to its remoteness from urban development, ready access to a deep-water port and major transport links.

## **PHILIPPINES**

### ***Philippines LNG Hub***

Our Philippines LNG Hub is one of our projects under development.

The Hub consists of several components, comprising: (i) a storage tank with a capacity of 130,000 m<sup>3</sup> for storing LNG on site; (ii) a jetty and receiving and re-export terminal for berthing, unloading and reloading LNG ships; (iii) a regasification facility to convert LNG back to natural gas; and (iv) related support facilities (such as receiving and discharge lines, boil-off gas lines, metering, pumps and compressors). We expect this to be the first LNG terminal to become operational in the Philippines and we will be developing the LNG and gas market in the Philippines. The site has space and planning for a second storage tank with a capacity of 130,000m<sup>3</sup>.

The project is located on a property with a total land area of approximately 215,000 m<sup>2</sup> which we have leased from Malory Properties Inc.\* for 20 years. The site is adjacent to the existing Pagbilao power station, owned by an independent third party, which has a 230 kV electrical switchyard in place, connected to the main Luzon power grid in the Philippines. The site also benefits from sheltered deep water berthing for ocean-going vessels.

In January 2011, we received the Provisional Permit to undertake the construction of an LNG import terminal and regasification facility on Pagbilao Grande Island in Quezon Province, from the Department of Energy (‘DOE’). The Provisional Permit, which took effect on 20 January 2011, authorises the construction of the Philippines LNG Hub within a period of 5 years and authorises its operations for 25 years from the date of issuance if it is not suspended earlier or cancelled by DOE in accordance with its terms. The DOE has confirmed in recent meetings with EWC management that it wishes to issue a “New Permit” which will no longer be provisional and will replace the existing

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\* Malory Properties Inc., a company incorporated on 23 March 1993 in the Philippines with limited liability, in which Mr. Stewart Elliott, who is our Chairman, Managing Director and Chief Executive Officer and one of our controlling shareholders has a 40% beneficial interest.

permit which has been extended as of Last year. The new Permit will fall under the new updated Rules and Regulations. The DOE has further made it clear that work is to proceed and that the existing permit is considered to be in force while they develop the new format permit to construct.

The Pagbilao Hub Terminal could also act as an alternative gas supplier for the Malampaya plant after its depletion by 2022/2024. This could provide a customer base for the Hub of an additional 3,200 MW of power.

We have completed the engineering and design aspects of the Philippines LNG Hub under a management services agreement with Slipform (H.K.) and have entered into an engineering, procurement and construction contract (EPC) with Slipform (H.K.).

The Philippines LNG Hub and associated works are well advanced. The LNG storage tank walls are complete and construction of the dome top roof has also now been completed. Formation of the jetty with rock armouring is complete including the construction of emergency quick release hooks and fenders. Installation of the jetty's loading arms is complete. Site buildings and supporting infrastructure are under advanced stages of construction. Stainless steel pipeline from the jetty to LNG tank have been laid. The membrane lining for the tank has been ordered and is being delivered to site. Site formation for the second 130,000 m<sup>3</sup> LNG tank is underway.

We envisage that we will complete the construction of the Philippines LNG Hub and associated works and commissioning and commencement of operations within the calendar year 2018 to deliver the LNG to the Pagbilao Power Plant currently under development. This estimate is the Company's considered view of the current time frame, may be subject to change.

Our Philippines LNG Hub will primarily be used to facilitate the distribution of LNG and natural gas, including receipt, storage and dispatch of LNG cargoes, to four main markets:

- 1) For medium and long-term purposes, our Philippines Power Plant will serve as a principal purchaser of LNG from our Hub if we proceed to develop the plant;
- 2) Users throughout the Philippines, with distribution by sea to other small-scale coastal terminals. We expect these terminals to have facilities for LNG to be sold and shipped by road tanker;
- 3) Other domestic sales in the Philippines in the form of LNG and compressed natural gas for use as vehicle fuels; and
- 4) Marketing of LNG to other purchasers in the Asia Pacific region.

The availability of these sales channels will be subject to our obtaining necessary licences and approvals, including export approval if we decide to market the LNG outside of the Philippines. We believe the location of the Philippines LNG Hub along international LNG trade routes will facilitate the development of an Asian LNG spot market. However, we have not yet entered into any binding arrangements for the sale of LNG or gas from the Philippines LNG Hub.

We envisage supplying LNG sourced from our own fields in Sengkang, South Sulawesi, as well as from independent third party producers and suppliers and from the international spot market. We have not yet entered into any binding arrangements for the supply of LNG to the Philippines LNG Hub. However we have received significant interest from major third party LNG supplier to provide LNG to our Hub Terminal at competitive prices and within reasonable delivery timeframes. In January 2017, LNG Carrier "Ocean Quest" arrived at our Pagbilao LNG Hub Terminal located in Quezon Province, the Philippines to act as temporary Floating Storage Unit pending completion of Hub Facility.

LNG Carrier "Ocean Quest" (IMO: 7391214, MMSI: 257991000) is a LNG tanker currently sailing under the flag of Norway. Ocean Quest has 289m length overall and beam of 41m. Her gross tonnage is 88,919 tons. LNG Ocean Quest has a capacity to carry up to 128,000 cubic meters of LNG.

LNG Carrier "Ocean Quest" is owned by Hong Kong LNG, a subsidiary of Energy World International Limited. The Technical Operation of the Ship is managed by OSM and Local Husbandry Services in the Philippines are provided by ESU Marine.

LNG Carrier "Ocean Quest" will be dedicated to EWC's LNG Hub Terminal in the Philippines where she will be based. EWC and EWI are in the process of negotiating commercial terms. The ship will be able to collect cargos of LNG and has sufficient capacity to act as floating storage and has onboard regasification and processing equipment if necessary should this be required to provide re-gasified LNG directly to the Power Station.

## ***Philippines Power Plant***

We are developing a power plant located on Pagbilao Grand Island adjacent to the Philippines LNG Hub. The site for the plant is adjacent to the existing Pagbilao power station, owned by an independent third party, and to the 230 kV switch-yard which is connected to the main Luzon power grid in the Philippines. The plant we are developing will be a 600-650MW (2×200MW GT plus 200/250MW ST) gas fuelled combined cycle power plant based on highly efficient Siemens SGT 5000F gas turbines and associated plant and infrastructure.

To achieve this, site foundations for the first 2 x 200MW gas turbines (which arrived on site in October 2014) are complete and the first and second gas turbines have been placed onto their permanent foundations, with the erection of auxiliary equipment now in advanced stage. Works are ongoing to bring these turbines into commercial operation as soon as possible when we have received the release of project funding from the lending banks.

In addition to solving the immediate need for new power generation the LNG fuelled Power Plant will support the Department of Energy's ("DOE") push to reduce the country's carbon footprint per kWh and develop an environmentally friendly energy industry to support economic growth in the country.

We intend to sell the electricity generated by our Power Plant into the Philippines Wholesale Electricity Spot Market (WESM) on a merchant basis. This is consistent with the Government's intention of growing the local spot market for electricity and has received full support from the Department of Energy as well as our Lenders. The DOE also has a long-term plan in place to develop the Philippines' power industry to include a greater reliance on Natural Gas.

According to the Power Development Plan 2016-2040 ("PDP"), DOE projected that by 2040, peak demand is expected to increase by about four times from 12,213 MW in 2015 to 49,287 MW in 2040 under the high GDP growth scenario. This increase is translated to a 6 percent annual average growth rate from 2016 to 2040. To meet the projected electricity demand including reserve requirement, the power system capacity addition that the Philippines will need by 2040 is 43,765 MW. As the current indigenous gas supply in the Philippines is being fully utilized by existing plants, this increase in demand will have to be met by imported LNG. Our power plant will be the first of its kind in the Philippines and as such we are working closely with the Department of Energy to help them realize their long-term goals of economical, clean and green power generation and gas-based industries.

As per the PDP regarding power generation, the DOE will continue to encourage and facilitate the timely completion and commercial operation of power generation projects and increase the number of merchant power plants. It will also facilitate the declaration of power projects as projects of national significance under a legislative framework. It also aims to address tax concerns of power companies to make the cost of electricity competitive. All in all, the Company believe that our project in the Philippines will be facing a more favourable industry environment when it comes to commercial operation.

The Company has an engineering, procurement and construction (EPC) contract with Slipform (H.K) dated 3 March 2014 with the Contract Price of US\$588 million excluding financial costs for a 650MW Combined Cycle LNG Fired Power Plant and associated regasification facility.

In addition to existing facilities with Standard Chartered Private Equity, the Company has appointed the Development Bank of the Philippines (DBP) as lead arranger and lender for the financing. On 18 September 2015 the Company and Lenders entered into an Omnibus Agreement and related Security Agreement to finance the first phase of the Power Project Development for an amount of PHP6,750,000,000 (US\$132 million equivalent). The company has already satisfied 48 conditions precedent required for the drawdown of the loan. However, the remaining substantive condition precedent is confirmation of the ability to export power from the plant to the grid system. This requires an agreement on a transmission interconnection line. The Department of Energy (DOE) and other key governmental entities are actively working with the Company to achieve this requirement, and the Company continues to work with the Lenders to reach a satisfactory resolution of the outstanding CP relating to the registration of rights of way for the transmission corridor.

In February 2017, the National Grid Corporation of the Philippines (NGCP) has confirmed they have received clearance from the Electricity Regulatory Commission (ERC) to develop a substation in Pagbilao, Quezon Province. This additional substation will enable NGCP to address the capacity limitation of the existing Tayabas substation and accommodate additional generation capacities from new power plants being built in Quezon Province including the full capacity of our 650MW combined cycle LNG fuelled power plant.

In November 2017, NGCP gave technical approval to our request to connect up to 200MW to the existing 230kV that is adjacent to our power station on a temporary basis. We have already signed a connection agreement with NGCP that provides us access to the main grid including a tie-in to connect to the existing Tayabas- Naga transmission line for up to 200MW and a connection for 650MW when NGCP completes construction of the Pagbilao substation. NGCP and the National Transmission Corporation are responsible for the construction of that new substation. In connection with the tie-in to connect to the existing Tayabas-Naga transmission line, the Company signed a land agreement with a reputable land agent in the provincial government office in Lucena with the presence of the governor in November 2017. The land agreement will enable the Company to secure right of way for the transmission line from our site to the Tayabas-Naga line. With these new developments, the Company is now actively updating the conditions and terms with DBP and other financing parties to avail the debt facility.

#### **Auditor's Independence Declaration**

A Copy of the auditor's independence as required under section 307C of the Corporations Act 2001 is set out on Page 16

#### **Rounding of amounts**

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Corporations Instrument, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars unless otherwise stated.

#### **Auditor**

Ernst & Young continue in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors:



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**Brian Jeffrey Allen**  
Director

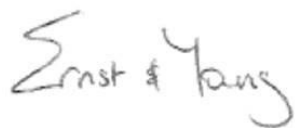
Dated 28 February 2018

## Auditor's Independence Declaration to the Directors of Energy World Corporation Ltd

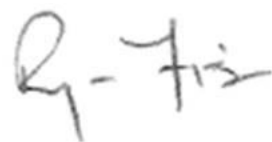
As lead auditor for the review of Energy World Corporation Ltd for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Energy World Corporation Ltd and the entities it controlled during the financial period.



Ernst & Young



Ryan Fisk  
Partner  
Sydney  
28 February 2018



**Energy World Corporation Ltd and its Controlled Entities**  
Interim Consolidated Statement of Comprehensive Income  
**For the Half Year Ended 31 December 2017**

	Note	31 Dec 2017 US\$'000s	31 Dec 2016 US\$'000s
Sales revenue	3	85,023	93,315
Cost of sales		(33,149)	(36,271)
<b>Gross profit</b>		<b>51,874</b>	<b>57,044</b>
Other income		369	16
Depreciation and amortisation expenses	4	(19,533)	(20,698)
Other expenses		(7,207)	(8,641)
<b>Profit from operating activities</b>		<b>25,503</b>	<b>27,721</b>
Finance income	5	141	93
Finance expenses	5	(187)	(324)
<b>Net financing expenses</b>		<b>(46)</b>	<b>(231)</b>
Foreign currency exchange gain		46	1,171
<b>Profit before related income tax expense</b>		<b>25,503</b>	<b>28,661</b>
Income tax expense	6	(12,641)	(13,655)
<b>Net profit for the period</b>		<b>12,862</b>	<b>15,006</b>
Profit for the period attributable to:			
Non-controlling interests		504	554
Owners of the parent		12,358	14,452
		<b>12,862</b>	<b>15,006</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share attributable to ordinary equity holders	13	0.71	0.83
Diluted earnings per share attributable to ordinary equity holders	13	0.65	0.76
<b>Net profit for the period</b>		<b>12,862</b>	<b>15,006</b>
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial (loss) / gains on defined benefit plans		(41)	77
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net gain on cash flow hedges		400	2,933
Exchange differences on translation of foreign operations		(53)	(1,732)
Other comprehensive income for the period, net of tax		13,168	16,134
<b>Total comprehensive income for the period</b>		<b>13,168</b>	<b>16,134</b>
Total comprehensive income for the period attributable to:			
Non-controlling interests		557	479
Owners of the parent		12,611	15,655
		<b>13,168</b>	<b>16,134</b>

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

**Energy World Corporation Ltd and its Controlled Entities**  
Interim Consolidated Statement of Financial Position  
As at 31 December 2017

	Note	31 Dec 2017 US\$'000s	30 Jun 2017 US\$'000s
<b>Current Assets</b>			
Cash assets		4,415	2,498
Cash held in reserve accounts	7	148,995	146,473
Trade and other receivables	8	27,229	26,255
Inventories		773	864
Prepayment		2,939	2,203
<b>Total Current Assets</b>		<b>184,351</b>	<b>178,293</b>
<b>Non-current Assets</b>			
Hedging Asset		446	-
Trade and other receivables		-	337
Oil and gas assets		97,576	100,787
Exploration and evaluation expenditure		72,014	69,194
Property, plant and equipment	9	1,345,168	1,325,009
<b>Total Non-Current Assets</b>		<b>1,515,204</b>	<b>1,495,327</b>
<b>TOTAL ASSETS</b>		<b>1,699,555</b>	<b>1,673,620</b>
<b>Current Liabilities</b>			
Trade and other payables		79,456	81,322
Trade and other payables – related parties		47,606	17,729
Income tax payable		21,871	19,979
Interest-bearing borrowings	10	353,686	342,373
Derivative financial instruments		70	567
Provisions		254	1,015
<b>Total Current Liabilities</b>		<b>502,943</b>	<b>462,985</b>
<b>Non-current Liabilities</b>			
Trade and other payables		23	23
Interest-bearing borrowings	10	430,966	482,052
Deferred tax liabilities		33,647	34,410
Derivative financial instruments		1	263
Provisions		17,614	16,919
<b>Total Non-Current Liabilities</b>		<b>482,251</b>	<b>533,667</b>
<b>TOTAL LIABILITIES</b>		<b>985,194</b>	<b>996,652</b>
<b>NET ASSETS</b>		<b>714,361</b>	<b>676,968</b>
<b>EQUITY</b>			
Issued capital	11	492,733	466,805
Other reserves		18,166	19,616
Retained earnings		190,739	178,381
Equity attributable to owners of the parent		701,638	664,802
Non-controlling interests		12,723	12,166
<b>TOTAL EQUITY</b>		<b>714,361</b>	<b>676,968</b>

The statement of financial position is to be read in conjunction with accompanying notes.

**Energy World Corporation Ltd and its Controlled Entities**  
Interim Consolidated Statement of Changes in Equity  
**For the Half Year Ended 31 December 2017**

	Issued capital	Other Reserve	Retained earnings	Owners of the Parent	Non- controlling interest	Total equity
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2017	466,805	19,616	178,381	664,802	12,166	676,968
Profit for the period	-	-	12,358	12,358	504	12,862
Other comprehensive income	-	253	-	253	53	306
Total comprehensive income for the half year	-	253	12,358	12,611	557	13,168
Conversion of convertible notes	25,928	(1,703)	-	24,225	-	24,225
Balance at 31 December 2017	<b>492,733</b>	<b>18,166</b>	<b>190,739</b>	<b>701,638</b>	<b>12,723</b>	<b>714,361</b>
Balance at 1 July 2016	466,805	14,944	152,824	634,573	10,930	645,503
Profit for the period	-	-	14,452	14,452	554	15,006
Other comprehensive income	-	1,203	-	1,203	(75)	1,128
Total comprehensive income for the half year	-	1,203	14,452	15,655	479	16,134
Balance at 31 December 2016	466,805	16,147	167,276	650,228	11,409	661,637

The statement of changes in equity is to be read in conjunction with the accompanying notes.

**Energy World Corporation Ltd and its Controlled Entities**  
Interim Consolidated Statement of Cash Flows  
**For the Half Year Ended 31 December 2017**

	31 Dec 2017 US\$'000s	31 Dec 2016 US\$'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipt from customers	84,634	90,396
Payment to suppliers & employees	(33,460)	(29,625)
Income tax paid	(9,985)	(12,085)
Proceeds from insurance claim	-	-
Interest received/(paid)	198	58
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>41,387</b>	<b>48,744</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(16,602)	(43,889)
Payments for oil and gas assets	-	(4,386)
Payments for exploration and development expenditure	(2,073)	(2,712)
Interest paid	(8,627)	(8,788)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(27,302)</b>	<b>(59,775)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Transfer to restricted deposits and reserve accounts	(2,505)	(1,297)
Borrowing transaction costs	(442)	(137)
Repayment of borrowings	10,639	(18,982)
Proceeds from borrowings – related parties	(20,146)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(12,454)</b>	<b>(20,416)</b>
<b>NET (DECREASE) / INCREASE IN CASH HELD</b>	<b>1,631</b>	<b>(31,447)</b>
Cash at the beginning of the financial period	2,498	36,989
Net foreign exchange differences	286	(358)
<b>Cash at the end of the financial period</b>	<b>4,415</b>	<b>5,184</b>

The statement of cash flows is read in conjunction with the accompanying notes.

## **Notes to the Interim Consolidated Financial Statements**

### **1. CORPORATE INFORMATION**

The interim financial statements of the consolidated entity (“the Group”) for the half year ended 31 December 2017 were authorised for issue on 28 February 2018 in accordance with a resolution of the directors. Energy World Corporation Ltd is a company incorporated and domiciled in Australia and limited by shares, which are publically traded on the Australian and OTCQX Stock Exchanges.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Energy World Corporation during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year.

Energy World Corporation has adopted all mandatory applicable Australian Accounting Standards and AASB interpretations as of 1 July 2017.

The adoption of these standards has not impacted the financial position or performance of Energy World Corporation.

The financial report is presented in United States Dollars and is prepared on the historical cost basis except for derivative financial instruments that have been measured at fair value. All values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Corporations Instrument 2016/191. The company is an entity to which the class order applies.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(b) Going Concern**

As at 31 December 2017 the group's consolidated balance sheet shows a net current liability position of \$318.6 million. This net liability position is primarily the result of the various debt arrangements that are in breach at 31 December 2017. The company is currently working with the lenders to remedy these breaches and subsequently to bring these facilities into order.

Within the current liabilities, US\$33.4 million relates to conditional purchase contracts which are subject to funds being available within the company. We are able to cancel the contract without penalty in the event funding from them does not become available.

On 29 May 2017, 1 October 2017 and 15 November 2017, EWI provided further working capital facilities to EWC of a principal amount of US\$5 million each ("EWI Advance"). The purpose of the loans were to provide the Company with funds for working capital to continue to advance the development of its key projects in Indonesia and the Philippines.

On 30 June 2017, a term loan was entered into between Slipform Engineering International (HK) Limited (SEIL), PT Slipform Indonesia (PTSI) and Energy World Corporation Limited (EWC) to convert the accounts payable of \$432,753,688 related to projects under construction and accrued interest and fees into a seven year term. The maturity due date is 30 June 2024. The credit has a fixed interest rate of 8.00% per annum and was subject to an arrangement fee of 2%.

On 12 December 2017, EWI converted its holdings of the entire US\$25M convertible notes into 61,215,000 new ordinary shares in EWC. This conversion took place about two years ahead of the original maturity (December 2019) and demonstrated the support from EWI, a major shareholder in EWC and a related party to SEIL and PTSI. EWI, SEIL and PTES have been showing willingness to support EWC respectively by extending liabilities owed to them for a longer term or converting into equity as permitted.

EWC executed financing documentation (Omnibus Loan and Security Agreement) referred to as the "Philippines Power Facility" for the first phase (400MW) of the 650MW LNG Fired Combined Cycle Power Plant in Pagbilao, Philippines, for the amount of PHP 6.75 billion (equivalent to approximately US\$132 million) on 18 September 2015. The Company has already satisfied 48 conditions precedent required for the drawdown of the loan.

However, since we were not permitted to connect to the existing transmission lines adjacent to the power plant site, which has spare capacity, we had to develop an alternative strategy for the export of the power. These options are described below. This has resulted in a change of documentation required by the lenders to facilitate the drawdown of funds.

On 26 July 2017, the Department of Energy (DOE) Secretary, Mr. Alfonso G. Cusi, visited our Philippines sites and discussed the delivery of the electricity services from the power plant to the Luzon grid. EWC proposed 4 options available for the export of power:

- Option 1: EWC secure a 12km right of way and construct a new 230kV transmission line.
- Option 2: The spare capacity on the existing 230kV Pagbilao-Tayabas line is utilized for the export of power.
- Option 3: To mitigate the risk linked to the purchase of land, EWC develop a subsea cable option which involves acquiring a shorter right of way on land (2km) thus avoiding substantial land acquisition and delays.
- Option 4: EWC utilize the existing 69kV line to import commissioning power with the possibility to also export power up to 350MW.

Since the visit, DOE has been working with EWC to achieve the power connection to the grid and EWC understands the DOE have encouraged and instructed all relevant government departments to provide their full assistance to this process.

Notably, the National Grid Corporation of the Philippines (NGCP) has given technical approval for our request to connect up to 200MW of capacity to the 230kV line that is adjacent to our power station (as mentioned as Option 2 above). This is currently being worked on with technical details being finalised.

In addition, EWC has entered into a binding agreement with a reputable land agent who, together with the Quezon Provincial Government, have secured land ownership and right of way access agreements with individual land owners that will provide us with the right to construct, operate and maintain a transmission line in relation to Option 1 above.

With these new developments, EWC is working on availing funds from the Philippines Power Facility.

With regard to the Sengkang LNG Facility, EWC has held extensive discussion with DGMigas/SKKMigas and PLN and have identified a commercial solution potentially acceptable to all parties on the price of the feedstock gas and the FOB price of the LNG. This data is now being processed for approval through the appropriate channels in Indonesia. Once approved it will enable PT SSLNG to finalise matters with the Indonesian Banks for funding to bring the first phase of the project into commercial operation. Once the funding is drawn, it will improve the liquidity and cash flow of the Company.

In addition to the above mentioned, EWC also continues to progress other sources of funding to complete the projects under development and provide working capital to the Company. In this regard, EWC is currently in advanced negotiations with a number of parties and remains confident they will secure the required levels of funding at the appropriate time to successfully progress and complete the projects.

On this basis, the Directors are of the opinion that the Company can continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. This financial report does not therefore include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

**(c) New accounting standards and interpretations**

There have been no new or revised accounting standards issued with an effective date of 1 July 2017 applicable to the group.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(d) Basis of consolidation**

The interim financial statement comprises the financial statements of Energy World Corporation Ltd and its controlled entities as at 31 December 2017.

#### **(i) Subsidiaries**

Subsidiaries are controlled by the Company. Specifically, the Group controls an investee if and only if the Group has: power over the investee, exposure, or right, to variable returns from its involvement with the investee, and the ability to use the power over the investee to affect its returns. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements, less impairment charges.

A change in the ownership interest that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

#### **(ii) Interests in Oil & Gas Tenements**

The interests of the Company and of the consolidated entity in oil & gas tenements are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the oil & gas tenements.

### **(e) Fair value**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) Cash, short-term deposits, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

(ii) Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates and the risk characteristics of the financed project.

(iii) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps. The most frequently applied valuation techniques include forward swap models, using present value calculations. The models incorporate various inputs including the interest rate curves of the underlying commodity.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For the half year ended 31 December 2017, the Group held no financial instruments with the characteristics of level 1 and level 3 financial instruments described above.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(e) Fair value**

The Group holds derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations with the characteristics of level 2. For these financial instruments not quoted in active markets, the Group uses valuation techniques such as present value, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

During the reporting period ended 31 December 2017 and 30 June 2017, there were no transfers between level 1 and level 2 fair value measurements.

The fair value of financial assets and financial liabilities approximate their carrying value.

## **3. OPERATING SEGMENTS**

### **(a) Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on geographic locations in which the Group operates, and the nature of the activity performed by the Group. The Group has determined that it has five operating segments, being: oil and gas in Australia, power in Australia, oil and gas in Indonesia, power in Indonesia and project development. While project developments are based in different geographic locations, they are of the same nature of activity, which is assets under construction that are not yet operating. As these assets are not yet operating, they are more alike and suited to aggregation with one another than to the existing operating segments.

Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the future products to be produced, as these are the sources of the Group's major risks and have the most effect on the rates of return.

### **(b) Accounting policies and inter-segment transactions**

The accounting policies used by the Group in reporting segments internally are the same as those contained in this interim financial statements and the annual financial report for the year ended 30 June 2017.

**Energy World Corporation Ltd and its Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the Half Year Ended 31 December 2017**

**3. OPERATING SEGMENT (CONTINUED)**

**(c) Segment revenue, expenses and assets**

All revenues are derived from external customers.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

	<u>Australia</u>				<u>Indonesia</u>				<u>Project development</u>		<u>Total</u>	
	<u>Oil &amp; Gas</u>		<u>Power</u>		<u>Oil &amp; Gas</u>		<u>Power</u>					
	<b>31 Dec 17</b>	31 Dec 16	<b>31 Dec 17</b>	31 Dec 16	<b>31 Dec 17</b>	31 Dec 16	<b>31 Dec 17</b>	31 Dec 16	<b>31 Dec 17</b>	31 Dec 16	<b>31 Dec 17</b>	31 Dec 16
	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s
Sales revenue	<b>354</b>	201	-	1,943	<b>23,347</b>	23,958	<b>61,322</b>	67,213	-	-	<b>85,023</b>	93,315
<b>Result</b>												
Segment result	<b>124</b>	30	<b>(111)</b>	757	<b>16,840</b>	18,305	<b>27,639</b>	32,240	-	-	<b>44,492</b>	51,332
Depreciation and amortisation	<b>(261)</b>	(356)	<b>(119)</b>	(368)	<b>(3,216)</b>	(3,948)	<b>(15,937)</b>	(16,026)	-	-	<b>(19,533)</b>	(20,698)
Net financing cost											<b>(46)</b>	(231)
Unallocated corporate result											<b>544</b>	(2,913)
Foreign currency exchange gain											<b>46</b>	1,171
Profit before income tax											<b>25,503</b>	28,661
Income tax expense											<b>(12,641)</b>	(13,655)
Profit after income tax											<b>12,862</b>	15,006
Non-Controlling interest											<b>504</b>	554
	<b>31 Dec 17</b>	30 Jun 17	<b>31 Dec 17</b>	30 Jun 17	<b>31 Dec 17</b>	30 Jun 17	<b>31 Dec 17</b>	30 Jun 17	<b>31 Dec 17</b>	30 Jun 17	<b>31 Dec 17</b>	30 Jun 17
	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s	<b>US\$'000s</b>	US\$'000s
Current assets	<b>346</b>	309	<b>32</b>	58	<b>10,104</b>	9,423	<b>42,098</b>	36,174	<b>87</b>	86	<b>52,667</b>	46,050
Segment assets	<b>60,447</b>	57,270	<b>2,713</b>	2,762	<b>127,990</b>	134,453	<b>187,330</b>	196,795	<b>1,186,636</b>	1,147,569	<b>1,565,116</b>	1,538,849
Segment liabilities	<b>(4,137)</b>	(4,270)	<b>(69)</b>	(67)	<b>(100,170)</b>	(105,327)	<b>(85,945)</b>	(97,051)	<b>(516,649)</b>	(497,213)	<b>(706,970)</b>	(703,928)

### 3. OPERATING SEGMENT (CONTINUED)

#### (d) Segment assets and liabilities reconciliation to the statement of financial position

Reconciliation of segment operating assets to total assets:

	31 Dec 2017 US\$'000	30 Jun 2017 US\$'000
Segment operating assets	1,565,116	1,538,849
Current corporate assets	2,084	132,243
Non-current cash held in reserve accounts	127,159	-
Other	5,196	2,528
<b>Total assets per the statement of financial position</b>	<b>1,699,555</b>	<b>1,673,620</b>

Reconciliation of segment operating liabilities to total liabilities:

	31 Dec 2017 US\$'000	30 Jun 2017 US\$'000
Segment operating liabilities	706,970	703,928
Deferred tax liabilities	33,647	34,410
Interest-bearing borrowings	240,195	253,760
Other	4,382	4,554
<b>Total liabilities per the statement of financial position</b>	<b>985,194</b>	<b>996,652</b>

**Energy World Corporation Ltd and its Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the Half Year Ended 31 December 2017**

	<b>31 Dec 2017</b> <b>US\$'000s</b>	31 Dec 2016 US\$'000s
<b>4. DEPRECIATION AND AMORTISATION EXPENSES</b>		
Depreciation of property, plant and equipment	<b>(16,316)</b>	(16,751)
Depreciation and amortisation of oil and gas assets	<b>(3,217)</b>	(3,947)
	<b>(19,533)</b>	(20,698)
<b>5. FINANCIAL INCOME AND EXPENSES</b>		
Interest income – cash at bank and term deposits	<b>141</b>	93
Finance costs *	<b>(187)</b>	(324)
	<b>(46)</b>	(231)

\* Finance costs for the current period are \$28.7m (31 Dec 2016: \$27.6m) of which \$28.5m (31 Dec 2016: \$27.3m) has been capitalised in assets under construction.

**6. INCOME TAX**

A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:

	<b>31 Dec 2017</b> <b>US\$'000s</b>	31 Dec 2016 US\$'000s
Accounting profit before tax	<b>25,503</b>	28,661
Prima facie tax expense at the Parent's statutory rate of 30% (31 December 2016: 30%)	<b>(7,651)</b>	(8,598)
<i>Decrease / (increase) in tax expense due to:</i>		
Difference in tax rates	<b>(2,322)</b>	(2,303)
Non-deductible expenses / non-assessable income	<b>(1,152)</b>	(2,964)
Temporary differences brought to account, including foreign exchange impact	-	912
Other	<b>(1,516)</b>	(702)
	<b>(12,641)</b>	(13,655)

**Energy World Corporation Ltd and its Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the Half Year Ended 31 December 2017**

	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>US\$'000s</b>	<b>US\$'000s</b>
<b>7. CASH HELD IN RESERVE ACCOUNTS</b>		
Cash held in reserve accounts – current	<b>148,995</b>	146,473
	<b>148,995</b>	146,473

As at 31 December 2017, cash of \$149.0 million was held in reserve accounts for the following purpose.

- \$75.0 million as security for payment to Standard Chartered Bank of the US\$75 million corporate facility
- \$51.0 million as security for payment to HSBC of the US\$51 million corporate facility
- \$19.1 million as Debt Service Accrual and Debt Service Reserve Sub Accounts for PT Energi Sengkang
- \$0.2 million as Security Deposits made by Energy World Corporation Ltd (\$0.05 million); Australian Gasfields Limited (\$0.1 million); Central Energy Australia Pty Ltd. (\$0.06 million) and Energy Equity Epic (Sengkang) Pty Ltd (\$0.06 million)
- \$1.1 million as Security Deposits made by Energy World Gas Operations Philippines Inc.
- \$2.6 million as Security Deposits made by Energy Equity Epic (Sengkang) Pty Ltd

As at 30 June 2017, cash of \$146.5 million is held in reserve accounts for the following purpose.

- \$75.0 million as security for payment to Standard Chartered Bank of the corporate facility
- \$51.0 million as security for payment to HSBC of the corporate facility
- \$15.7 million as Debt Service Accrual and Debt Service Reserve Sub Accounts for PT Energi Sengkang
- \$0.3 million as Security Deposits made by Energy World Corporation Ltd (\$0.05 million); Australian Gasfields Limited (\$0.1 million); Central Energy Australia Pty Ltd. (\$0.06 million) and Energy Equity Epic (Sengkang) Pty Ltd (\$0.06 million)
- \$2.0 million as Security Deposits made by Energy World Gas Operations Philippines Inc.
- \$2.5 million as Security Deposits made by Energy Equity Epic (Sengkang) Pty Ltd

**8. TRADE AND OTHER RECEIVABLES**

	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>US\$'000s</b>	<b>US\$'000s</b>
<b>Current</b>		
Trade receivables	<b>21,599</b>	21,175
Sundry debtors	<b>5,630</b>	5,080
	<b>27,229</b>	26,255

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US\$'000s	Buildings on freehold land US\$'000s	Plant and equipment US\$'000s	Assets under construction US\$'000s	Total US\$'000s
<b>Assets at Cost</b>					
Balance at 1 July 2017	7,205	2,741	416,393	1,147,381	1,573,720
Additions	-	-	369	35,793	36,162
Foreign currency translation	15	8	595	-	618
Balance at 31 December 2017	7,220	2,749	417,357	1,183,174	1,610,500
<b>Depreciation</b>					
Balance at 1 July 2017	-	(1,033)	(247,678)	-	(248,711)
Depreciation charge for the period	-	-	(16,316)	-	(16,316)
Foreign currency translation	-	-	(305)	-	(305)
Balance at 31 December 2017	-	(1,033)	(264,299)	-	(265,332)
<b>Carrying amount</b>					
At 30 June 2017	7,205	1,708	168,715	1,147,381	1,325,009
At 31 December 2017	7,220	1,716	153,058	1,183,174	1,345,168

A letter was received from the Ministry of Forestry of Indonesia in June 2017 claiming the land used to construct the LNG Facility did not have their approval for construction. As the land in question was originally fish farms and not forest, we are of the view that we can sufficiently defend our position, and are in the process of resolving this matter.

The Assets under construction comprise of \$525.5 million (June 2017: \$513.1 million) applicable to the Sengkang LNG plant development; \$177.9 million (June 2017: \$173.5 million) applicable to the Philippines LNG Hub Terminal; \$436.0 million (June 2017: \$418.4 million) applicable to the Philippines Power project and \$43.6 million (June 2017: \$42.3 million) applicable to other projects. The Group is currently in the process of renewing the Provisional Permit to undertake construction of the Philippines LNG Hub Terminal with the Department of Energy for a further 18 months. The Department of Energy have acknowledged this request and are in the process of formalising their response.

**Impairment Testing**

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2017 the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of the assets of the operating segments and the assets under construction.

All of the operating businesses (Australian Oil & Gas, Indonesian Oil & Gas and Indonesian Power) are party to long term sales contracts and remain profitable.

The recoverable amounts of the assets under construction were determined based on value in use calculations using cash flow projections from financial budgets approved by the directors and extrapolated for the useful lives of the assets. As a result of the analysis, management did not identify an impairment for any of these CGUs. There have also been no changes in key assumptions during the period that would result in impairment of the operating segments and assets under construction.

**Key assumptions used in value in use calculations**

The calculation of value in use for projects under construction is most sensitive to the following assumptions:

- LNG, feedstock gas and electricity prices – this has been derived from available supply and demand in the market, signed agreements, expected agreements currently under negotiation and external market pricing reports.
- Demand for LNG and power generation and availability of feedstock gas – based on forecast capacity, market demand and offtake discussions with various parties.
- Discount rates – a post – tax range between 9% - 16.5%
- Inflation rates – a long term inflation rate of 1.5% - 5.25% based on an Oxford Economics Report applicable to the particular intended operating jurisdiction.
- Useful lives of the assets – based on design, external reviews by third party engineering firms, and other recently completed similar facilities.

**10. INTEREST-BEARING LIABILITIES**

		<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
		<b>US\$'000s</b>	<b>US\$'000s</b>
<b>Current</b>			
PTES US\$200 million facility with Standard Chartered Bank and Mizuho Corporate Bank	(b)	<b>52,289</b>	65,580
EEES US\$125 million Secured Borrowing Base Facility with Standard Chartered Bank and Mizuho Corporate Bank	(d)	<b>67,583</b>	73,643
US\$75 million Revolving Loan Facility Agreement with Standard Chartered Bank	(c)(i)	<b>74,678</b>	74,676
US\$75 million Convertible Exchangeable Note with Standard Chartered Private Equity (Singapore) Pte. Ltd.	(e)	<b>49,750</b>	49,202
US\$51 million Revolving Loan Facility Agreement with The Hong Kong and Shanghai Banking Corporation Limited	(c)(ii)	<b>50,472</b>	50,462
LNG Hub Corporate Notes	(h)	<b>29,093</b>	28,810
EWI US\$25 million Loan	(g)	<b>24,867</b>	-
EWI US\$5 million - 29 May 2018 (Maturity date 1 July 2018)	(j)	<b>4,954</b>	-
<b>Total current</b>		<b>353,686</b>	342,373
<b>Non-current</b>			
Slipform US\$432 million Term Loan	(i)	<b>424,480</b>	432,512
EWI US\$25 million Convertible Exchangeable Note	(f)	-	24,039
EWI US\$25 million Loan	(g)	-	24,699
EWI US\$5 million Advance on 29 May 2017	(j)	-	802
EWI US\$5 million - 1 Oct 2018 (Maturity date 30 Sep 2019)	(j)	<b>4,913</b>	-
EWI US\$5 million - 15 Nov 2018 (Maturity date 14 Nov 2019)	(j)	<b>1,573</b>	-
<b>Total non-current</b>		<b>430,966</b>	482,052
<b>Total interest-bearing liabilities</b>		<b>784,652</b>	824,425

**10. INTEREST-BEARING BORROWINGS (CONTINUED)**

**(a) Assets Pledged As Security**

The assets and the shares of the entities PT. Energi Sengkang (Indonesian Power) and Energy Equity Epic (Sengkang) Pty. Ltd. (Indonesian Oil & Gas) are pledged as security to the consolidated entities lenders Standard Chartered Bank and Mizuho Corporate Bank. The form of security is a floating charge over the aforementioned entity assets. There are no specific conditions on value of assets pledged.

**(b) Sengkang loan and PTES US\$200 million with Standard Chartered Bank and Mizuho Corporate Bank**

On 15 July 2011, PTES executed documentation relating to a US\$200.0 million term loan facility (the “**PTES Facility**”) in connection with the Sengkang Power Plant and the Sengkang Expansion.

The PTES Facility is subject to semi-annual repayments of principal and payments of interest and will be fully repaid on 22 April 2022. PTES has already fully drawn down Facility A and Facility C under the PTES Facility. Facility B under the PTES Facility is available for drawing by PTES when all of the conditions precedent to drawings for this facility has been satisfied. US\$185 million has been advanced under the PTES Facility, of which US\$53.40 million was outstanding as at 31 December 2017, excluding unamortised borrowing costs.

In July 2016, PTES received a letter of non-compliance that stated PTES was not in compliance with a number of reporting requirements under the debt agreement. The Company is in the process of meeting these reporting requirements to rectify this non-compliance. For the time being however, the loan is recorded as due and payable within the next 12 months.

The PTES Facility is secured by substantially all of the assets and shares of PTES. Such secured assets include PTES’ interest in the Sengkang Power Plant, PTES’ interests pursuant to the Sengkang PPA, PTES’ receivables thereunder and PTES’ bank accounts.

PTES held US\$19.1 million in reserve accounts. Refer to Note 7.

**(c) Corporate Bank Loans Terms and Conditions**

**(i) US\$75,000,000 Revolving Loan Facility Agreement with Standard Chartered Bank**

EWC originally obtained the US\$75.0 million SCB Corporate Revolving Loan Facility from Standard Chartered Bank on 22 October 2008. The maturity date has been extended to 23 April 2018. As at 31 December 2017, the aggregate amount owed under the SCB Corporate Revolving Loan Facility was US\$74.7 million, excluding unamortised borrowing costs, and EWC held US\$75.0 million in reserve accounts as security for the facility.

**(ii) US\$51,000,000 Revolving Loan Facility Agreement with The Hong Kong and Shanghai Banking Corporation Ltd**

EWC has a US\$51.0 million revolving loan facility from HSBC which was first entered into on 10 October 2008.

The facility’s maturity date is 14 June 2018. As at 31 December 2017, the aggregate amount the Group owed under the HSBC Corporate Revolving Loan Facility was US\$50.5 million, excluding unamortised borrowing costs and EWC held US\$51 million in reserve accounts as security for the facility.



(d) **EEES New Secured Borrowing Base Facility Terms and Conditions**

**US\$125,000,000 Secured Borrowing Base Facility Agreement with Standard Chartered Bank and Mizuho Corporate Bank Ltd**

EEES has a secured revolving borrowing base facility of US\$125,000,000 (the “**EEES Facility**”) in connection with the Sengkang PSC. The lenders under the EEES Facility are Standard Chartered Bank and Mizuho Corporate Bank, Ltd. and Natixis (Singapore Branch) (who together are the mandated lead arrangers), with Mizuho Corporate Bank, Ltd. as agent and security trustee.

This Facility is a borrowing base facility subject to semi-annual repayments of principal (calculated by reference to EEES’s projected net cashflow from the Sengkang PSC from time to time) and semi-annual or quarterly payments of interest and will be fully repaid on 18 March 2021 (or, if earlier, the date on which the quantities of hydrocarbon reserves attributable to the Sengkang PSC are projected to fall below 25% of the value of such reserves calculated as at the date of the EEES Facility).

The repayment amounts under this facility are re-set every 6 months based upon the arrangements set out in the facility agreement. EEES are working with the lenders for the restructuring of the facility and awaiting for a revised proposal from the lenders.

The EEES Facility is secured by substantially all of the assets and shares of EEES. Such secured assets include EEES’ interest in the Sengkang PSC, EEES’ receivables pursuant to the Gas Supply Agreement, the Gas Sale and Purchase Agreement and the Sengkang PSC and EEES’ bank accounts. Further, the Company and Epic Sulawesi Gas Pty Ltd have agreed to subordinate their rights against EEES pursuant to a subordination deed entered into in favour of Mizuho Corporate Bank, Ltd. as security trustee.

(e) **US\$75,000,000 Convertible Exchangeable Note with Standard Chartered Private Equity (Singapore) Pte. Ltd**

On 14 May 2013, EWC and Energy World Philippines Holdings Ltd (EWP) entered into a subscription agreement (**Subscription Agreement**) with Standard Chartered Private Equity (Singapore) Pte. Ltd (**Subscriber**) in respect of the issue by EWP of and subscription by the Subscriber for the Notes and the issue of the Warrant by EWC to the Subscriber.

Under the Subscription Agreement:

- (i) EWP has issued, and the Subscriber has subscribed for, US\$50 million 2.5% convertible exchangeable notes due in May 2018 which may be converted into 50 million ordinary shares in EWP or in the alternative exchanged for 101,122,459 Ordinary Shares in EWC at AU\$0.50. The 2.5% coupon rate is due semi-annually payable in arrears (the **First Tranche Notes**).
- (ii) EWC issued to the Subscriber a Warrant to purchase 9,920,634 Ordinary Shares at an exercise price of AU\$0.50 EWC. An additional Warrant was issued during the half year ending 31 December 2013 to purchase 4,133,598 Ordinary Shares at an exercise price of AU\$0.60.

The Company was informed by Standard Chartered Private Equity (Singapore) Pte. Ltd. (SCPE) by a letter dated 9 May 2014 that SCPE would no longer make available to the Company the sum of US\$25,000,000 for the Second Tranche Notes as foreseen under the Subscription Agreement dated 14 May 2013.

**(f) US\$25,000,000 Convertible Exchangeable Note with Energy World International Ltd**  
**Due Date 18 December 2019**

On 19 December 2014, the Company executed documentation with Energy World International (EWI) to obtain US\$25,000,000 through a convertible/exchangeable bond on the same commercial terms and conditions that were previously agreed with SCPE for its US\$75,000,000 convertible/exchangeable bond; matching loan conditions, a coupon of 2.5% and a conversion for 61,215,100 Ordinary Shares in EWC at strike price of AU\$0.50 cents per share. The convertible/exchangeable bond with EWI obtained shareholder approval at the Annual General Meeting held on 21 November 2014.

On 12 December 2017 EWI converted this Exchangeable Note into ordinary shares.

**(g) US\$25,000,000 EWI Loan**

On 15 May 2015, EWC announced to shareholders that it intended to raise up to A\$75 million via a fully underwritten, non-renounceable pro rata rights issue of partly paid Convertible Notes (the “Offer”).

Within this announcement shareholders were also advised that on 15 March 2015 EWI had provided a working capital facility to EWC of a principal amount of US\$25 million (“EWI Advance Amount”). The purpose of the loan was to provide the Company with funds for working capital to continue to advance the development of its key projects in Indonesia and the Philippines. Interest is payable on the EWI Working Capital Facility at a rate of 7% per annum, with interest payable on the balance of the outstanding EWI Advance Amount until the earlier of:

- the date on which all of the EWI Advance Amount is converted into Ordinary Shares of equivalent Face Value; or
- the date that the EWI Working Capital Facility is repaid. The terms of the EWI loan provide that in the event that the offer does not proceed, the EWI Loan Amount will be repayable 1 March 2017. On 29 May 2017, EWI agreed to further extend this loan until 1 July 2018.

**(h) LNG Hub Corporate Note Facility**

On 26 May 2016, the Company executed the financing documentation (Omnibus Loan and Security Agreement) for its LNG Hub Terminal in Pagbilao, Philippines, for the amount of PHP1.5 billion (approximately US\$32 million equivalent). The Corporate Notes Facility provides for a facility of an additional PHP2 billion (approximately US\$43 million equivalent) for new noteholders in the future.

The Corporate Notes Facility’s Issue Manager and Sole Bookrunner is Standard Chartered Bank, with Lead Arranger being Landbank of the Philippines (also the Security Trustee, Paying Agent and Facility Agent). Current Noteholders under the facility are Standard Chartered Bank and Land Bank of the Philippines.

As at 31 December 2017, the aggregate amount owed under the LNG Hub Corporate Note Facility was US\$30.0 million, excluding unamortised borrowing costs.

**(i) Slipform US\$432,512,225 Term Loan Agreement**

On 30 June 2017, a term loan agreement was entered into between Slipform Engineering International (HK) Limited (SEIL), PT Slipform Indonesia (PTSI) and Energy World Corporation Limited (EWC) to convert the accounts payable of US\$432,512,225 related to projects under construction and accrued interest and fees into a seven year term loan. The maturity due date is 30 June 2024. The credit has a fixed interest rate of 8.00% per annum and was subject to an arrangement fee of 2%. The repayment starts in December 2019.

**(j) US\$5,000,000 EWI Advance**

On 29 May 2017, EWI provided a further working capital facility to EWC of a principal amount of US\$5 million (“EWI Advance”) which is an extension of the existing EWI US\$25M loan. The purpose of the loan was to provide the Company with funds for working capital to continue to advance the development of its key projects in Indonesia and the Philippines. Interest is payable on the EWI Working Capital Facility at a rate of 7% per annum, with interest payable on the balance of the outstanding EWI Advance Amount until the earlier of:

- the date on which all of the EWI Advance Amount is converted into Convertible Notes of equivalent Face Value; or
- the date that the EWI Working Capital Facility is repaid. The terms of the EWI loan provide that in the event that the offer does not proceed, the EWI Loan Amount will be repayable 1 July 2018.

On 1 Oct 2017, EWI provided an additional working capital facility to EWC of a principal amount of US\$5 million. The purpose of the loan was to provide the Company with funds for working capital to continue to advance the development of its key projects in Indonesia and the Philippines. Interest is payable on the EWI Working Capital Facility at a rate of 7% per annum, with interest payable on the balance of the outstanding EWI Advance Amount until the earlier of:

- the date on which all of the EWI Advance Amount is converted into Convertible Notes of equivalent Face Value; or
- the date that the EWI Working Capital Facility is repaid. The terms of the EWI loan provide that in the event that the offer does not proceed, the EWI Loan Amount will be repayable 30 Sep 2019.

The advance was fully drawn as at 31 Dec 2017.

On 15 Nov 2017, EWI provided a further working capital facility to EWC of a principal amount of US\$5 million. The purpose of the loan was to provide the Company with funds for working capital to continue to advance the development of its key projects in Indonesia and the Philippines. Interest is payable on the EWI Working Capital Facility at a rate of 7% per annum, with interest payable on the balance of the outstanding EWI Advance Amount until the earlier of:

- the date on which all of the EWI Advance Amount is converted into Convertible Notes of equivalent Face Value; or
- the date that the EWI Working Capital Facility is repaid. The terms of the EWI loan provide that in the event that the offer does not proceed, the EWI Loan Amount will be repayable 14 November 2019.

As at 31 December 2017, US\$1.6 million was drawn down. Subsequently to year-end an additional US\$3.4 million was drawn down and remains outstanding.

**11. ISSUED CAPITAL**

	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
Ordinary shares (US\$'000)	<b>492,733</b>	466,805
Number of ordinary shares	<b>1,795,631,672</b>	1,734,166,672

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

## **12. CONTINGENT LIABILITIES**

### **(a) SKKMIGAS PARTICIPATION (FORMERLY AS CALLED BPMIGAS)**

The Sengkang PSC provides that SKKMigas is entitled to acquire (via a SKKMigas nominated entity) an undivided 10% interest in EEES' rights and obligations under the Sengkang PSC by payment of an amount equal to the sum of (i) 10% of the unrecovered operating costs balance as at 24 October 2000, approximately US\$40 million, and (ii) 10% of the bonuses paid to SKKMigas under the Sengkang PSC, totalling US\$6.5 million (the "Amount"). On acquiring a 10% participating interest SKKMigas would also be obliged to pay 10% of the future operating costs of the Sengkang PSC.

Under the Sengkang PSC conditions, Pertamina (SKKMigas' predecessor) was required to advise EEES by 23 January 2001 whether it planned to pay either (a) 100% of the Amount to EEES in cash; or (b) 150% of the Amount to EEES by way of instalments of 50% of its share of production from its 10% participation in the Sengkang PSC. Whilst Pertamina did advise EEES of its intention to acquire a 10% participating interest in the Sengkang PSC, it did not advise EEES whether it would pay in cash or out of its share of production.

Any cash payment should have been made by Pertamina (SKKMigas' predecessor) by 23 January 2001 and any payment out of production should have commenced from the first sale of oil or gas from the Sengkang Contract Area after 24 October 2000. No cash payment or payment out of production has been made.

EEES therefore continues to have a 100% interest in the Sengkang PSC. It is not clear whether SKKMigas' right to acquire the 10% participation right is still exercisable, given among other matters that the deadlines mentioned above have not been complied with. Based on the terms of the PSC, our Directors are of the view that no material adverse impact on EEES' business or operations would arise from any valid exercise of the 10% participation right.

In November 2012, SKKMigas, an arm of the Indonesian Ministry for Energy and Mineral Resources, replaced BP Migas, and all of BPMigas's functions and responsibilities, and its employees, were transferred to SKSP Migas.

### **(b) Intra-Group Loans**

The Company has given an undertaking that we will not require loans that the Company has made to wholly owned and controlled entities to be repaid within a 12-month period if doing so would place those entities in a position where they could not pay their debts as and when they fall due.

### 13. EARNINGS PER SHARE

The calculation of basic earnings per share outstanding for the period ended 31 December 2017 was based on the profit attributable to ordinary shareholders of \$12,358,000 (31 December 2016: \$14,452,000) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2017 of 1,740,847,650 (31 December 2016: 1,734,166,672), calculated as follows:

**(a) Earnings used in calculating earnings per share:**

	<b>31 Dec 2017</b>	31 Dec 2016
	<b>US\$'000s</b>	US\$'000s
Profit attributable to ordinary shareholders for basic and diluted earnings	<b>12,358</b>	14,452

**(b) Weighted average number of ordinary shares**

	<b>31 Dec 2017</b>	31 Dec 2016
Weighted average number of shares used as a denominator for basic earnings per share	<b>1,740,847,650</b>	1,734,166,672

*Effect of dilution:*

Convertible Note

SCPE

EWI

	<b>101,122,459</b>	101,122,459
	<b>54,561,196</b>	61,215,000

Weighted average number of shares used as a denominator for diluted earnings per share	<b>1,896,531,305</b>	1,896,504,131
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	<b>31 Dec 2017</b>	31 Dec 2016
	<b>Cent</b>	Cent
Basic earnings per share – cents per share	<b>0.71</b>	0.83
Diluted earnings per share – cents per share	<b>0.65</b>	0.76

Profit attributable to ordinary shareholders is the same for basic and diluted as any additional interest or costs incurred for the convertible notes would be capitalised to projects.

#### **14. RELATED PARTY TRANSACTIONS**

There were no new related party contracts entered into during the half year ended 31 December 2017. Please refer to Note 10 for disclosure of related party loans.

##### **(a) Leases of properties**

Energy World Corporation Ltd rents a number of properties from related parties for our offices in Sydney, New South Wales and for the site of our proposed LNG Hub terminal in the Philippines, details of which are set out in the following table:

<b>Premises</b>	<b>Lessor</b>	<b>Lessee</b>	<b>Term</b>	<b>Rental</b>
1. Part of Unit 9A, Seaforth Crescent, Seaforth, Sydney, New South Wales, Australia	Energy World International Limited	Energy World Corporation Ltd	Extended to 31 December 2018.	A\$6,000 per month (excluding GST); Payment made during the period of this annual report - A\$36,000 (US\$28,059)
2. Parcel of land comprising a total area of 215,000 sq.m on Pagbilao Grande Island, Province of Quezon, Lozon, the Philippines	Malory Properties Inc.*	Energy World Corporation Ltd	20 years commencing 9 June 2007 with an option to extend for a further term of 10 years	5 PHP (\$0.1) per square metre (total PHP 1,075,000) (\$22,349 per annum), commencing on the date of commissioning and commercial operation of the LNG Hub facility, indexed to the Philippines consumer price index annually after 3 years of the term; no payment was made during the period of this annual report.

\* Malory Properties Inc., a company incorporated in the Philippines on 23 March 1993 with limited liability. Mr. Stewart Elliott, who is our Chairman, Managing Director, Chief Executive Officer and one of our Substantial Shareholders has a 40% beneficial interest.

**14. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(b) Commercial Agreements with EWC and Related Parties**

We have previously entered into a number of management services agreements with EWI and Slipform Engineering International (H.K.) Ltd, details of the open contract at 31 December 2017 is summarised below:

Parties	Date of agreement/ amendment	Scope of services	Fees	Payment made during the year ended 31 December 2017	Amount remaining on contract at 31 December 2017
EWC and Slipform Engineering International (H.K.) Ltd*	10 October 2011	Slipform Engineering International (H.K.) agrees to provide EWC with engineering assistance, design services and management support for the development of a 56,000 TPA LNG processing plant and related facilities in Gilmore, Queensland Australia.	Fixed fee of US\$5.5 million. All payment obligations under this agreement have been satisfied, although Slipform continues to provide ongoing assistance.	Balance payable as at 31 December 2017: Nil  Amount paid: Nil	US\$279,763

\* Slipform Engineering International (H.K.) Ltd, a company incorporated in Hong Kong with limited liability, in which Mr. Stewart Elliott, who is EWC's Chairman, Managing Director and Chief Executive Officer and Mr. Graham Elliott, who is a Project Director, have a 90% and 10% beneficial interest respectively.

**14. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(b) Commercial Agreements with EWC and Related Parties (Continued)**

We have entered into an operation and maintenance contract with PT Consolidated Electric Power Asia, details of which are set out in the following table:

<b>Parties</b>	<b>Date of agreement / amendment</b>	<b>Scope of services</b>	<b>Amounts incurred for the half year ended 31 December 2017</b>	<b>Payments made during the half year ended 31 December 2017</b>	<b>Amount payable on contract at 31 December 2017</b>
PTES and PT Consolidated Electric Power Asia *	12 March 2012 30 May 2012 (amendment) 30 May 2012 (addendum)	PT Consolidated Electric Power Asia agrees to be responsible for operation and maintenance services in relation to the Sengkang Power Plant. The initial scope covers the original 135MW units. The O&M was extended to cover the additional 180MW units upon commercial operation of the 60MW steam turbine.	US\$8.44m	US\$8.27m Including 1. US\$3.99m: invoices received in the year ending 31 December 2017 which were paid in the current year; 2. US\$4.28m: invoice received and paid during the current financial year;	US\$10.59m

\* PT Consolidated Electric Power Asia, a company incorporated in Indonesia, is 95% owned by Mr. Stewart Elliott, EWC's Chairman, Managing Director and Chief Executive Officer.



**Energy World Corporation Ltd and its Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the Half Year Ended 31 December 2017**

**14. RELATED PARTY TRANSACTIONS**

**(c) Commitment Agreements with EWC and Connected Persons (Continued)**

We have entered into a construction services contract with Slipform (Indonesia) and engineering, procurement and construction contracts with Slipform (H.K.), details of which are set out in the following table. These contracts allow for flexibility in payment obligations, through the Company's control over project timetable and progress and thus do not constitute irrevocable payment obligations to the Company and allows the Company to manage its funding on these projects accordingly.

Parties	Date of agreement / amendment	Scope of services	Contract value	Accumulated invoices received from related parties (\$US millions)	Accumulated invoices received from third parties (\$US millions)	Total invoices received (\$US millions)	Amount remaining on contract (\$US millions)	Related party payable (\$US millions)
EWC and Slipform Engineering International (H.K.) Ltd	12 March 2012 18 June 2012 (amendment)	Slipform Engineering International (H.K.) Ltd agrees to undertake the engineering, procurement and construction of the Gilmore LNG Project.	\$70.0m subject to adjustment and deduction for equipment and consultant services incurred directly by the Company.	31 December 2017: \$20.7 30 June 2017: \$20.5	31 December 2017: \$10.2 30 June 2017: \$10.2	31 December 2017: \$30.9 30 June 2017: \$30.7	31 December 2017: \$39.1 30 June 2017: \$39.3	31 December 2017: \$20.5 30 June 2017: \$20.5
EWC and Slipform Engineering International (H.K.) Ltd	12 March 2012 18 June 2012 (amendment)	Slipform Engineering International (H.K.) Ltd agrees to undertake the engineering, procurement and construction of the Philippines LNG Hub.	\$130.0 subject to adjustment and deduction for equipment and consultant services incurred directly by the Company.	31 December 2017: \$111.6 30 June 2017: \$111.6	31 December 2017: \$18.3 30 June 2017: \$18.3	31 December 2017: \$129.9 30 June 2017: \$129.9	31 December 2017: \$0.1 30 June 2017: \$0.1	31 December 2017: \$21.8 30 June 2017: \$21.8
PT South Sulawesi LNG and PT Slipform Indonesia and its related entities	18 March 2009 12 March 2012 (novation and variation) 18 June 2012 (amendment)	PT Slipform Indonesia agrees to undertake the engineering, procurement and construction of the Sengkang LNG Project. The contract was originally with Slipform Engineering International (H.K.) Ltd, and was novated to PT Slipform Indonesia on 12 March 2012.	\$352.0 subject to adjustment and deduction for equipment and consultant services incurred directly by the Company	31 December 2017: \$147.2 30 June 2017: \$146.5	31 December 2017: \$195.2 30 June 2017: \$195.2	31 December 2017: \$342.4 30 June 2017: \$341.7	31 December 2017: \$9.6 30 June 2017: \$10.3	31 December 2017: \$137.0 30 June 2016: \$137.0
EWC and Slipform Engineering International (H.K.) Ltd	3 March 2014	Slipform Engineering International (H.K.) Ltd agrees to undertake the engineering, procurement and construction of the Philippines Power.	\$588.0 subject to adjustment and deduction for equipment and consultant services incurred directly by the Company	31 December 2017: \$220.6 30 June 2017: \$216.4	31 December 2017: \$130.9 30 June 2017: \$130.9	31 December 2017: \$351.5 30 June 2017: \$347.3	31 December 2017: \$236.5 30 June 2017: \$240.7	31 December 2017: \$173.4 30 June 2017: \$171.9

\* PT Slipform Indonesia is a 95% owned subsidiary of Slipform Engineering International (H.K.) Ltd. The contracts are structured in a manner that the contract is subject to the Company having available financing in place to proceed with the projects.

## **15. SUBSEQUENT EVENTS**

There are no significant events occurring after the balance sheet date which may affect the Company's operations or results of these operations or the Company's state of affairs.

## Directors' Declaration

In accordance with a resolution of the directors of Energy World Corporation Ltd, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of Energy World Corporation Ltd for the half year ended 31 December 2017 are in accordance with *the Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards and *the Corporations Regulations 2001*
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



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**Brian Jeffrey Allen**  
Director

28 February 2018

# Independent Auditor's Review Report to the Members of Energy World Corporation Ltd

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Energy World Corporation Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

### ***Emphasis of Matter - Material Uncertainty Related to Going Concern***

Without qualifying our conclusion, we draw attention to Note 2 to the financial statements which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to recoverability and classification of recorded assets amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

### 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

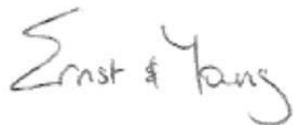
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

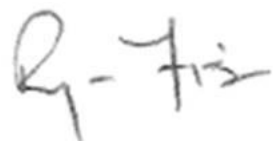
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Ryan Fisk  
Partner  
Sydney  
28 February 2018