



PAGBILAO POWER STATION



PAGBILAO LNG



SENGKANG LNG

ANNUAL REPORT 2018

DELIVERING CLEAN ENERGY TO
ASIA PRESERVING THE ENVIRONMENT

ENERGY WORLD CORPORATION LTD.

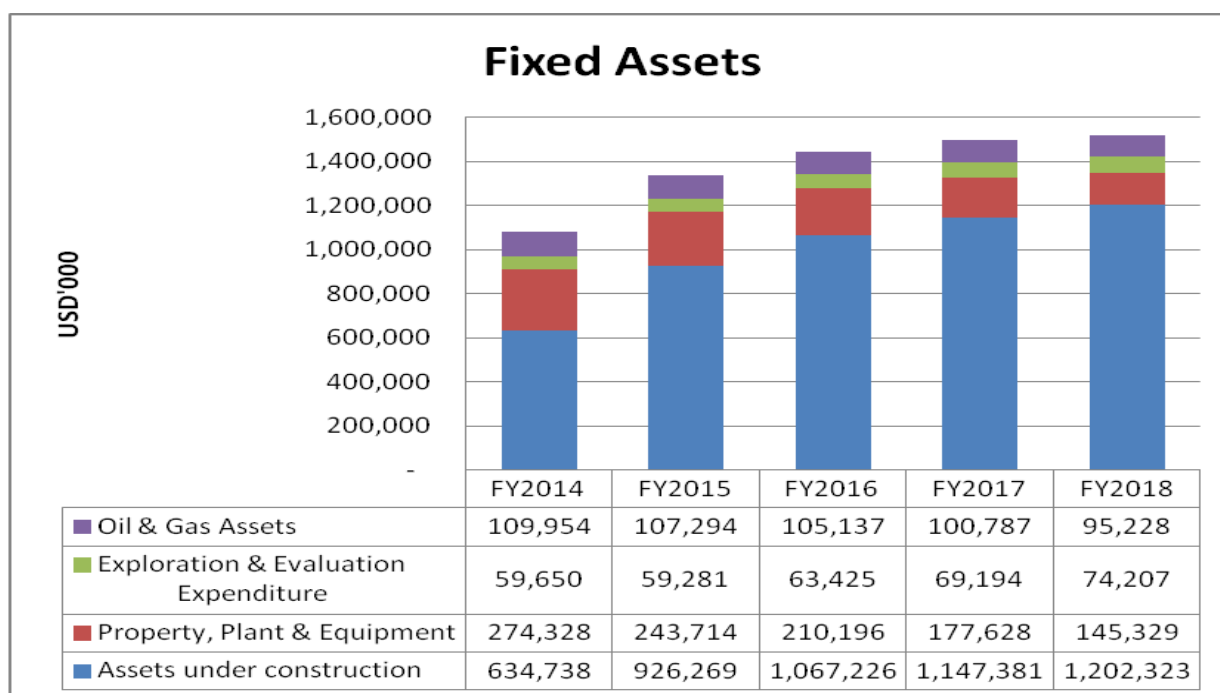
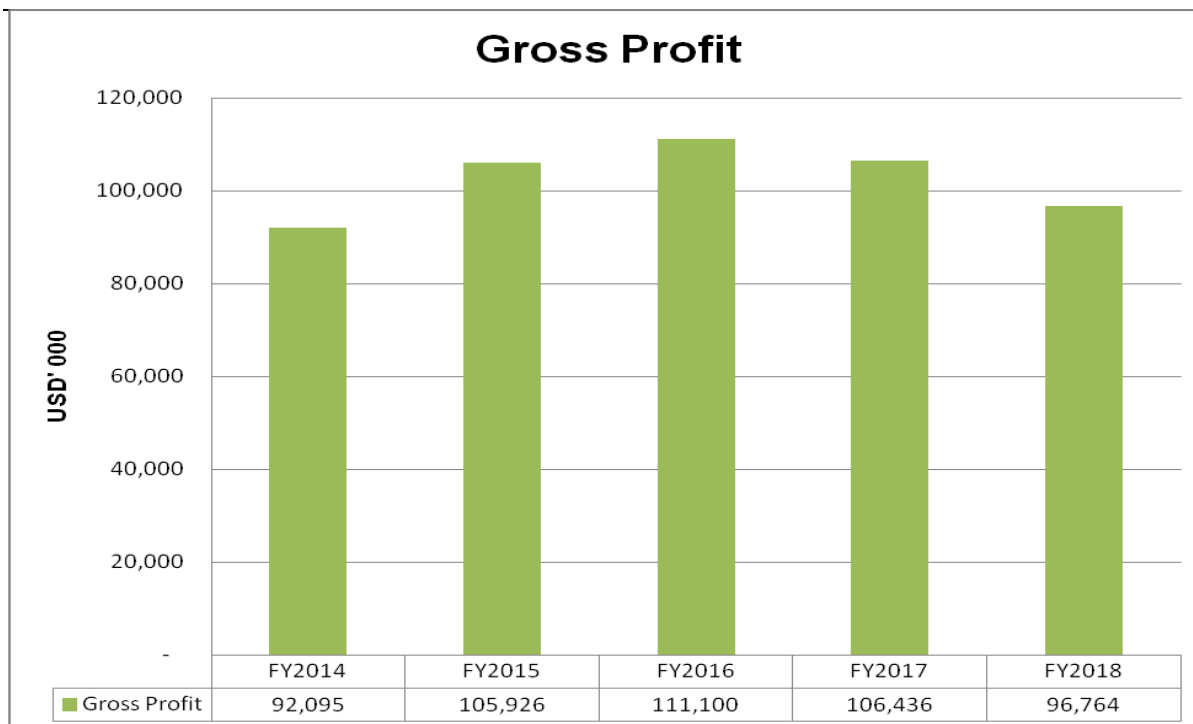


Annual Financial Report

ENERGY WORLD CORPORATION LTD AND ITS CONTROLLED ENTITIES

30 JUNE 2018

ABN: 34 009 124 994



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Chairman's Statement

I am pleased to report the results of Energy World Corporation Ltd (“EWC”, “the Company” or “the Group”) for the financial year ended 30 June 2018. During the year we continued to successfully operate and manage our existing investments and make considerable progress in our Power, Gas and LNG Projects under development in Indonesia and Philippines, and we commenced the process to restart gas production in Australia. This places us in a strong position towards meeting the rapidly increasing energy requirements of the Asia Pacific region, and also making progress to achieve our goal, to become a leader in modular LNG development and an operator of a vertically integrated clean energy company.

Financial results

The Group's revenue was US\$158.2 million in FY18, 11.0% lower than FY17, and gross profit was US\$96.8 million, representing a decline of 9.1% on the prior year, principally as a result of reduced gas production from our Sengkang PSC. A new compressor package has been ordered which is expected to increase gas production once installed. Gross profit as a percentage of revenue for FY18 was 61%, which is up slightly on FY17 of 60%. Whilst gross profit decreased overall, the gross profit margin improved as a result of cost of sales decreasing by 13.9% versus only a 11.0% drop in revenues. The decrease in cost of sales was primarily a result of management implementing cost reductions across its operating businesses. These figures highlight the profitable base of the business and the stable revenue stream we enjoy under long-term off take and power purchase agreements.

Due to ongoing construction of our Sengkang Modular LNG Project in Indonesia, our Philippines LNG Hub and our Philippines Gas Fired Power Project, the Company's property, plant and equipment, oil and gas, and the exploration and evaluation assets rose from US\$1,495.0 million to US\$1,517.0 million during the financial year.

Project construction – Power, Gas and LNG

The Sengkang LNG Project is now well advanced with key equipment having been installed. As previously advised, the Company will bring this Project into commercial operation in 500,000 TPA phases after we conclude the LNG product off-take discussions with PLN who require LNG for its power operations in eastern Indonesia. SKK Migas has already confirmed the allocation of gas from our WASAMBO fields (part of the Sengkang PSC) for these developments.



Sengkang LNG Plant Project

Chairman's Statement

During the year we made a formal application to extend the Sengkang PSC beyond 2022. We have been working closely with the appropriate authorities over the last few months and whilst timetables are uncertain, we are optimistic of a positive outcome in 2018.

The Philippines LNG Hub and associated works are well advanced. When completed in 2019, this LNG Hub will provide regasified LNG to the power plant discussed below, in the interim the LNG will be provided from LNG Carrier "Ocean Quest" (IMO: 7391214, MMSI: 257991000), which is a LNG tanker currently sailing under the flag of Norway. Ocean Quest is owned by Hong Kong LNG, a subsidiary of Energy World International Limited, and is 289m length overall and beam of 41m. Her gross tonnage is 88,919 tons. Ocean Quest has a capacity to carry up to 128,000 cubic meters of LNG.



Pagbilao LNG Storage Tank

Our Philippines LNG Fired Power Project in Pagbilao is well advanced. The 2 × 200MW gas turbines have been placed onto their permanent foundations and erection of auxiliary equipment is now in place. Works are ongoing to bring these turbines into commercial operation as soon as possible after financial close of the project financing with the target date of the first unit being brought into commercial operation in 2019 and the second unit within 4 months thereafter subject to capacity availability on the transmission systems.

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.

Thereafter, we have made good progress on the transmission line during the year, and have entered into an agreement with a reputable land agent, who together with the Quezon Province, has secured agreements with individual land owners who will provide us with a right of way allowing us to construct a point to point transmission line from our power plant to the main grid. We have commenced the acquisition process for the rights of way already. We have also secured a temporary connection to the 230 kV line that is adjacent to our power plant and received environmental approvals to construct an undersea cable.

Since the visit of Secretary Cusi, DOE has been working with EWC to achieve the power connection to the grid and we have been advised that the DOE have encouraged and instructed all relevant government

departments to provide their full assistance to this process. In addition, pursuant to a Senate Hearing on 18 June 2018, the Senate Committee on Energy has requested the DOE, Energy Regulatory Commission and National Grid Corporation to assist EWC to ensure that our power plant can start operations at the earliest opportunity.



Pagbilao Power Plant

During the year we made a commitment to re-start gas production from our Eromanga and Gilmore gas fields, given the high price of gas in Australia. The process to re-habilitate our existing gas processing plants, which are connected to existing pipeline infrastructure and wells that were previously in production, has commenced with a process to re-establish road access to the site and planning for the rehabilitation of plant, equipment and the wells. We expect gas production will commence from the Eromanga field in the second half of 2019, followed subsequently by Gilmore in 2020.

We have also grown our acreage position through the acquisition of a number of permits around our Eromanga gas fields during this year. We are working to transfer title of these permits to us now.

Our PEL 96 joint venture successfully drilled the “Jaws-1” well, which is now undergoing a process of dewatering. The JV expects to be able to determine the commerciality of this programme over the next few months.

Financing for the Company’s Projects

Post balance date, we received a A\$2m grant from the Australian Government under their Gas Acceleration Programme. A portion of this money has been received, with the balance to be released to us upon meeting certain milestones on the re-start of the Eromanga and Gilmore gas fields.

Post balance date we announced that we had entered into a new agreement with Standard Chartered Private Equity (Singapore) Limited (“SCPE”) whereby they would reinvest the proceeds from their existing US\$50m exchangeable convertible note into a new US\$50m loan to EWC with warrants exercisable at A\$0.50 each.

This transaction also required Energy World International (“EWI”), our major shareholder, and Slipform Engineering, another related party, to amend the terms of their loans to defer any payment of principal or

interest to them until after the SCPE loan has been fully repaid. Both EWI and Slipform agreed to accommodate these requirements.

We continue to receive strong support from EWI, who, in addition to accommodating the SCPE requests, advanced another US\$15m to the Company throughout the year. EWI also elected to convert its US\$25m convertible note into ordinary shares during the year. The conversion price was at A\$0.50 per share, and occurred two years ahead of the expiry date.

During the year we made a scheduled repayment of US\$17.8m of principal and interest on facilities that are secured against the Sengkang Power Plant project. This fully repaid 6 of the 9 lenders involved in this facility.

We continue to work with Landbank and the Development Bank of the Philippines (“DBP”) to secure debt funding for the Pagbilao power plant. Both banks have repeatedly re-affirmed their support to our project while having recognized the delays caused because of the transmission issues. With these issues now largely resolved, the banks have provided us with updated financing terms and conditions for the power plant. Upon our acceptance, these terms will be processed through their respective internal approvals. We expect debt drawdown will take place by the end of 2018, or early 2019.

We have made significant progress on our projects this year, especially with resolving the transmission issues for our Pagbilao power plant. With the platform we now have in place we are optimistic of achieving commercial operations in the Philippines and Australia, and making substantial progress in Indonesia in 2019. Dates may change due to adjustments in the commercial arrangements and the time taken to draw down funds under various funding facilities.

Appreciation and thanks

I would like to thank our shareholders for their continuing support and my fellow Directors and staff at all levels for their ongoing hard work and contribution to the Company during the past year.

Stewart Elliott
*Chairman, Managing Director,
and Chief Executive Officer*



Company Information

<u>DIRECTORS</u>	Mr. S.W.G. Elliott Mr. I.W. Jordan Mr. B.J. Allen Mr. G.S. Elliott Mr. J.J. Fong Dr. B.D. Littlechild Mr. M.P. O'Neill Mr. L.J. Charles Mr. K. Blount Mr. Winston Mandrawa	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) 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)
COMPANY SECRETARY	Mr. I.W. Jordan	
REGISTERED OFFICE SYDNEY	9A, Seaforth Crescent Seaforth, NSW 2092 AUSTRALIA Telephone: (61-2) 9247 6888 Facsimile: (61-2) 9247 6100	
HONG KONG OFFICE	Suite 08, 48th Floor Sun Hung Kai Centre 30 Harbour Road HONG KONG Telephone: (852) 2528 0082 Facsimile: (852) 2528 0966	
AUDITORS	Ernst & Young 200 George Street Sydney, NSW 2000 AUSTRALIA	SHARE REGISTRY Computershare Registry Services Pty Ltd 45 St George's Terrace Perth, WA 6000 AUSTRALIA Telephone: (61-8) 9323 2000 Facsimile: (61-8) 9323 2033
LEGAL ADVISORS	Hogan Lovells 11/F One Pacific Place 88 Queensway HONG KONG	BANKERS 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 th 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
EMAIL	188ew@optusnet.com.au	WEBSITE www.energyworldcorp.com
AUSTRALIAN BUSINESS NUMBER		34 009 124 994

Energy World Corporation Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

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 year ended 30 June 2018.

Directors

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

<u>Name</u>	<u>Age</u>	<u>Experience, Special Responsibilities and Other Directorships</u>
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Executive Directors

Mr. Stewart William George Elliott, <i>Chairman, Managing Director, Chief Executive Officer (CEO)</i>	72	Mr. Elliott joined our Board in November 1999 as a Non-executive Director and was appointed Managing Director and CEO on 29 September 2000 and Chairman on 10 September 2003. He is the founder and Managing Director of Energy World International Limited ("EWI"), our largest Shareholder. EWI is wholly owned by Mr. Elliott and has diverse interests including listed investments, resources, property and hotel. Mr. Elliott also owns a 90% beneficial interest in Slipform Engineering International (H.K.) Ltd ("Slipform (H.K.)") with Mr. Graham Elliott owning a 10% beneficial interest. Mr. Elliott was the Managing Director and CEO of Consolidated Electric Power Asia Limited ("CEPA"). CEPA was listed on the Hong Kong Stock Exchange ("HKSE") in 1993 and delisted in January 1997 following its acquisition and privatisation by The Southern Company for US\$3.2 billion. Mr. Elliott was also an Executive Director of Hong Kong listed Hopewell Holdings Limited, from 1980 until 1998, leading many of its infrastructure projects and major developments (including leading the construction of the "Hopewell Centre" in Hong Kong).
Mr. Ian William Jordan, <i>Executive Director, Company Secretary (Australia)</i>	79	Mr. Jordan was appointed an Executive Director on 29 September 2000 and Company Secretary in Australia on 12 April 2001. He holds a degree in Electrical Engineering from the University of Queensland. He is a Fellow of the Institute of Engineers, Australia, and is a chartered professional engineer. He is a Director of EWI. Prior to joining the Company, Mr. Jordan was a senior executive with CEPA and was a partner in an international engineering consultancy before then. He has more than 40 years of international experience in the electric power industry, including project development, project finance, construction and operation.
Mr. Brian Jeffrey Allen, <i>Executive Director, Finance Director</i>	66	Mr. Allen was appointed an Executive Director on 12 April 2001. He is also a Director of EWI. Prior to joining EWI's Board of Directors in September 2000, Mr. Allen was a Director and Head of Project Finance for The Hongkong and Shanghai Banking Corporation Limited and was based in Hong Kong. Mr. Allen was directly involved in a number of transactions including certain financing arranged by HSBC Group members for CEPA. Mr. Allen has been involved in arranging finance for major projects in Asia since 1986.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

<u>Name</u>	<u>Age</u>	<u>Experience, Special Responsibilities and Other Directorships</u>
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Executive Directors

Mr. Graham Stewart Elliott <i>Executive Director</i>	39	Mr. Elliott was appointed Executive Director on 6 October 2014. Mr. Elliott was educated at Princeton University (Engineering). While at Princeton, he served as the President of the Princeton American Society of Civil Engineering Student Chapter. He finished his Master of Business Administration at Southampton University in June 2004. His previous work experience includes various internships at Slipform Engineering Ltd. between 1992 and 1996, at GEC Alstom in 1996, at Arup in 1997, and at Energy World International Ltd. between 1997 and 2001. Mr. Elliott joined EWC in 2001 and is responsible for matters relating to engineering and civil construction and for the development of new project opportunities throughout the Asia Pacific region. He is the son of Mr. Stewart Elliott, EWC's CEO and Managing Director.
Mr. Jonathan Joseph Fong <i>Executive Director, Company Secretary (Australia)</i> <i>(resigned on 28 November 2017)</i>	35	Mr. Fong was appointed an Alternative Director to Mr. Ian William Jordan on 25 May 2015. Mr. Fong joined the Company in 2011, and holds a Bachelor of Commerce and Bachelor of Law from the University of New South Wales, and a Master of Law from the University of Sydney. Prior to joining the Company, he had previously worked at a leading law firm in Sydney, Australia and at the accounting firm KPMG. He is a qualified Solicitor of New South Wales. Mr Fong was appointed as an Executive Director on 1 March 2017.

Independent Non-Executive Directors

Dr. Brian Derek Littlechild, <i>Independent Non-Executive Director and member of the Independent Board Committee, Audit Committee and Remuneration Committee</i> <i>(retired on 28 November 2017)</i>	73	Dr. Littlechild was appointed to our Board on 2 May 2001. He has attained a Bachelor's degree in Science and a Doctoral degree in Philosophy from Nottingham University. He is a member of the Institution of Civil Engineers and was a Fellow of the Hong Kong Institution of Engineers, Member of American Society of Civil Engineers, Member of Academy of Experts and Editorial Panel Member of Geotechnique. He joined Ove Arup in 1972, and worked in the Hong Kong office for over 20 years, where he served as an associate director. He has 25 years of experience in geotechnical engineering. He has authored numerous geotechnical and related papers. In particular, he led a major programme of testing of foundations in Hong Kong which subsequently formed the basis of a section of the new Code of Practice for Foundations in Hong Kong. His extensive experience in Hong Kong, China and the Philippines covers a large number of geotechnical projects including large power plants and infrastructure projects as well as major buildings.
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Directors' Report

Energy World Corporation Ltd and its Controlled Entities

<u>Name</u>	<u>Age</u>	<u>Experience, Special Responsibilities and Other Directorships</u>
<u>Independent Non-Executive Directors</u>		
Mr. Michael Philip O'Neill, BE., FIEA., CpEng., RPEQ., JP. <i>Independent Non-Executive Director and Chairman of the Independent Board Committee, Chairman of the Audit Committee and Chairman of the Remuneration Committee</i>	70	Mr. O'Neill was appointed to our Board as an Independent Non-Executive Director on 20 April 2007. Mr. O'Neill was educated at Sydney University (Engineering). He is a fellow of the Institute of Engineers, Australia, a registered professional engineer in Queensland, a chartered professional engineer, a member of the Concrete Institute of Australia and of the Master Builder Association of NSW. He is also a holder of Building Licence NSW. He has over 40 years of experience as a site engineer and design engineer in various engineering and concrete prestressing companies in Australia and overseas. In 1982, he founded and has since been a Director of APS Group, a concrete prestressing company general contracting with business based in Australia and the Middle East. Mr. O'Neill is on the Board of the Post Tensioning Institute of Australia and the Australian Certification Authority for Reinforcing and Structural Steel. He is a member of Energy World Corporation committees and currently chairs the audit committee, the remuneration committee and the independent board committee.
Mr. Leslie James Charles, <i>Independent Non-Executive Director</i>	77	Mr. Charles was appointed an Independent Non-Executive Director on 20 November 2015. He lives in Australia and has 42 years of experience in project and construction and project management of major commercial, institutional, public and industrial developments, in which 25 years of experience in the Asia Pacific region, including Hong Kong, the People's Republic of China, Malaysia, Indonesia and the Philippines.
<u>Non-Executive Directors</u>		
Mr. Kevin Blount <i>Non-Executive Director (resigned on 28 November 2017)</i>	55	Mr Kevin Blount has over 30 years of experience working in the UK and U.S. public company Chart Industries, having held senior management positions across a broad business spectrum in the LNG industry including Corporate Development/M&A, Strategic Planning, Sales and Marketing, Business Development, Contracts, Project Management, Procurement, Production Control and Scheduling, Manufacturing and Operations, Quality, and Mechanical Engineering. Mr. Blount is currently employed by Energy World USA Inc., a subsidiary of Energy World International Ltd, and has executive responsibility for Energy World's U.S. Operations managing LNG gas, energy and infrastructure projects. He holds a Master Degree in Business Administration from the University of Wolverhampton United Kingdom. Mr Blount resigned on 28 November 2017.
Mr. Winston Mandrawa <i>Non-Executive Director (appointed on 31 July 2017)</i>	35	Mr. Mandrawa was appointed an Alternative Director to Mr. Henry Clarke on 27 September 2016 and resigned as an Alternative Director on 15 June 2017. Mr. Mandrawa was appointed as a Non-Executive Director on 31 July 2017. He is a former investment banker at Deutsche Bank in Australia. He is now a senior employee in Standard Chartered Private Equity ("SCPE") in Singapore.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Company Secretary

Mr. Ian William Jordan was appointed Company Secretary on 12 April 2001. He is also a Director of the Company.

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows.

	Number of Meetings held during which they were eligible to attend	Number of Meetings attended
Mr. Stewart William George Elliott	5	4
Mr. Ian William Jordan	5	4
Mr. Brian Jeffery Allen	5	5
Mr. Graham Stewart Elliott	5	4
Mr. Jonathan Joseph Fong (<i>resigned on 28 November 2017</i>)	2	1
Dr. Brian Derek Littlechild (<i>resigned on 28 November 2017</i>)	2	0
Mr. Michael Philip O'Neill	5	5
Mr. Leslie James Charles	5	4
Mr. Kevin Blount (<i>resigned on 28 November 2017</i>)	2	0
Mr. Winston Mandrawa (<i>appointed on 31 July 2017</i>)	5	5

During the period covered in this Annual Report, the number of meetings attended by each member of the Audit Committee were as follows:

	Number of Meetings held during which they were eligible to attend	Number of Meetings attended
Dr. Brian Derek Littlechild (<i>retired on 28 November 2017</i>)	1	0
Mr. Michael Philip O'Neill	3	3
Mr. Leslie James Charles	3	3
Mr. Winston Mandrawa (<i>appointed on 31 July 2017</i>)	3	1

During the period covered in this Annual Report, the number of meetings attended by each member of the Remuneration Committee were as follows:

	Number of Meetings held during which they were eligible to attend	Number of Meetings attended
Dr. Brian Derek Littlechild (<i>retired on 28 November 2017</i>)	0	0
Mr. Michael Philip O'Neill	0	0
Mr. Leslie James Charles	0	0

During the period covered in this Annual Report, the number of meetings attended by each member of the Independent Board Committee were as follows:

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

	Number of Meetings held during which they were eligible to attend	Number of Meetings attended
Dr. Brian Derek Littlechild (<i>retired on 28 November 2017</i>)	0	0
Mr. Michael Philip O'Neill	0	0
Mr. Leslie James Charles	0	0

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

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.

We are incorporated in Australia and our shares have been listed on the Australian Stock Exchange (ASX) since 1988. We also have over-the-counter traded American Depositary Receipts on the OTCQX in the United States. Our primary listing is on the ASX.

In our power generation business, we currently own and operate a 315 MW (total rated output 357 MW) combined-cycle power plant in Sengkang, South Sulawesi, Indonesia. In our natural gas business, we currently extract gas from our Sengkang Contract Area in South Sulawesi, Indonesia.

The growing demand for efficient and clean power generation in the Asia Pacific region presents us with opportunities. We intend to selectively develop new power generation capacity fuelled by LNG and natural gas in locations where the ability to satisfy increasing local demand is restricted by the limited fuel supply and generation capacity currently in place.

We are a pioneer in developing the concept of a mid-scale modular LNG facility, which has significantly lower capital costs and a shorter construction period than a conventional large-scale LNG facility. The use of our modular LNG trains gives us the ability to exploit stranded gas fields, which are gas fields that are not considered commercially viable at present for conventional large-scale LNG facilities. Thus, the foundation of our future growth is focused around the development of our LNG and related gas fuelled power business.

We are also constructing a LNG Hub Receiving Terminal in Pagbilao, Philippines and a related LNG fueled 650 MW combined cycle power station. This will be the first LNG Hub Receiving Terminal in the Philippines from which LNG can be distributed throughout the country for use in power plants, industrial power generation, city gas and road transportation.

In Australia we own a number of gas fields, which were in production until 2001 and are connected to existing pipeline networks and processing plants. We intend to bring these gas fields back into production and, together with our Gilmore LNG plant, develop a gas and LNG business in Australia.

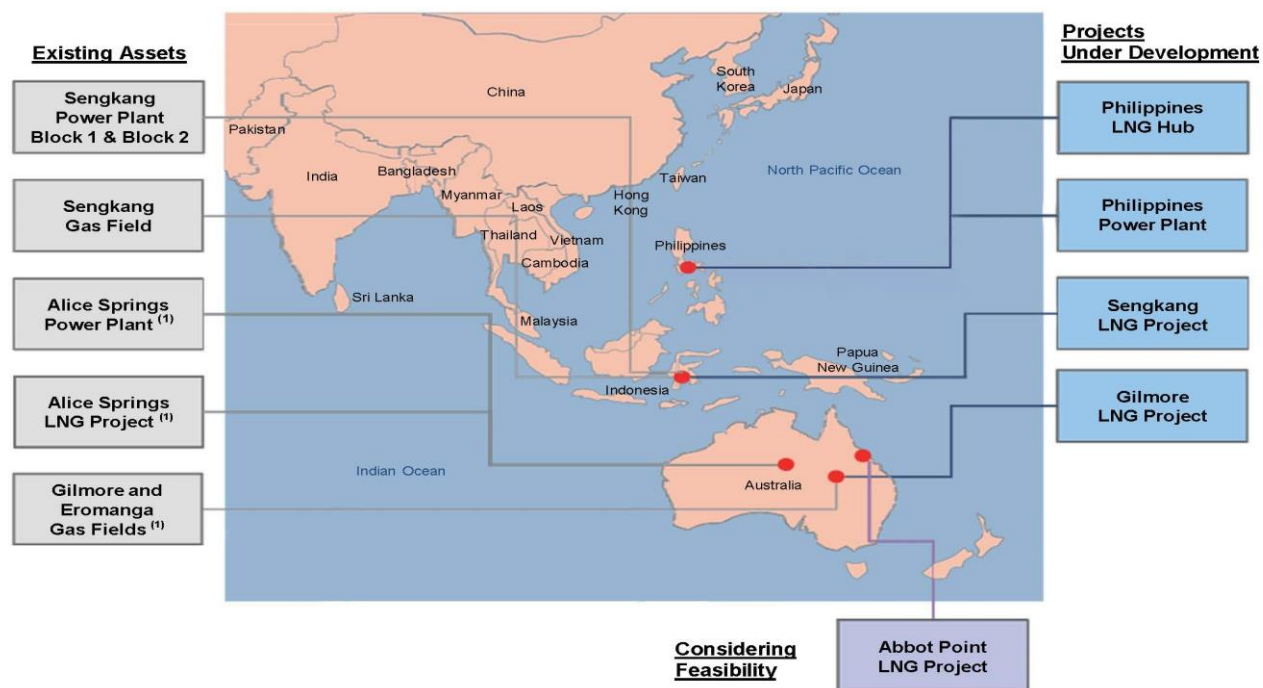
The consolidated entity's principal activities during the course of the financial year were:

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

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

The following map shows the location of our existing assets, projects that are under development and projects the feasibility of which we are considering:



Note:

(1) These existing assets are not currently in production or operation.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

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 are currently in care and maintenance, but for which we have commenced a process to restart production, together with other blocks in the surrounding areas.

Our projects which are under development comprise:

- a 100% interest in the Sengkang LNG Project in Indonesia;
- a 100% interest in the Gilmore LNG Project in Gilmore, Australia;
- a 100% interest in the Philippines LNG Hub in Pagbilao, Philippines; and
- a 100% interest in the Philippines Power Plant, in Pagbilao, Philippines.
- a 33.33% interest in the PEL 96 joint venture

Review and Results of Operations

This financial report is presented in US Dollars, the functional currency for the parent entity of Energy World Corporation Ltd ("EWC").

Revenue for the consolidated group for the year ended was \$158.2 million. This represents an 11.0% decrease in the revenues as compared to FY17 of \$177.8m.

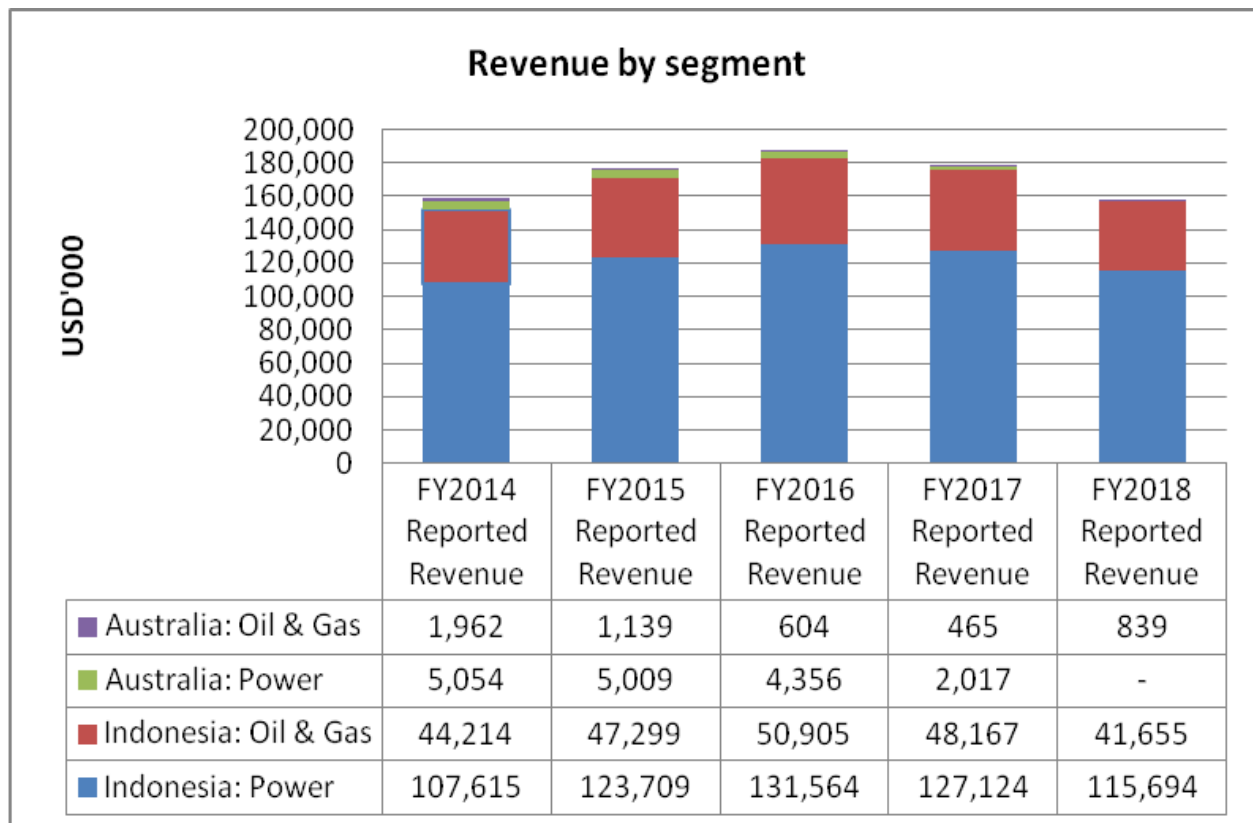
In Indonesia, the revenue from gas sales has decreased \$6.5 million due to lower volumes of gas delivered. Decreased volumes were a result of decreased flow rates at the Kampung Baru wells. While this has not had a significant impact on operations, new compressors have been ordered to increase gas pressure going forward and thus to increase gas sales. The revenue from power has decreased by \$11.4 million compared to FY17 as a result of the decrease in the availability of gas from Kampung Baru.

In Australia, the revenue from power has become zero due to the expiration of the Territory Generation contract in March 2017. The contract was not subsequently renewed. The revenue from oil & gas activities increased by 80% during FY18 compared to FY17.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Note 1:



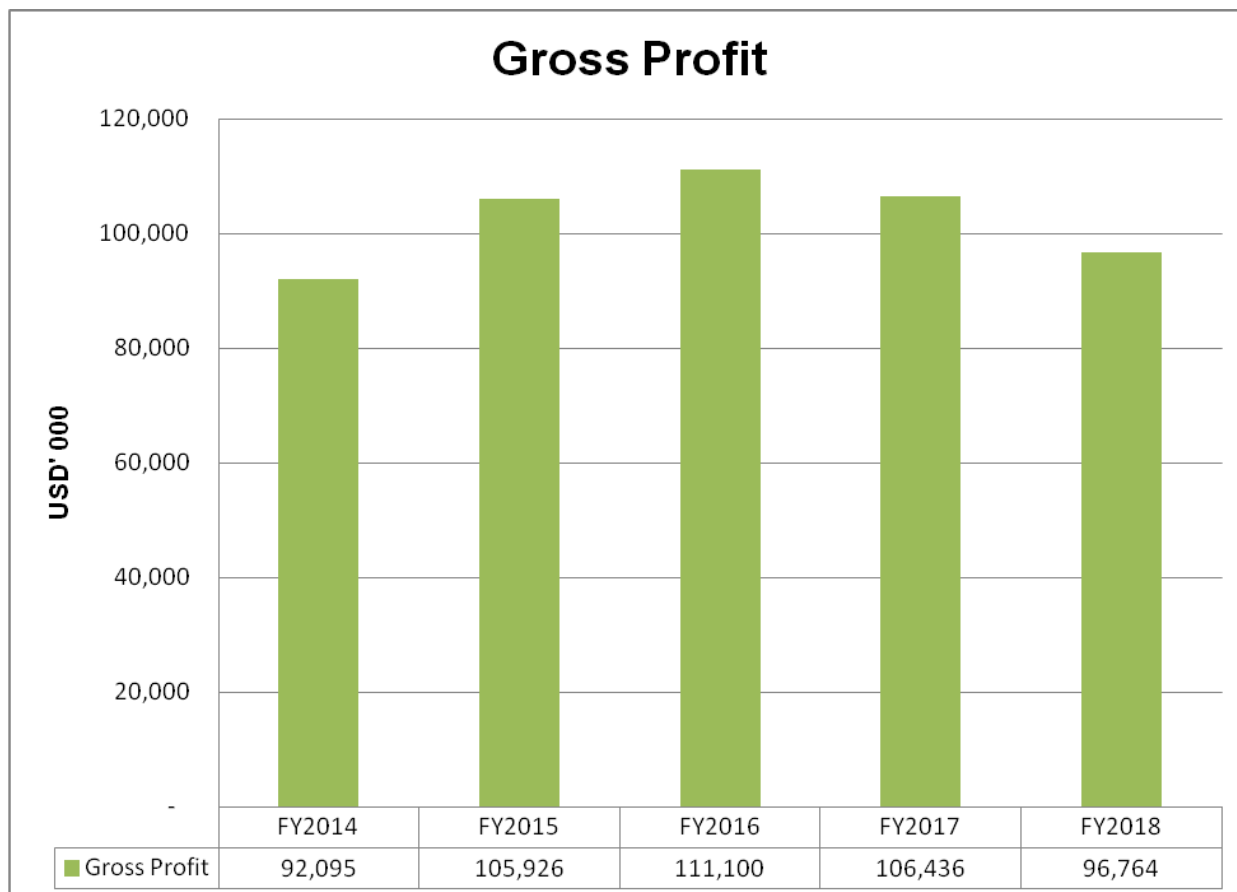
Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Review and Results of Operations (continued)

Gross profit for the financial year was \$96.8 million (2017: \$106.4 million), a decrease of 9.1% over the comparative period. (See *Note 2*)

Note 2:



Gross profit as a percentage of revenue for FY18 is 61%. This is higher than the average for the 4 preceding years of 59.2%, and FY17 of 60%.

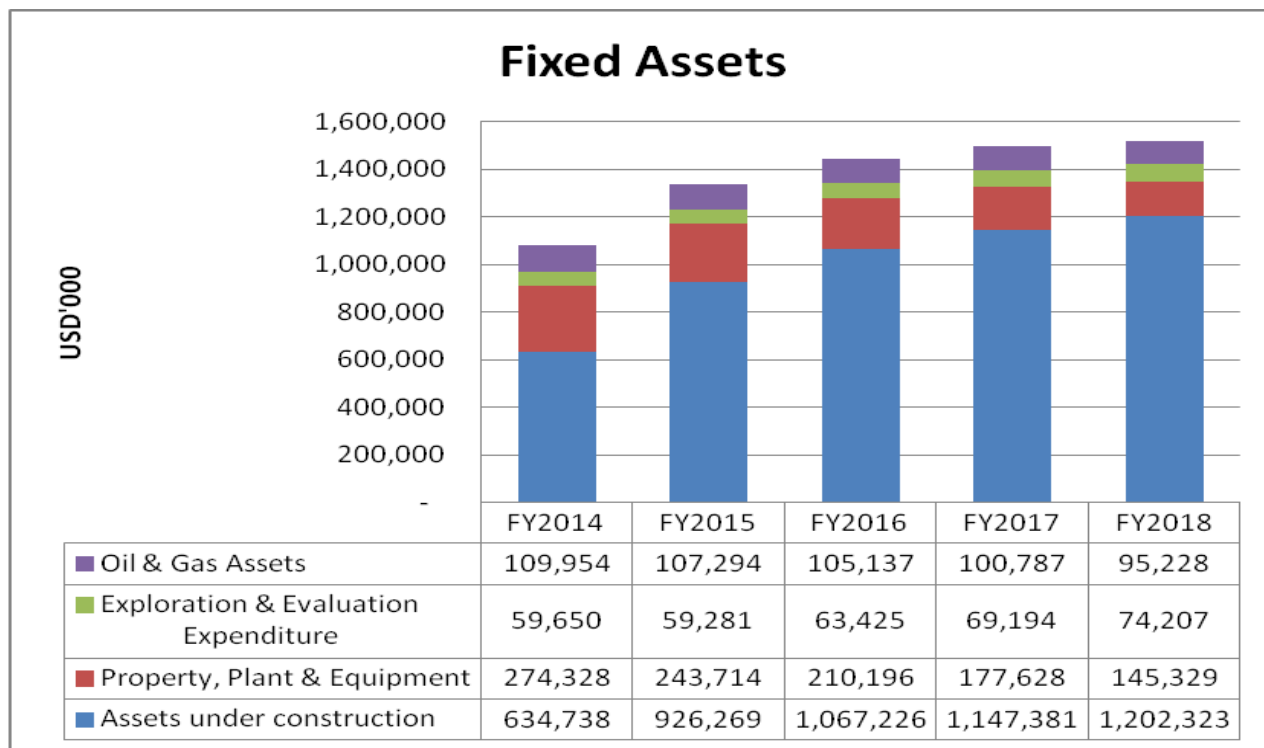
Whilst gross profit decreased overall, the gross profit percentage improved as a result of cost of sales decreasing by 13.9% versus only an 11.0% drop in revenues. The decrease in cost of sales was primarily a result of management implementing cost reductions across its operating business.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Review and Results of Operations (continued)

Note 3:



Assets under construction have increased by \$57 million for the financial year as a result of:

- Sengkang LNG: Additions of \$12.9 million relating to construction progress and capitalised interest.
- Philippines Power Project: \$34.8 million relating to construction progress and capitalised interest.
- Philippines LNG Hub Terminal: \$6.8 million relating to construction progress and capitalised interest.
- Gilmore LNG Project: Additions of \$2.6 million relating to construction progress and capitalised interest.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Competitive Strengths

We believe that we have the following competitive strengths:

We have a stable revenue stream under a power purchase agreement.

During this financial year, we operated our Sengkang Power Plant under a take-or-pay power purchase agreement with a term until 2022. The Indonesian national power utility, PT Perusahaan Listrik Negara (Persero) (PLN) is the purchaser of power under this agreement. The take-or-pay arrangement under this agreement requires PLN to pay for the available generating capacity of our power plant up to an agreed level, regardless of the actual dispatch of electricity. For the financial year ended 30 June 2018, US\$115.7 million of total revenue was generated by our Indonesia power business.

In Australia, the power purchase agreement with NT PWC was amended to extend until April 2017. However, upon its expiry, we received advice that the contract would not be extended. The company is therefore considering its options for this plant which includes utilising it as a dedicated power source for the Alice Springs LNG plant or moving some of the units to Gilmore LNG facility as the power source to the development.

Plant type	Service commencement date	Plant capacity	Annual take or pay quantity (Gwh)	Our ownership	Off-taker	PPA term end
Sengkang Power Plant Combined Cycle Block 1	1997-1998	135.00 MW	1,005	95%	PLN	September 2022
Sengkang Power Plant Combined Cycle Block 2	2008-2013*	180.00 MW	1,340	95%	PLN	September 2022

Capacity attributable to our Group: 315.00MW

*GT 21 - March 2008
GT 22 - March 2013
ST 28 - September 2013

The Sengkang Power Plant is held under a Build, Own and Operate (BOO) structure. The Power Purchase Agreement ("PPA") has terms which include the right for PLN to purchase the power plant from us at a price determined with reference to a formula. At this time PLN has not chosen to exercise such right. In fact, we intend to negotiate for an extension to the PPA beyond 2022.

We have existing natural gas reserves and contingent resources and power operations in key locations

Natural Gas: As a natural gas producer with gas reserves and contingent resources located in Indonesia, we are well positioned to develop the Sengkang Gas Field and the Sengkang LNG Project to sell LNG to domestic customers in Indonesia (via domestic regasification facilities in Indonesia), directly to customers in the Asia Pacific region or indirectly to the Asia Pacific markets via our Philippines LNG Hub in order to benefit from the projected demand growth in the region.

Power: Our Sengkang Combined Cycle Power Plant is the largest power generation facility in terms of output capacity in South Sulawesi. We have expanded this Plant from 195 MW to 315 MW by adding a 60 MW gas turbine (commercial operation date 8 March 2013) as well as two heat recovery steam generators and a 60 MW steam turbine and its electrical generator (commercial operation in December 2013).

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

We operate as a vertically integrated independent energy company.

This vertical integration affords us greater certainty, physical security and control over our fuel supplies and our fuel costs.

Our interest in the Sengkang Gas Field, held through our subsidiary Energy Equity Epic (Sengkang) Pty Ltd (EEES), provides us with gas for the Sengkang Combined Cycle Power Plant (Block 1 and Block 2) and greater assurance that we will be able to obtain the additional gas required for the Sengkang LNG Project. While SKKMigas (formerly BPMigas)* approval is required for all gas sales contracts entered into by EEES, we are not dependent on reaching agreement with any additional third party gas suppliers. Further, our ownership of the Sengkang LNG Project provides greater certainty that we will be able to source LNG for our Philippines LNG Hub. This integrated approach affords us considerable flexibility in our project planning and allows us to optimise our revenues at various stages in the energy chain for both domestic and international projects.

We and our Directors and senior management team have a track record of innovation and successfully developing energy projects.

As a Group, we have a strong track record of innovation and achievement in developing and operating energy projects:

- we have roots in the innovative development of the first commercial LNG liquefaction facility in Australia, brought into operation in Alice Springs, Northern Territory in 1989, to supply LNG to a remote power plant in central Australia as a cleaner alternative to diesel fuel. We were awarded the Major Engineering Excellence Award by Engineers Australia for this development in 1989;
- we have developed and operated, until their sale, the Barcaldine Power Plant in Queensland, Australia, the first independent gas-fired power plant in Australia built to supply to a State grid, and the Basin Bridge Power Plant in Chennai, India, the first independent power station in Tamil Nadu, and only the third such development in India at that time; and
- our Sengkang Combined Cycle Power Plant was the first integrated independent gas and power plant development in Indonesia. It came into commercial operation in 1997 – 1998 and was expanded by 60 MW in 2008 and a further 120 MW in 2013.

In addition, our senior management has an extensive and successful track record in delivering innovative power projects comprising over 5,000 MW of generation capacity developed throughout Asia.

We are a pioneer in developing mid-sized modular LNG facilities.

We are one of the first companies to focus on the development of LNG facilities using mid-sized modular LNG trains and regasification facilities. We developed the configuration for our modular LNG train with our strategic partners, Chart and Siemens, and have put in place a strategic alliance for their continued involvement in our LNG projects. One of our modular 0.5 million tonnes per annum (MTPA) LNG trains requires only 25 BCF per year or a 70 MMscfd gas supply, an amount relatively easily attainable from, for example, typical Indonesian gas fields.

We are building a LNG Hub Receiving Terminal for LNG distribution.

We are also constructing a LNG Hub Receiving Terminal in Pagbilao, Philippines and a related LNG fueled 650 MW combined cycle power station. This will be the first LNG Hub Receiving Terminal in the Philippines from which LNG can be distributed throughout the country for use in power plants, industrial power generation, city gas and road transportation.

* SKKMigas supervises and controls the Production Sharing Contracts (PSC) engaged in exploration, exploitation, and marketing activities. The company monitors oil and gas and LNG production. Additionally, it engages in community development projects. In November 2012 SKKMigas' predecessor, BPMigas, was dissolved by constitutional court order in Indonesia. Following the dissolution, the Government of Indonesia established SKKMigas to take over for BPMigas as the state sanctioned upstream oil and gas regulator.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Our modular LNG train has a number of significant advantages over conventional large-scale LNG trains. These advantages include:

- ***Ability to exploit stranded gas fields.***

Our modular approach can be used for stranded gas fields that are not considered commercially viable for conventional large-scale LNG facilities.

- ***Operational and timing efficiencies.***

Our modular LNG train uses a standardised design that maximises fabrication within the factory and minimises field-based construction when compared to conventional large-scale LNG facilities and trains.

Our modular LNG train is sufficiently flexible to allow us to exploit smaller gas fields. This permits us to consider a non-standard LNG off-take contract term of five years or less.

- ***Flexibility to deploy single or multiple modular LNG trains.***

Our midscale modular LNG train has a capacity of 0.5 million tonnes per annum (MTPA) of LNG as compared to the significantly larger and more rigid conventional large-scale LNG trains which typically have a capacity of 3 MTPA or above. Several of our 0.5 MTPA modular LNG trains can be combined for larger accumulations of gas or to meet increased LNG demand. This flexibility means that the initial capital investment can be more easily matched to the resource size, location and stage of development of a gas field and it is easier to add or reduce capacity as necessary.

- ***Distribution of LNG***

From the Hub Receiving Terminal, LNG can be distributed to power plants, industrial power generation, city gas and road transportation.

Business Strategies

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 through the Asia Pacific region.

Take advantage of opportunities presented by future growth in the demand for energy in the Asia Pacific region.

We plan to take advantage of the opportunities presented by future growth in the demand for energy in the Asia Pacific region and the increase in demand for LNG and natural gas to fuel this growth.

Service the growth in the demand for energy in the Asian market by using our lower-cost and flexible modular LNG technology and project implementation.

We are developing upstream, modular LNG liquefaction, storage and export facilities, together with downstream, modular LNG import, storage and regasification facilities to permit LNG to be stored at, and traded and sold from, storage hubs and regasification terminals.

Monetise our and third parties' current and future gas interests.

In addition to the development of our modular LNG projects, we intend to develop our interests in a vertically integrated energy business in the Asia Pacific region through several complementary channels.

For both the upstream and downstream modular LNG facilities, we intend to enter into a range of flexible LNG and gas sales arrangements both for export and domestic markets, optimising our sales portfolio by balancing long-term off-take with opportunities to take advantage of short-term or spot market conditions.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

We also envisage monetising our and third parties' current and future interests in the energy chain by taking equity stakes in entities that own gas reserves or participating in interests in upstream gas reserves or in the proceeds of LNG sales.

In addition, we envisage using our project expertise to develop and operate modern gas-fired power plants enabled by our regional downstream, modular LNG import, storage and regasification terminals.

Complete our projects under development.

The focus of our current programme of development is the expansion of our LNG and power business through the implementation of specific projects. To this end, we are working on the expansion, in phases, of the development and production at the existing Sengkang Gas Field in Indonesia. Gas from this field will be commercialised through the development and implementation of the Sengkang LNG Project, a modular LNG liquefaction, storage and loading facility.

Production from the Sengkang Gas Field also supplies gas to our Sengkang Combined Cycle Power Plant (Block 1 and Block 2).

At Pagbilao in the Philippines, we are currently developing our LNG Hub, an LNG import, storage and regasification terminal with an initial throughput capacity of 3 MTPA, with related port infrastructure. Adjacent to the LNG Hub we are also developing a 650 MW combined cycle gas fired power plant which will source LNG through the Philippines LNG Hub and sell electricity into the main Luzon Power Grid.

The Department of Natural Resources and Mines (DNRM) of the Queensland Government have given a clear direction to the Company to encourage us to develop more gas to meet the growing demand for domestic gas in the Eastern state. Therefore, we intend to bring the Gilmore and Eromanga gas fields into production to meet this domestic gas requirement in Australia.

We are also installing a compact modular LNG facility at our Gilmore Gas Field in Australia.

Expand our business by considering the feasibility of, and where suitable, developing other opportunities.

We will continue to explore and evaluate, alone or with partners, other opportunities that are aligned with, and which will help us to achieve, our strategy of developing a successful, vertically integrated energy business in the Asia Pacific region.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

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 with SKK Migas.



Sengkang Power Station in South Sulawesi, Indonesia

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).

During the three years ended 30 June 2018, the Sengkang Power Plant operated with an availability factor of 85.4%, which is slightly lower than the factor of 85% specified in the power purchase agreement with PLN.

The following table sets out the Sengkang Power Plant's output and actual availability factor for the 3 years ending 30 June 2018.

Financial year ended 30 June	Gross Installed Capacity	Contracted Capacity	Plant output	Plant availability factor
2018	357.6MW	315MW	1,361GWh	84.4 %
2017	357.6MW	315MW	1,740GWh	86.5 %
2016	357.6MW	315MW	2,063GWh	85.2%
Average:			1,721GWh	85.4%

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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.

Gas supply arrangements

All of the natural gas fuel required for power generation at our Sengkang Power Plant has historically been sourced from the Kampung Baru Gas Field in our Sengkang Contract Area and the Kampung Baru Gas Field is currently dedicated to the supply of the Sengkang Power Plant, including the Sengkang Expansion. Under the terms of the Sengkang Production Sharing Contract (Sengkang PSC), our share of gas produced to meet the supply to the original 135 MW Block 1 and first 60 MW unit of Block 2 of the Sengkang Power Plant is being sold by Energy Equity Epic (Sengkang) Pty Limited (EEES, a wholly owned subsidiary of EWC) to SKKMigas under ongoing arrangements that were customary at the time the Sengkang PSC was entered into. This structure was put in place in order to comply with Indonesian regulatory requirements, specifically that all gas sold to third parties must be through this state body.

Different arrangements apply to the supply of gas for the completed Sengkang Expansion. SKKMigas's predecessor, BPMigas, nominated EEES as seller of the Indonesian State's share of gas supplied for the Sengkang Expansion and EEES entered into a long-term Gas Sale and Purchase Agreement with PLN for this gas, which will be supplied from our Kampung Baru Gas Field. In turn, PLN has agreed to supply PT Energi Sengkang (PTES, a subsidiary of which EWC owns 95%) with gas for the operation of the Sengkang Expansion. EEES has given PTES certain undertakings with regard to the supply of gas to the Sengkang Expansion.

Operation and maintenance arrangements

Operation and maintenance services to our Sengkang Power Plant have been contracted by PTES to PT CEPA Sulawesi* (CEPA Indonesia) under the CEPA O&M Agreement, which was entered into on 12 March 2012 upon expiry of the Alstom O&M Agreement. The initial scope of the CEPA O&M Agreement was for the operation and maintenance of the original 135 MW (Block 1) Alstom supplied generating units at the Sengkang Power Plant. This scope has been extended to also include the operation and maintenance of the 180 MW combined cycle (Block 2) expansion using Siemens and Alstom supplied generating units.

The CEPA O&M Agreement provides for a monthly payment to CEPA Indonesia comprising a fixed payment, based on a contractually agreed formula, and a variable payment based on the actual amount of electricity dispatched. This formula incentivises CEPA Indonesia to ensure the efficient operation of the Sengkang Power Plant. Among its duties under the CEPA O&M Agreement, CEPA Indonesia must operate, maintain and test the generating units, carry out maintenance, use its best endeavours to minimise emergency maintenance outage, regular maintenance outage and forced outages, staff the control room and undertake daily, monthly and weekly reporting to us.

The services, obligations and contract price under the CEPA O&M Agreement were benchmarked against the previous Alstom O&M Agreement, which was on substantially similar terms. All the staff, including trained specialists and technicians but with the exception of the expatriate managers, previously employed by Alstom Indonesia to perform operation and maintenance work at the Sengkang Power Plant were transferred to CEPA Indonesia on 12 March 2012.

Refer to Note 27 in the Notes to the Financial Statements contained in this Annual Report for further details on the CEPA O&M Agreement.

* PT CEPA Sulawesi, a company incorporated on 29 August 2011 in Indonesia with limited liability, in which Mr. Stewart Elliott, our Chairman, Managing Director, Chief Executive Officer and one of our controlling shareholders, has a 95% beneficial interest

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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 km² Sengkang Contract Area under a production sharing contract entered into with SKKMigas^{*} 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 May 2017, we received an invitation to extend the Sengkang PSC from the Government. We have made an application to extend the field beyond 2022 and are awaiting a formal response from the relevant Governmental authorities.

During the year experienced reduced gas production from the Sengkang gas field as a result of decreased well head pressure. A new compressor package has been ordered and is currently in transit from USA to Indonesia. Civil works for the installations of the compressor have commenced. Once installed we expect gas production will increase.

The following table summarises the gas reserves and contingent resources estimated by our petroleum consultant Gaffney, Cline & Associates (GCA)⁽⁴⁾ of the various gas fields comprising the Sengkang Gas Field in the Sengkang Contract Area. We receive the report from GCA annually, and review and update the gross reserve and gross contingent resources:

Gross reserves (BCF)	1P	2P	3P
Kampung Baru Gas Field (as at 31 December 2017) ⁽¹⁾	73.0	74.0	87.0
Wasambo Gas Fields (as at 31 December 2017) ^{(1), (2)}	30.0	66.0	87.0
Total gross reserves	103.0	140.0	174.0
Gross contingent resources (BCF)	1C	2C	3C
Kampung Baru Gas Field (as at 31 December 2017)	89.0	139.0	181.0
Wasambo Gas Fields (as at 31 December 2017)	39.0	54.0	112.0
Total gross contingent resources⁽³⁾	128.0	193.0	293.0

Gross reserves (BCF)	1P	2P	3P
Kampung Baru Gas Field (as at 31 December 2016) ^{(1) **}	95.0	110.0	122.0
Wasambo Gas Fields (as at 31 December 2016) ^{(1), (2)}	53.0	82.0	92.0
Total gross reserves	148.0	192.0	214.0
Gross contingent resources (BCF)	1C	2C	3C
Kampung Baru Gas Field (as at 31 December 2016)	76.0	123.0	184.0

* 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.

⁸⁸ The GCA Report was issued by Gaffney, Cline & Associates in August 2018, as at 31 December 2017.

** The GCA report was issued by Gaffney, Cline & Associates in February 2017, as at 31 December 2016.

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Wasambo Gas Fields (as at 31 December 2016)	16.0	39.0	106.0
Total gross contingent resources⁽³⁾	92.0	162.0	290.0

The certified gas reserves remained roughly consistent between years 2016 and 2017 (after deduction for consumption during the year) however some adjustment on categorization of P and C has been made to reflect the contracted volume of gas up to the current expiry of the PSC. The reserves (defined P) are therefore the volume of gas estimated to be commercially recoverable from the fields attributed to third party buyers. The Gross Field Contingent Resources (defined C) are the volume of gas estimated to be recoverable from the project beyond the PSC/PPA expiry date of 22 October 2022.

Notes:

- (1) SKKMigas, on behalf of the Indonesian State, is entitled to a specified percentage of any natural gas or oil produced from the Sengkang Contract Area.
- (2) The Wasambo Gas Fields refers to the Walanga, Sampi Sampi and Bonge discoveries, which are a cluster of gas accumulations within the Sengkang Contract Area. The reserves are based on the latest draft reports available which are still in the process of being updated by our petroleum consultants.
- (3) In accordance with the Petroleum Resources Management System guidelines, reserves estimates are limited to volumes expected to be economically recovered within the term of the existing Sengkang PSC. Since the PSC is silent on the rights to any extension of the term beyond 12 September 2022, reserves are limited to those volumes that can be extracted prior to that date under the current gas supply agreement with BPMigas and the gas sale and purchase agreement with PLN. Volumes estimated to be producible from the Kampung Baru and Wasambo Gas Fields beyond this date are classified as contingent resources.
- (4) The information in this report that relates to the Reserves and Contingent Resources for the Sengkang PSC is based on information compiled and approved by Ms. Dewi Sri Redjeki, Senior Advisor of Gaffney Cline & Associates, Ms. Arse K Clarijs, Technical Director of GCA. Ms. Redjeki has over 20 years working experience in multinational companies – ARCO Indonesia, Eni Indonesia and Gaffney, Cline & Associates (GCA) with responsibilities in petroleum engineering, economic evaluation, commercial research (especially oil & gas and related industries), planning, scheduling, monitoring and budgeting. Ms. Clarijs has over 24 years petroleum industry experience in geoscience. She joined GCA in 2004 and has been managing and contributing to Reserves and Resources assessments for conventional and unconventional resources, basin studies, project acquisitions and divestments, as well as assets farm-out assistance. She previously worked for major and independent oil companies including Eni, Lasmco, Huffco and Lapindo. GCA is an independent international energy advisory group of over 50 year's standing. They provide both broad-based and detailed technical, commercial and strategic advice to clients across the upstream, midstream and downstream sectors of the oil and gas industry, using a project team approach. GCA's personnel bring extensive experience in the petroleum industry, gained from numerous projects around the world to every project. Their diverse backgrounds include employment with international and national oil companies and major consulting firms.

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The Sengkang PSC includes one producing gas field, the Kampung Baru Gas Field, and undeveloped gas fields. Our petroleum consultant, GCA, has provided estimates on our reserves in the Sengkang PSC. As at 31 December 2017, GCA has confirmed that the remaining 3P reserves from our Kampung Baru Gas Field, which is our field currently in production, is 87.0 BCF with additional 3C contingent resources of 181.0 BCF subject to commercial contract. In respect of the further three gas fields comprising the Wasambo Gas Fields, which have not yet been developed, 3P reserves have been estimated by GCA in a report to be 87.0 BCF as at 31 December 2017 with additional 3C contingent resources of 112.0 BCF. Reserves estimates are limited to volumes expected to be economically recovered within the term of the existing Gas Supply Agreement and Gas Sale and Purchase Agreement to the Sengkang Power Plant (in the case of the Kampung Baru Gas Field) and sales volume target as stated in the BPMigas plan of development approval (in the case of the Wasambo Gas Fields). Additional proved and probable gas volumes recoverable after this date, or which are not provided for in these arrangements, are classified as contingent resources.



Compressor package loaded on truck in Houston before being shipped to Indonesia



Booster compressor plinth foundations formed, compaction in progress

In addition to the Kampung Baru Gas Field and Wasambo Gas Fields, there are a considerable number of reefal build-ups 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 Wasambo Drilling Program, which was previously approved by SKKMigas' predecessor, BPMigas, under a plan of development in June 2011 commenced on 18 September 2013 when the Walanga #2 Twinning Well was spudded. The program involves drilling four gas production wells, being: Sampi Sampi #1 Twinning, Walanga #1 Twinning, Walanga #2 Twinning and Walanga #3, and was completed in March 2014. Each of the wells targeted Tacipi formation at a total depth of 2,400 – 2,700 feet. The gas from these wells will provide initial feedstock gas for our Sengkang Modular LNG Project. The information obtained from the Wasambo drilling program was provided to our petroleum consultants who utilised it to re-evaluate and provide a competent persons update on our gas reserves in Wasambo.

In addition to the Wasambo Drilling Program, the Company has evaluated the results of a seismic program completed earlier 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 labour supply and seismic drilling equipment). A total of 226.5 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 favourable drillable prospects are Sallo Bullo, Tosora and North Minyak Tanah.

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Approximately 80 BCF of reserves in our Kampung Baru Gas Field will be required to meet the demand from PLN and SKKMigas under the Gas Supply Agreement and the Gas Sale and Purchase Agreement to the end of September 2022. The balance of the recoverable gas volumes at Kampung Baru are therefore classified as contingent resources. Subject to contract the proved and probable contingent reserves of 181 BCF could be utilised for LNG production or additional gas to the Power Plant.

Indonesia also passed a regulation in 2010 implementing a domestic market obligation of 25% on all upstream gas projects. The 2010 regulation is silent on the allocation of the remaining 75% of gas produced under a plan of development. However, in general the minister has discretion to determine the allocation of gas particularly to fulfill domestic gas demand. This 2010 regulation applies to any sales contract concluded by existing production sharing contracts following the promulgation of this regulation on 27 January 2010.

Currently, all gas that EEES produces is supplied domestically to PTES for use at the Sengkang Combined Cycle Power Plant (which supplies electricity to PLN) and so EEES has complied with the domestic market obligation.

EEES is responsible for the repair and maintenance of our Sengkang Gas Plant and Sengkang Gas Field infrastructure.

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.

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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 total LNG capacity of 2 MTPA, (ii) an LNG storage facility and (iii) an LNG loading facility.

Following the announcement on 14 June 2011 by the chairman of SKKMigas' predecessor, BPMigas, approving our plan of development for the gas reserves in the Wasambo Gas Fields, we arranged for the shipping of major equipment to the site for construction and installation. This equipment, including four cold-boxes, compressors and ancillary equipment arrived on site in the financial year ended 30 June 2013.

This project is now 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.



Marine Jetty



Sengkang LNG Plant

Directors' Report

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Main Processing Plant Area

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 with PLN in regard to the potential offtake of LNG. The timetable for commercial operation of the first 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 with the Indonesian Banks for funding 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.

GCA has estimated that as at 31 December 2017, proved, probable and possible reserves in our Wasambo Field are 87.0 BCF plus 112 BCF 3C contingent resources, which is sufficient to supply the first modular LNG production unit capable of producing 0.5 MTPA for five years which exceeds the remaining period under the existing PSC agreement. By utilising existing reserves, we plan to use internally generated cash flow from gas and LNG sales to finance further gas field development at Sengkang beyond the scope of works approved by SKKMigas' predecessor, BPMigas, under the agreed Plan of Development for Wasambo.

Given the proven reserves in Wasambo, we do not depend on proving additional reserves or resources in order to have sufficient feed gas for the level of sales required to generate sufficient cash flows, based on our current LNG price estimations and assumptions on operating and financing costs, to commence recovery of our expected capital expenditure of US\$352 million for the Sengkang LNG Project (excluding the investment for related gas supply infrastructure and financing costs and self-costs).

Funding and costs for the Sengkang LNG Project

As initially outlined in our 2008 Annual Report, our expected capital expenditure for the Sengkang LNG Project to enable production of 2 MTPA of LNG is approximately US\$352 million (excluding financing and soft costs). This does not include the investment for the related gas supply infrastructure pursuant to a plan of development approved by SKKMigas for our Wasambo Gas Fields, and any capital expenditure required in respect of further gas field development in the Sengkang Contract Area which would be under a further plan of development to be agreed with SKKMigas. Including financing and soft costs, we have already invested a total of approximately US\$538.8 million in the Sengkang LNG Project.

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The debt finance being sought by the Group in connection to the Sengkang LNG Project is US\$120 million. The Company signed a Mandate with a leading Indonesian domestic bank, Bank Mandiri to arrange and syndicate this project debt financing in FY15. We are now in the process of updating and discussing this mandate in view of recent positive developments, and these terms will need to be updated at the appropriate time.

LNG Sales

We intend to sell LNG from our Sengkang LNG Project, when completed, to domestic and international buyers including PLN. We envisage these sales to be made under short-term to medium-term contracts, as well as on the spot market.

Licensing, contract and supply status for the Sengkang LNG Project

The major components of the Sengkang LNG Project to enable production of 2 MTPA of LNG were fabricated in the USA, Canada and Germany. Following the approval by SKKMigas of our Plan of Development for the Wasambo Gas Fields in June 2011, major equipment including four cold-boxes, compressors and ancillary equipment, arrived on site in the fiscal year ended 30 June 2013. This equipment is now substantially installed.

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. The Ministry of Forestry is now in the process of remapping the land, and we expect that this will confirm that the Sengkang LNG plant has been built on Industrial land, consistent with the land title documentation that we possess.

- ***Engineering, procurement and construction***

Slipform (H.K.) has provided engineering and design services in respect of the Sengkang LNG Project under a management services agreement with the Company. We appointed Slipform (Indonesia) as the engineering, procurement and construction contractor for the Sengkang LNG Project. This involves coordinating all material equipment suppliers, arranging freight and delivery of equipment to the site, providing any balance of plant items not being provided by subcontractors and completing all civil and construction works. The engineering, procurement and construction contract between PT South Sulawesi LNG and PT Slipform (Indonesia) is based on the International Federation of Consulting Engineers (FIDIC) Conditions of Contract for EPC Turnkey Projects, as amended, including reflection of commercial terms and risk allocation to be agreed by the parties. The price under this engineering, procurement and construction contract is US\$352 million, and is subject to downwards adjustment in respect of capital equipment supplied by the Company to Slipform (Indonesia) and third party service providers such as Arup & Partners International Ltd (Arup). In September 2012, we mobilised Slipform (Indonesia) to commence works under this engineering, procurement and construction contract.

- ***Civil design and construction***

Arup is responsible for designing the storage, loading, maritime and civil engineering for the Sengkang LNG Project.

- ***LNG facility and final gas clean up***

We awarded Chart a contract on 4 August 2007 to supply and install four 0.5 MTPA modular LNG trains, including gas pre-treatment equipment.

Chart placed a subcontract with Siemens for four 27 MW electric-motor-driven main refrigerant compressors and one Siemens Robicon frequency convertor for electric-motor startup and another subcontract with TDE for the gas pre-treatment system.

Chart manufactured and supplied the LNG liquefaction equipment in each module, which includes the cold box, air coolers, vessels and the liquid collection and vaporisation system.

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Energy World Corporation Ltd and its Controlled Entities

- ***LNG marine loading-arms***

Woodfield Systems Limited, an independent third party, was contracted and supplied the LNG marine loading-arms under the engineering, procurement and construction contract between Sulawesi LNG and Slipform (Indonesia).

- ***Electrical and rotary equipment, electrical controls and systems***

Siemens provided certain “balance of plant” equipment, including high/medium/low voltage switchgear, firefighting systems, distribution and control systems and electrical systems under the engineering, procurement and construction contract between Sulawesi LNG and Slipform (Indonesia).

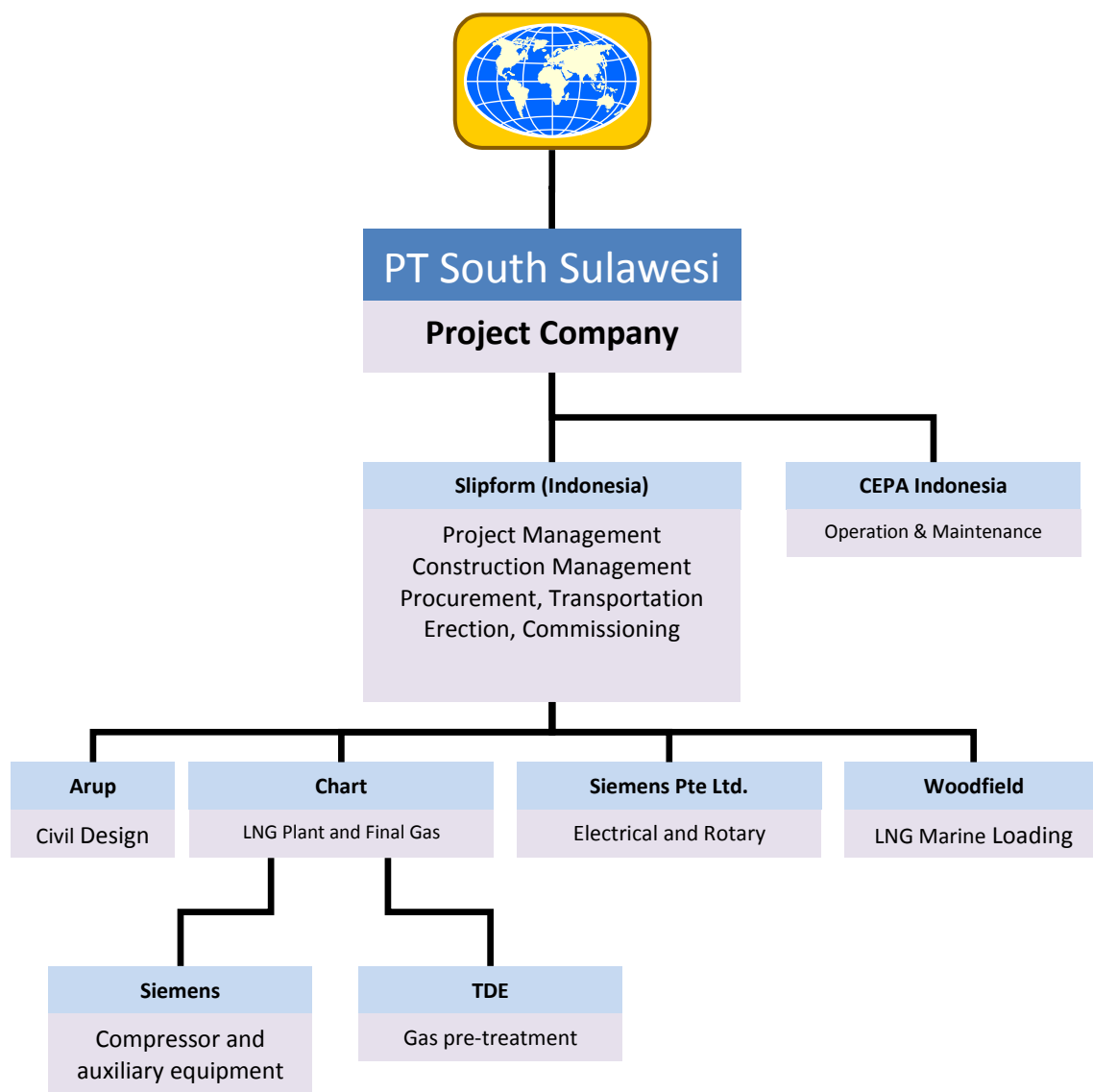
Directors' Report

Energy World Corporation Ltd and its Controlled Entities

- **Operation & maintenance**

An operation and maintenance agreement will be entered into between PT South Sulawesi LNG and CEPA Indonesia. It is currently intended that the contract will be for a term of five years starting from the handing over of the first LNG train to PT South Sulawesi LNG. CEPA Indonesia will be responsible for the operation and maintenance of the Sengkang LNG Project.

The following diagram shows the current contractual relationship for the supply of equipment and services concerning the Sengkang LNG Project:



- **Gas supply**

The completion of the Sengkang LNG Project requires PT South Sulawesi LNG to enter into agreements with EEES and SKKMigas for future gas supply, and the completion of a programme of gas infrastructure works. On 14 June 2011, SKKMigas' predecessor, BPMigas, approved our Plan of Development for our Wasambo Gas Fields, allowing us to supply gas to our Sengkang LNG Project and recently SKKMigas approved the sale of gas from the Wasambo fields for the LNG development. We have completed the development of the production wells, and are progressing with gas gathering pipelines and an export pipeline to supply feedstock gas to the Sengkang LNG Project. We also expect that further gas field development will be required in the Sengkang Contract Area, which would be under a further plan of development to be agreed with SKKMigas, beyond the current scope of works already approved.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

On 20 October 2015, the Company signed a Gas Sales Agreement between its wholly owned subsidiary Energy Equity Epic (Sengkang) Pty Ltd ("EEES") and Perusahaan Daerah Sulawesi Selatan ("Perusda Sulsel") during the opening session of 2015 Asia Pacific Oil and Gas Conference and Exhibition in Nusa Dua, Bali, Indonesia. The signing ceremony was witnessed by Chairman of SKKMIGAS (Special Task Force for Upstream Oil and Gas Business Activities Republic of Indonesia) who granted his approval for the signing on October 16, 2015. Under this agreement, EEES will be able to supply 40-70MMScfd initial feedstock gas for the first train of Sengkang LNG Modular Plant from four (4) wells within Walanga, Sampi-Sampi, and Bonge ("Wasambo") gas fields.

Perusda Sulsel is acting as the gas off-taker pursuant to prevailing laws and regulations which enables Perusda Sulsel, as regional government owned business unit, to directly purchase the gas from Production Sharing Contract ("PSC") Operator without going through an open tender process. Simultaneously, Perusda Sulsel together with PT South Sulawesi LNG then will jointly sell the LNG to PT PLN (Persero) ("PLN"), a state owned electricity company which has been our long-standing client as power purchaser.

- ***Power supply***

We are finalising arrangements with PLN regarding the supply of electricity from the South Sulawesi electricity grid to the Sengkang LNG Project. The required transmission line for the Sengkang LNG Project is currently under construction by PLN.

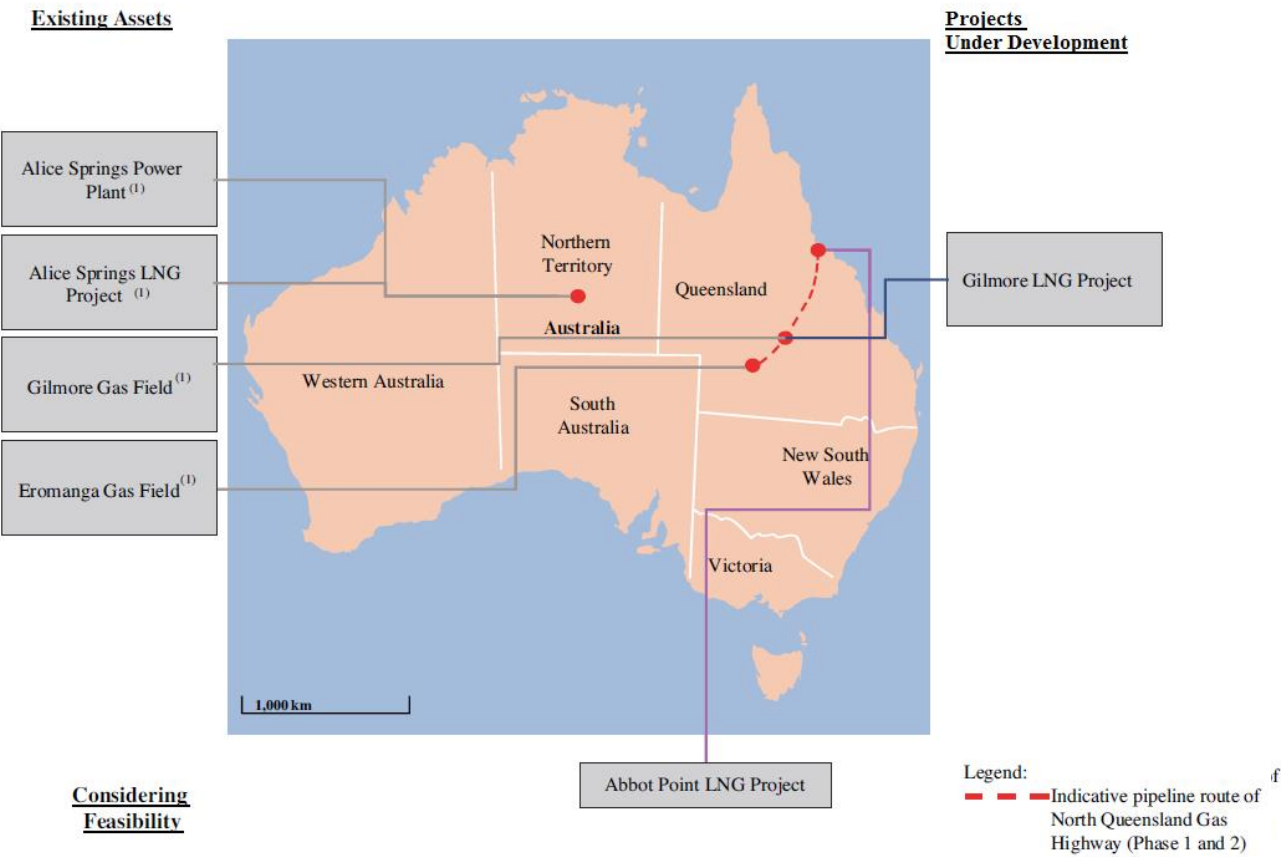
- ***Licensing***

The Ministry of Energy and Mineral Resources issued us with guidelines to obtain an operating licence for the Sengkang LNG Project in November 2006. We are required, among other things, to satisfy certain conditions and obtain various other licences, permits and approvals as the Sengkang LNG Project proceeds and before an operating licence is issued. In particular, we are required to enter into an LNG off-take agreement as a condition to the grant of an operating licence. This offtake agreement is currently under negotiation and finalisation with PLN.

In addition to the developments of our LNG fired power plant project in the Philippines we are planning to participate in the Indonesia Governments programme to develop 34,000MW of additional power for Indonesia by selectively building gas fired power plants using LNG as the preferred fuel source from our Sengkang LNG Plant.

AUSTRALIA

The following map shows our existing assets, project under development and project the feasibility of which we are considering in Australia:



Note:
 (1) These existing assets are not currently in production or operation.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Australian Gas Operations

Our Australian gas fields comprise our Eromanga Gas Field and our Gilmore Gas Field, each of which is an existing asset, together with other blocks that have been owned or acquired during the year.

Post balance date we finalized an agreement with the Australian Government, whereby they will provide up to A\$2m in funding under their Gas Acceleration Program.

The funding will be used to accelerate the recommissioning of our Eromanga and Gilmore gas fields in Queensland.

The terms of the funding provide for an upfront payment of A\$500,000 followed by reimbursement of 50% of the amount we spend (after the first A\$1m of expenditure), subject to meeting certain milestones for the re-start process.

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. Our future plans for the Eromanga and Gilmore Gas Fields are outlined below.

The following table summarises our natural gas reserves in Australia, measured in BCF (excluding assets in which we have minority interests):

Permit	Field / Basin	Contingent Resources *
PL 65	Gilmore/Adavale	20.3
PL 115 (Bunya)	Eromanga/Cooper	4.3
PL 116 (Cocos)	Eromanga/Cooper	7.0
PL 184 (Thylungra)#	Eromanga/Cooper	-
PL 1030, PL 1031, PL 1032, PL 1033^	Eromanga/Cooper	-
ATP 932	Eromanga/Cooper	-
Total contingent resources		31.6 =====



Eromanga Gas Field

Notes:

* Our Australian reserves are management estimates based on resource reports provided to us by petroleum consultants engaged by us. The Company classifies these reserves as contingent resources, reflecting that these resources are not currently being commercially exploited.

AGF currently owns 18.4% of PL 184. The remaining 80.6% is in the process of being transferred to AGF. 100% of ATP 932 is in the process of being transferred to AGF.

^ AGF made an application to convert ATP 549 from an exploration block to a production lease. The 4 production leases have been allocated, and AGF is in the process of completing the application to secure the titles.

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Energy World Corporation Ltd and its Controlled Entities

Australian Gas Fields, Queensland

With the East Coast gas supply shortfall issues and the resultant significant increase in the gas price we believe this has created an excellent opportunity for our gas fields, and we have commenced the process to refurbish and restart of our gas fields and processing facilities at Eromanga and Gilmore.

These fields, which are located in South West Queensland, and owned 100% by EWC, and were put onto care and maintenance in 2001.

Each of the Eromanga and Gilmore fields are connected to existing processing facilities that we own and have a throughput capacity of 12 TJ of gas per day, allowing us to produce up to 24 TJ per day when fully utilised. Both facilities are connected to existing gas production wells and the broader Queensland gas pipeline infrastructure. In addition, the Eromanga facility has the potential to provide additional regional infrastructure to enable the unlocking of third party stranded gas resources.

Eromanga Gas Fields

The Eromanga gas processing plant, which is not currently in production or operation, is connected by pipeline to the production wells on PL115 (Bunya), PL116 (Cocos) and Vernon 1 (owned and operated by an independent third party) with an outlet line for processed gas linked to the Mt. Isa Pipeline serving the Queensland piped gas network.

The Eromanga gas field comprises PL 115, PL 116 and PL 184. PL 115 contains the Bunyas 1 and Bunyas 2 wells and PL 116 contains Cocos 1 well. These three wells were previously in production until 2001. This year we entered into an agreement to acquire the remaining 80.4% of PL 184 that we did not already own, Ownership of this permit is in the process of being transferred to us. PL 184 contains the Thylungra 1 and Thylungra 2 discovery wells. It is anticipated that these two wells can be tied into the existing PL 115 pipeline infrastructure. We will need to apply for an extension to the permit for PL115 and PL 116, both of which expire in September 2019.

We expect to work over the existing production wells to provide the initial gas supply which will be sold into the pipeline network.

AGF was the authorized holder of ATP 549 and applied for 4 Petroleum Leases (PLs) to replace parts of ATP-549P (East) which expired on 30 April 2017. PL 1030, PL 1031, PL 1032 and PL 1033 were allocated during the year and we are currently working with Queensland Department of Natural Resources and Mines (DNRM) to facilitate granting of these PLs. The Company is not aware of any reason why the DNRM will not approve the issue of these PLs.

During the year we also entered into an agreement to acquire 100% of an exploration block known as ATP 932. Ownership of this permit is in the process of being transferred to us.

Gilmore Gas Field

The Gilmore gas processing plant, which is not currently in production or operation, is connected to the Cheepie-Barcaldine pipeline, which supplies gas to the Queensland pipeline network, both of which are owned and operated by third parties.

The Gilmore gas field comprises PL 65. PL 65 contains Gilmore 1, 3 and 4a wells. These three wells were previously in production until 2001. The Department of Natural Resources and Mines (DNRM) of the Queensland Government has approved the renewal of PL 65 on 19 September 2017 for a period of 15 years. The renewed licence term commenced with effect from 16 December 2014 and expires on 15 December 2029

In addition to sales of gas into the pipeline, we may be able to supply feed gas to our Gilmore LNG Project, a compact, 56,000 tonnes per annum (TPA) LNG liquefaction facility adjacent to our gas plant, which is partially completed. New wells may be drilled as required as we seek additional resources as demand for LNG increases. We expect to pay for such drilling programmes with revenue generated by LNG sales from Gilmore LNG.

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Directors' Report

Energy World Corporation Ltd and its Controlled Entities



Gilmore Gas Plant, Australia

Other existing Australian gas and oil interests

Our other existing Australian oil and gas interests comprise 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 receives a share of the revenues from the sale of oil produced from the Naccowlah Block currently equivalent to approximately 12,000 barrels per year but also bears its share of development costs and operating expenses. This is our only oil producing asset. In the year ended 30 June 2018, funding required for AGF's participation was A\$0.32 million (2017: A\$0.36 million) and AGF's share of revenue from the sale of oil was A\$1.08 million (2017: A\$0.62 million).

AGF is a party to a joint operating agreement with Strike Energy Limited, an independent third party, in respect of the exploration licence area PEL96, in the southern part of the Cooper/Eromanga Gas Field Basin in South Australia. PEL96 was granted in May 2009 for a five-year term. The renewed licence term was approved and commenced with effect from 13 November 2014 and expires on 12 November 2019. The permit area is approximately 4,050 km² 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 PEL96 is 33.333%.

As disclosed to the market by Strike Energy, during the year the JV completed the drilling of the JAWS-1 well and successfully completed the seven stage fracture stimulation for the well. The well is currently going through a dewatering process which is expected to last several months, after which time a decision on commerciality can be taken.

During the year ended 30 June 2018, funding required for AGF's participation was A\$6.9 million (2017: A\$5.2 million).

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

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. 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. This is as a result of an increased assurance as to the supply of gas in the network connected to the Alice Springs LNG Facility. 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.

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.

CEA will explore opportunities to sell LNG from our Alice Springs facility to customers who are seeking a competitively priced and clean fuel source for their off-grid power generation, particularly in the mining industry. These opportunities and marketing options will be developed in together with the Gilmore LNG Project. As our Alice Springs facility is dependent on a supply of gas from NT PWC and our Group does not own local reserves of gas, we would need to obtain gas supply from a third party in conjunction with such activity.



Alice Spring LNG Plant



Australian LNG development

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 considering the development of 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.

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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. Gas from the Eromanga Gas Field could be used to supplement the gas supply from the Gilmore Field to its LNG Project.

Major equipment including the cold-box have been erected on site, 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.



Gilmore LNG Plant

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

PHILIPPINES

Philippines LNG Hub

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

The LNG Hub consists of several components, comprising: (i) a storage tank with a capacity of 130,000 m³ 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 130,000m³.

The project is located on a property with a total land area of approximately 215,000 m² 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.



LNG Storage Tank

* 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. Refer to Note 27 for more information.

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Energy World Corporation Ltd and its Controlled Entities



Stainless Steel Pipeline



Erection of LNG Loading Arms

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.

Because of the delay in securing this grid connection, we have also subsequently applied to the Department of Energy (DOE) for an extension of the existing development and operation permit for the LNG Hub Terminal since the power plant will be the initial customer for the LNG Hub terminal. The Company is not aware of any reason why the DOE will not approve the renewal. The LNG Hub Terminal could also act as an alternative gas supplier for the Malampaya plant after its depletion by 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. Jetty works with rock armouring and the various installations necessary including emergency quick release hooks and fenders have been completed. Installation of the

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jetty's loading arms has been completed. 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 delivered to site. Site formation for the second 130,000 m³ 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 in 2019. Commissioning and commencement of operations would follow thereafter. 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.

Our expected capital expenditure for the Philippine LNG Hub Project is approximately US\$130 million, excluding financing and soft costs. We have already invested a total of approximately US\$129.9 million in the Philippines LNG Project for construction cost excluding financing costs and internal costs.

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Philippines Power Plant

We are developing a power plant located on Pagbilao Grand Island adjacent to the Philippines LNG Hub (“Power Plant”). 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 we have received the release of project funding from the lending banks.



Construction of Power Plant



Switchyard



Site Visit by the Department of Energy



Site Visit by House of Representatives

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. In the

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Power Development Plan (PDP) 2017-2040 of DOE, 43,765MW new capacity is needed before end 2040. According to a report presented by the DOE at the 27 May 2014 LNG conference, the Philippines as of 2012 was generating 72,922 GWh with approximately 26.9% of that coming from Natural Gas. Under the DOE's preferred "Low Carbon Scenario" they are forecasting a need for 147,111 GWh in 2030 with 34.3% of that coming from Natural Gas. The represents a growth of ~150% of power generation coming from Natural Gas or over 4,200 MW of new Natural Gas power generation based on their estimates. 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.

The Company has an engineering, procurement and construction (EPC) contract Slipform Engineering International (H.K.) Ltd*, 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 February 2017, the National Grid Corporation of the Philippines (NGCP) has confirmed they have now 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.

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

During the year we made good progress in securing these solutions:

- In October 2017 The NGCP announced that they had identified the location where they would build the new Pagbilao Sub Station that is the designated connection point for our power plant.
- With the location of the sub station identified we were able to move quickly and on 27 November 2017 we announced that we had entered into an Agreement with a reputable Land Agent, who together with the Quezon Province, had secured land agreements with individual land owners which would deliver us Right of Way access from our power plant to the new sub station, a distance of approximately 12 kilometres. The Right of Way will give us the right to construct, operate and maintain a transmission line over this right of way. We have been working with the land agent and Quezon Province to ensure that all agreements are capable of registration to allow annotation of the titles. We will soon be commencing the process to acquire the Right of Way and then construct the transmission line.
- On 28 November 2017 we announced that the NGCP had given us technical approval to connect to the adjacent 230 KV line for up to 200 MW on a temporary basis
- During the year we also received environmental approvals to build a subsea cable

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

We have attended a number of Philippine Public Senate and House of Representative Hearings and other meetings this year. At the most recent Senate Hearing (18 June 2018) the DOE presented a paper stating that imported LNG will be the most cost effective source of fuel for power generation in the Philippines. The Senate Committee on Energy

* 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 Director, have a 90% and 10% beneficial interest respectively. Refer to Note 27 for more information.

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(pursuant to a hearing on 18 June 2018) also requested the DOE, ERC and NGCP to assist EWC to ensure that our Pagbilao power plant could start operations at the earliest opportunity.

We continue to work with Landbank and the Development Bank of the Philippines (“DBP”) to secure debt funding for the power plant project. Both banks have repeatedly re-affirmed their support to our project while having recognised the delay caused by the transmission arrangement. With the issue largely resolved, the banks recently have provided us with the updated financing terms and conditions for the Pagbilao power plant. Upon our acceptance, these terms will be processed through their respective internal approvals, and after approval, will lead to a process to secure draw down of debt facilities.

Other Opportunities

Other opportunities may arise in the future which are consistent with our strategy and which will be considered on a case-by-case basis for commercial viability. These may include opportunities to acquire or develop power stations near or adjacent to our existing or proposed LNG hubs or to secure equity interests in upstream projects that we are or may become involved in, for example equity interests in stranded gas reserves that we can exploit through our development of LNG facilities using our modular LNG technology.

We are also considering possibilities of developing further power plants, which include renewable power generation facilities as well as further developing highly efficient gas-fuelled power plants consistent with our existing power operations, either on a standalone basis or in conjunction with the development of an LNG facility.

In addition to the developments of our LNG Fired Power project in the Philippines we are also planning to participate in the Indonesia Governments programme to develop 34,000MW of additional power for Indonesia by selectively building gas fired power plants using LNG as the preferred fuel sources from our Sengkang LNG Plant.

Research and Development

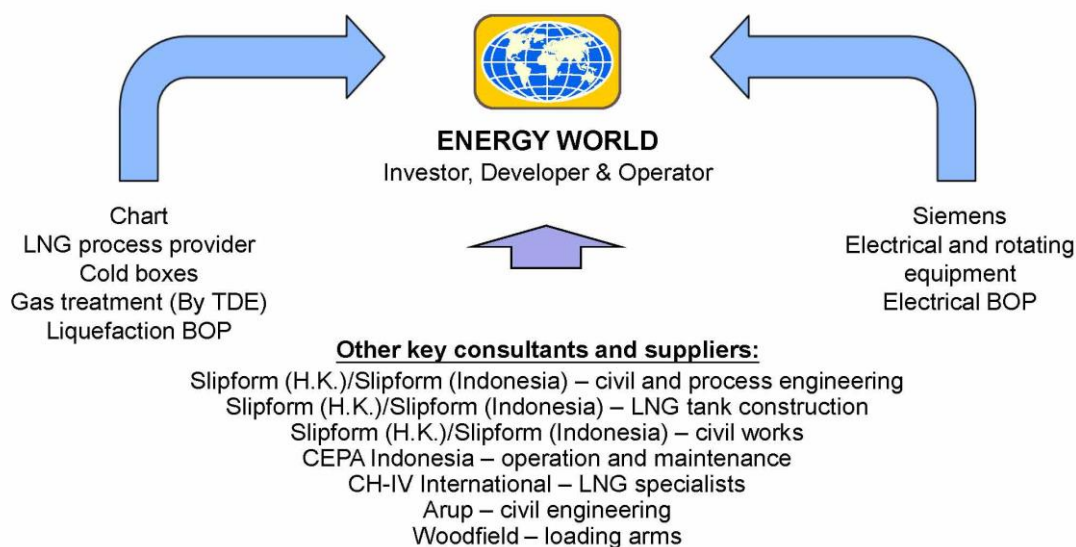
We have undertaken research and development into the design of our modular LNG train and associated infrastructure but seek to utilise standard, proven technology where possible.

Strategic Alliances and Other Key Relationships

We have brought together distinguished global players and strong partners such as Chart and Siemens to develop an efficient, electric drive modular LNG system.

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We have formed strategic alliances with Chart and Siemens, the principal suppliers of equipment to the Sengkang LNG Project. Collaboration with these industry leaders over several years on our concept for a modular LNG train resulted in its actual configuration. This will use standardised 0.5 MTPA LNG liquefaction units made up of proven “off the shelf” technology. We entered into strategic alliance agreements with Chart on 4 August 2007 and with Siemens on 19 September 2007, to develop further mid-scale modular LNG projects using our modular LNG train. The strategic alliance agreements are subject to automatic renewal at the end of three years for successive one year terms unless either party gives written notice of non-renewal not less than 60 days before the end of an expiring term.

We have entered into a Framework Agreement with EWI and Mr. Stewart Elliott in relation to:

- developing, constructing, owning or operating gas-fired power plants;
- developing, constructing, owning or operating LNG facilities, including: up-stream, modular LNG liquefaction, storage and export facilities; and mid- and down-stream, modular LNG import, regasification and storage facilities; and
- the production, trading or sale of power, natural gas and LNG.

We have also entered into co-operation and non-competition arrangements with Slipform Engineering International (H.K.) Ltd*, PT CEPA Sulawesi and EWI. For further details of these co-operation and non-competition arrangements, refer to Note 27 of the Notes to the Financial Statements contained in this Annual Report.

Intellectual Property Rights

Save for the 10-year licence in respect of an LNG storage tank membrane design granted to us pursuant to an agreement entered into between us and Gaztransport & Technigaz S.A. with effect from 28 June 2008, we have no material intellectual property rights. The agreement provides us with intellectual property rights which include rights in certain inventions, designs and knowhow relating to the design, manufacture, installation and use of a tank for the storage of liquefied gas.

Insurance

* 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 Director, have a 90% and 10% beneficial interest respectively.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Consistent with industry practice, we have the following insurance policies, arranged by Aon Risk Services Australia Limited: commercial insurance, workers compensation insurance, fleet and haulage vehicle insurance, public and products liability insurance, domestic insurance, and directors' and officers' insurance.

Consistent with industry practice, EEES and PTES have the following insurance policies, arranged by AON Insurance Group: property damage/machinery breakdown/business interruption insurance, earthquake insurance, comprehensive general liability insurance, marine cargo insurance, motor vehicles insurance, standard workmen's compensation and employer's liability insurance, group personal accident insurance and money insurance.

We also have a Construction All Risks insurance for projects under development in Sengkang and Philippines.

Our Directors believe that our Group's insurance coverage is sufficient and adequate for our Group. In the event of such an accident, we have the above-mentioned insurance policies to manage the potential risks involved.

Environment, Infrastructure Impact and Safety Matters

Overview

Our Group places great emphasis on safety and environmental protection and has a strong track record of environmental, health and safety compliance. Our Group is committed to ensuring that its operations meet applicable legal requirements and, where higher, strives to meet international industry standards.

Hand in hand with the environmental impact assessment come the infrastructure impact statement, setting out the required and voluntary site improvements including roads, housing, electricity and water supply. The infrastructure improvements are implemented in close relation to the local communities and community leaders.

Our Group has extensive operating procedures designed to ensure the safety of its workers, the assets of the Group, the public and the environment. Our Group provides its employees with comprehensive training in safety and environmental related matters. Our Group only contracts construction and operations to companies that are able to demonstrate that their procedures meet applicable standards. We believe that the Group's safety record has met or exceeded international standards over the past decade.

Environmental

Our operations are centered on the use of natural gas, both as a resource that we extract and sell from our gas fields and as the fuel for our power plants. Natural gas is less carbon intensive than other fossil fuels and produces fewer greenhouse gas emissions per unit of energy released. For an equivalent amount of heat, natural gas when burned produces approximately 45% less carbon dioxide than burning coal and approximately 30% less carbon dioxide than burning fuel oil. Furthermore, compared to coal and fuel oil, natural gas emits very low levels of harmful emissions such as nitrogen oxide and sulphur dioxide when burned and does not release any ash or other similar atmospheric pollutant.

Our gas and power operations are subject to various Indonesian and Australian national and local environmental protection laws and regulations both in relation to their design and construction and in relation to their ongoing operations. Our Directors believe that our Group is in compliance with applicable Indonesian and Australian environmental laws and regulations in all material respects.

Our Group strives to minimise adverse environmental effects through the preparation of environmental management and environmental monitoring plans. Since 2003, we have employed the Indonesian Ministry of Environment's Programme for Pollution Control Evaluation and Rating System ("PROPER") used to rank the environmental management status of Indonesian companies. The Sengkang Power Plant currently holds a "green" PROPER ranking, indicating that the operations of the plant comply with regulatory requirements and that we have taken concrete steps to go beyond such compliance. The Sengkang Gas Field currently holds a "blue" PROPER ranking, indicating that the operations of the Sengkang Gas Field comply with all environmental and social requirements, including all numerical standards, nominated in our environmental monitoring and management plans.

In relation to the Sengkang Power Plant, CEPA Indonesia, as the contractor under the CEPA O&M Agreement is required to carry out regular sampling and analysis of emissions and effluent, as well as conduct calibrations of

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

emissions equipment at the plant. We also employ independent engineers to sample and measure ambient air quality. In addition, waste from the plant is disposed of by a government-authorised disposal company. In relation to the Sengkang Gas Field and the Sengkang Power Plant, toxic and hazardous wastes are first stored in designated storage facilities before being transferred by licenced transporters to authorised hazardous waste facilities.

The Sengkang LNG Project is designed and will be constructed to enable its operations to fully comply with all applicable local environmental standards and with reference to the International Finance Corporation's ("IFC") Performance Standards and Environmental, Health and Safety ("EHS") Guidelines. We similarly intend for the design and construction of all of our future projects to be benchmarked against international environmental standards.

Health and Safety

Our Group is subject to Indonesian, Philippines, Hong Kong and Australian national and local laws and regulations in relation to occupational health and safety, discrimination and workplace relations.

Our Group recognises the particular risks associated with the power generation and gas industries and continually strives to improve the handling of these risks. Our Group holds various health and safety-related insurance policies, including workers' compensation insurance and comprehensive general liability insurance.

PTES and EEES are responsible for environmental, health and safety matters at the Sengkang Power Plant and Sengkang Gas Plant, respectively, and each has policies, procedures and personnel in place to manage this process. CEPA Indonesia, as operator of the Sengkang Power Plant, is also required to implement specific safety and occupational health procedures in compliance with PTES's policies and procedures and to maintain, at its cost, workers' compensation insurance, employer's liability and occupation disease liability insurance and automobile liability insurance. In addition to the regulatory requirements to which we are subject, we are required under the terms of the Sengkang PPA to employ all safety devices and safety practices and carry out maintenance in relation to the operation and maintenance of the Sengkang Power Plant in accordance with the standards of prudence applicable to the gas-fired electric utility industry. Maintenance must be conducted in a manner that does not endanger the safety of personnel or equipment and we are required to keep accurate records of any accident or other occurrence at the Sengkang Power Plant that results in injury to persons or damage to property.

Central Energy Power Pty Ltd ('CEP') is responsible for environmental, health and safety matters at the Alice Springs Power Plant and has policies, procedures and personnel in place to manage this process.

Our Directors believe that our Group is not in violation of any occupational health and safety laws and regulations that would likely have a material adverse effect on the operation of our business and that no fatal accidents or material non-fatal injuries have occurred in relation to our operations. Our business and financial condition has not been materially affected by any injury to people or property.

Community Relations

Our corporate social responsibility programme focuses on taking an active and influential part in the development of the jurisdictions in which we operate. Our commitment is to conduct our operations in an ethical, responsible, independent and transparent manner. We seek to contribute to the economic and social welfare of the local communities through a number of community development projects and by having regard to community interests when developing and operating our projects.

As part of its community development initiative, PTES has established a Guideline of Corporate Social Responsibility in 2007. PTES' community developments are based on this guideline, including funding for the construction and fit out of a number of local health clinics (posyandu). These posyandu cover fifteen villages surrounding the PTES power plant. These facilities provide mothers and children with healthcare. The posyandu are supported by a team of nurses and paramedics employed by PTES.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities



PTES has also constructed and equipped a library for the community around the Sengkang Power Plant. This library has been in operation since 1997. In addition, PTES funds a student scholarship and apprentice programme for graduates from a high school in the vicinity of Wajo since 2002 who have passed a selection examination. The scholarship then supports these students to seek further studies, which develop the students' skills to work at the Sengkang Power Plant and in the field of power generation generally, at Polytechnic State of Ujung Pandang.

No involuntary resettlement was required for the development of our power or gas operations in Indonesia, the Philippines or Australia, in line with our policy of using unsettled and non-productive land wherever possible. We also have a policy of sourcing equipment, supplies and services locally wherever possible.

PTES and EEES believe that they maintain good relations with the local community in Indonesia. For over 10 years PTES has held monthly forums with representatives from the local police, military and community heads to discuss our general operations and future plans.

In the Philippines we are also developing our LNG Hub and Power Plant with a view to support the local community. As part of our development programme in the Philippines, we seek to provide jobs to the local population as well as source as many materials and equipment locally as possible. In addition to providing economic opportunities to the local population we have also constructed a church building which will be used by residents of Pagbilao Grande Island where the projects are located.



Directors' Report

Energy World Corporation Ltd and its Controlled Entities



Inauguration of Chapel in Pagbilao

Legal Proceedings

As at the date of this report, none of the members of the Group is a party to any legal or administrative proceedings, and no proceedings are known by any member of the Group to be contemplated by government authorities or third parties, which, if adversely determined, would materially and adversely affect our Group. As at the date of this report, our business and financial condition has not been materially affected by any litigation or administrative proceedings.

Compliance

Our Directors have confirmed that our Group is not in violation of any laws and regulations (including labour and social welfare laws and regulations in general and in relation to the payment of mandatory contributions in respect of employees) that would likely have a material adverse effect on the operation of our business and that our Group has obtained all material licences and permits that are necessary to enable our Group to carry out our business as it is currently conducted. In particular, our Directors have confirmed that during this financial year neither we nor our Directors have committed any material breach of the Australian Corporations Act or the ASX Listing Rules, nor have we experienced any disciplinary action by the ASX in relation to compliance with the ASX Listing Rules.

Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Events Subsequent to Balance Sheet Date

Except for the events as described in Note 30 of these accounts, there are no other 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.

Likely Developments

The following summary of likely developments in relation to the Company contains timetable estimates, which are the Company's considered view of the current time frame, and may be subject to change and is also subject to various risk factors including: Contractual risks associated with power, gas and LNG sales; Construction and timetabling risks involved with major projects; Reliance on third parties (e.g. to complete supporting infrastructure or provide fuel sources in a timely manner); Water supply and mechanical and electrical risks associated with power generation, gas

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

and LNG production; Exploration and development risks; Obtaining sufficient capital to fund current and future projects; and obtaining appropriate licences and governmental approvals to implement current and future projects.

- *Sengkang LNG Project*

In respect of our Sengkang LNG Project, we anticipate that we will complete the construction of the first 0.5MTPA train and associated works commissioning and commence operations in 2019/2020. We expect three additional modular trains to commence commercial production of LNG at three or six-month intervals after the first train begins production.

- *Eromanga and Gilmore Gas Fields*

We anticipate that we will restart gas production from Eromanga in 2019, followed by gas production from Gilmore.

- *Philippines LNG Hub*

We envisage that we will complete the construction of the Philippines LNG Hub and associated works and commissioning and commencement of operations in 2019. We have also applied to the Department of Energy (DOE) for an extension of the existing development and operation permit for the LNG Hub Terminal and expect the extension to be provided imminently.

- *Philippines Power Project*

We envisage that we will complete the commissioning of the first phase of the Philippines Power Project (being the commissioning of the first 200MW gas turbine and associated works) in 2019. The second phase of our Philippines Power Project (being the commissioning of the second 200MW gas turbine) and third phase (being the commissioning of the 200/250MW steam turbine) will follow thereafter.

- *Gilmore LNG Project*

We envisage that we will complete the commissioning of the Gilmore LNG plant following the restart of gas production from the Gilmore gas field.

Dividends

No dividend was declared or paid during the year. No final dividend is payable for the year ended 30 June 2018 (2017: Nil).

Directors' Interests

The relevant interest of each Director in the shares, debentures, interests in registration schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related body corporate, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001 as at the date of this report is as follows:

Name of Directors	Energy World Corporation Ltd ordinary shares as at 30 June 2018
Mr S.W.G. Elliott	711,931,437
Mr I. W. Jordan	319,700
Mr B. J. Allen	-
Mr G.S. Elliott	-
Mr. J.J. Fong	Resigned on 28 November 2017
Dr. B. D. Littlechild	Retired on 28 November 2017
Mr M.P. O'Neill	1,712,000
Mr L.J. Charles	-
Mr K. Blount	Resigned on 28 November 2017
Mr W. Mandrawa	-

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Indemnification and insurance of directors and officers

The company has agreed to indemnify all the directors and executive officers against liabilities to another person (other than the Company or consolidated entity) for which they may be held personally liable, provided that the liability does not arise out of conduct involving a lack of good faith.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid as such disclosure is prohibited under the terms of the contract.

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-Audit Services

During the year, Ernst & Young Australia and its global affiliates provided both tax and advisory services to the consolidated group. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Refer to note 6 for details of the amounts Ernst & Young received or are due to receive for the year ended 30 June 2018.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 66 and forms part of the Director's Report for the financial year ended 30 June 2018.

Rounding

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 1 April 2017 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.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2018 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements
6. Variable Remuneration

1. Individual Key Management Personnel Disclosures

Details of KMP are set out below:

(i) Directors

<i>Name</i>	<i>Position</i>
Mr. Stewart William George Elliott	Chairman, Managing Director and CEO
Mr. Ian William Jordan	Executive Director and Company Secretary
Mr. Brian Jeffrey Allen	Executive Director and Finance Director
Mr. Graham Stewart Elliott	Executive Director
Mr. Jonathan Joseph Fong (resigned on 28 November 2017)	Executive Director and Additional Company Secretary
Dr. Brian Derek Littlechild (retired on 28 November 2017)	Independent Executive
Mr. Michael Philip O'Neill	Independent Non-Executive Director
Mr. Leslie James Charles	Independent Non-Executive Director
Mr. Kevin Blount (resigned on 28 November 2017)	Independent Non-Executive Director
Mr. Winston Mandrawa (appointed on 31 July 2017)	Non-Executive Director

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Remuneration Report (Audited) (continued)

2. Compensation of Key Management Personnel of the Group

	<u>Short-term benefits</u>						<u>Post employment benefits</u>				<u>Total</u>	
	Salary & fees		Cash bonus		Non monetary benefits		Other		Superannuation		2018	2017
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$		
Executive Directors												
S.W.G. Elliott	400,000 ⁽¹⁾	400,000 ⁽²⁾	-	-	50,000	50,000	-	-	-	-	450,000	450,000
I.W. Jordan	126,500 ⁽³⁾	126,500 ⁽⁴⁾	-	-	-	-	-	-	-	-	126,500	126,500
B.J. Allen	295,000 ⁽⁵⁾	295,000 ⁽⁶⁾	-	-	25,000	25,000	-	-	-	-	320,000	320,000
G.S. Elliott	210,000 ⁽⁷⁾	210,000 ⁽⁸⁾	-	-	78,412	78,134	-	-	-	-	288,412	288,134
J.J. Fong†	22,041	77,247	-	-	-	19,216	-	-	576	4,612	22,673	101,075
Non-executive Directors												
B.D. Littlechild+	-	37,500 ⁽⁹⁾	-	-	-	-	-	-	-	-	-	37,500
L.J. Charles	37,500 ⁽¹⁰⁾	37,500 ⁽¹¹⁾	-	-	-	-	-	-	-	-	37,500	37,500
M.P. O'Neill	37,500 ⁽¹²⁾	37,500 ⁽¹³⁾	-	-	-	-	-	-	-	-	37,500	37,500
K. Blount†	-	-	-	-	-	-	-	-	-	-	-	-
W. Mandrawa”	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,128,541	1,221,247	-	-	153,412	172,350	-	-	576	4,612	1,282,529	1,398,209

[†] Resigned on 28 November 2017

[†] Retired on 28 November 2017

[†] Resigned on 28 November 2017

^{††} Appointed on 31 July 2017

⁽¹⁾ Accrued Director Fee payable \$200,000

⁽²⁾ Accrued Director Fee payable \$150,000

⁽³⁾ Accrued Salary and Director Fee payable \$342,065

⁽⁴⁾ Accrued Salary and Director Fee payable \$282,315

⁽⁵⁾ Accrued Director Fee payable \$180,000

⁽⁶⁾ Accrued Director Fee payable \$135,000

⁽⁷⁾ Accrued Bonus and Director Fee payable \$162,534

⁽⁸⁾ Accrued Bonus and Director Fee payable \$125,034

⁽⁹⁾ Accrued Director Fee payable \$112,500

⁽¹⁰⁾ Accrued Director Fee payable \$98,065

⁽¹¹⁾ Accrued Director Fee payable \$60,565

⁽¹²⁾ Accrued Director Fee payable \$150,000

⁽¹³⁾ Accrued Director Fee payable \$112,500

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Remuneration Report (Audited) (continued)

3. Options and Rights over Equity Instruments Granted As Compensation

No options were held by key management personnel.

The movement during the reporting period in the number of ordinary shares of Energy World Corporation Ltd held directly, indirectly or beneficially, by each specified director, including their personally related entities is as follows:

Shares	Held at 1 July 2017	Purchase	Sale	Held at 30 June 2018
<i>Specified Directors/ Non-Executive</i>	-	-	-	-
B. D. Littlechild (retired on 28 November 2017)	-	-	-	-
L. J. Charles	-	-	-	-
M.P. O'Neill	1,182,000	530,000	-	1,712,000
K. Blount (resigned on 28 November 2017)	-	-	-	-
W. Mandrawa (appointed on 31 July 2017)	-	-	-	-
<i>Executive</i>				
S.W.G. Elliott	649,902,963	62,028,474	-	711,931,437
I.W. Jordan	319,700	-	-	319,700
B.J. Allen	-	-	-	-
G.S. Elliott	-	-	-	-
J.J. Fong (resigned on 28 November 2017)	-	-	-	-
<i>Total</i>	651,404,663	62,238,774	-	713,963,137

No shares were granted to key management personnel during the reporting period as compensation.

4. Board Oversight of Remunerations

Remuneration Committee

We established a Remuneration Committee on 12 March 2012 with written terms of reference in compliance with the ASX Corporate Governance Principles. The primary duties of the Remuneration Committee include:

- making recommendations to our Directors on our policy and structure for all remuneration of our Directors and senior management and establishing a formal and transparent procedure for developing policies on such remuneration;
- determining the terms of the specific remuneration package of our Directors and senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

The Remuneration Committee currently consists of two members, all of whom are Independent Non-Executive Directors, being Mr. Michael O'Neill (as the Chairman of the Remuneration Committee) and Mr. Leslie Charles.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Remuneration Report (Audited) (continued)

Remuneration Approval Process

Before implementing any of the following proposals the Board will ask the Committee to review the proposal and make a recommendation to the Board in relation to it:

- any change to the remuneration or contract terms of the Chief Executive Officer and any other Executive Director, the Company Secretaries and all senior executives reporting directly to the Chief Executive Officer;
- the design of any new equity plan or executive cash-based incentive plan, or the amendment of any existing equity plan or executive cash-based incentive plan;
- the total level of awards proposed from equity plans or executive cash-base incentive plans; and
- any termination payment to the Chief Executive Officer, any other Executive Director, the Company Secretary or any senior executive reporting directly to the Chief Executive Officer. A termination payment to any other departing executive must be reported to the Committee at its next meeting.

Remuneration Strategy

Our remuneration policy is intended to attract, retain and motivate highly talented individuals and to ensure the incentivisation of our workforce is aligned to deliver our business strategy and to maximise shareholder wealth creation. The key principles of the remuneration policy are to:

- set competitive rewards to attract, retain and motivate highly skilled people
- ensure remuneration planning continues to be integrated within our business planning process;
- reward levels and performance targets will be set at appropriate levels to reflect the competitive market in which we operate;
- the prevailing economic environment and the relative performance of comparable companies.

Company Performance and its Link to Remuneration

The Company's performance from the period 1 July 2014 to 30 June 2018 is shown in the table below:

	FY18	FY17	FY16	FY15	FY14
Revenue & Other Income (\$000's)	158,188	177,774	187,429	177,156	158,845
Net profit (loss) after tax (\$000's)	22,150	26,863	28,715	25,725	19,655
Operating profit before tax (\$000's)	41,742	51,262	52,977	48,120	36,620
Earnings per share – Basic	1.20 cents	1.47 cents	1.59 cents	1.44 cents	1.12 cents
Closing share price	AUS\$ 0.17	AUS\$ 0.38	AUS\$0.19	AUS\$0.37	AUS\$0.32

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Remuneration Report (Audited) (continued)

5. Non-Executive Director Remuneration Arrangements

Remuneration Policy

The level of remuneration is to be set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type; in making its recommendations to the Board, the Committee should take into account the following guidelines*:

- (a) Non-Executive Directors should normally be remunerated by way of fees in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity;
- (b) Non-Executive Directors should not normally participate in schemes designed for the remuneration of executives;
- (c) Non-Executive Directors should not receive options or bonus payments;
- (d) Non-Executive Directors should not be provided with retirement benefits other than superannuation; and
- (e) where necessary recommend that the Board seek an increase in the amount of remuneration for Non-Executive Directors approved by shareholders.

Structure

Mr. Michael O'Neill entered into an appointment letter with the Company on 12 March 2012. Mr. Winston Mandrawa was appointed as a Non-Executive Director on 31 July 2017. Each of the Independent Non-Executive Directors is subject to retirement and re-election every three years commencing from the date of their appointment. The aggregate annual fees payable to the Company's Independent Non-Executive Directors under the appointment letters is US\$112,500.

6. Executive Remuneration Arrangements

Each of the Executive Directors entered into a service agreement for a period of 3 years extensible. Either party has the right to terminate the agreement by giving the other party a prior notice of not less than one month, except in the case of Mr. Ian Jordan, whose service agreement is terminable on not less than six months notice.

Each of the Executive Directors is also entitled to a discretionary bonus as determined by the Remuneration Committee by reference to the performance of our Group. The discretionary bonus is nil in 2018 (2017: nil).

7. Arrangements with Directors

Arrangements with EWI and Mr. Stewart Elliott

EWC has entered into a binding co-operation and non-competition agreement (the "**Framework Agreement**") with EWI and Mr. Stewart Elliott (each, together with its or his respective associates, a "**Covenantor**").

The Framework Agreement governs the conduct of the activities in the Asia Pacific region between each Covenantor and the Group in relation to:

- developing, constructing, owning or operating gas-fired power plants;
- developing, constructing, owning or operating LNG facilities, including: up-stream, modular LNG liquefaction, storage and export facilities; and mid- and down-stream, modular LNG import, regasification and storage facilities; and
- the production, trading or sale of power, natural gas and LNG, (together, the "**Relevant Sector**").

* ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Box 8.2.

Directors' Report

Energy World Corporation Ltd and its Controlled Entities

Remuneration Report (Audited) (continued)

Refer to Note 27 for details of the Arrangements with EWI and Mr. Stewart Elliott.

Signed in accordance with a resolution of the Directors:



Stewart William George Elliott

Chairman/Managing Director

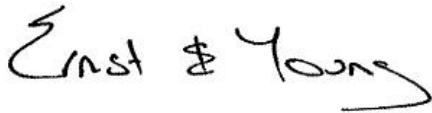
Dated 28 September 2018

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

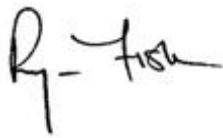
As lead auditor for the audit of Energy World Corporation Ltd for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Ryan Fisk
Partner
Sydney
28 September 2018

Corporate Governance Statement

Energy World Corporation Ltd and its Controlled Entities

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Introduction

The Directors of the Company are committed to having an appropriate corporate governance framework and are aware of the recommendations made by the ASX Corporate Governance Council. These recommendations have been further recognized and approved by the Board and are valid as at 30 June 2018 and remain so for a further period of 12 months.

The Company is required to disclose the extent to which it has complied with the ASX Corporate Governance Principles and Recommendations. Outlined below are the principal corporate governance practices of the Company which the Company believes it has followed to the most practicable extent, along with any reasons for non-compliance with the recommendations. Shareholders may find more information about the corporate governance and principles of the ASX from www.asx.com.au.

Principle 1: Lay solid foundations for management and oversight

Role of the Board

The Board of Directors guides and monitors the business and affairs of the Company on behalf of its shareholders, by whom the Directors are elected and to whom they are accountable. The Board of Directors is responsible for the overall Corporate Governance of the consolidated entity including:

- Providing strategic direction and deciding upon the Company's business strategies and objectives with a view to seeking to optimize the risk adjusted returns to investors;
- Monitoring the operational and financial position and performance of the Company;
- Overseeing risk management for the Company;
- Ensuring that the Company's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Company;
- Ensuring that shareholders and the market are fully informed of all material developments; and
- Overseeing and evaluating the performance of the Managing Director and other senior executives in the context of the Company's strategies and objectives.

The following Principle 1 recommendations are not yet complied with:

- The Company has not formalised the functions reserved to the board and those delegated to management. However, the responsibilities of the board are set out above.
- Evaluation of the performance of the senior executives is undertaken by the Board of Directors, however the Company has not formalised this evaluation process.
- Periodical evaluations of the Board of Directors.

These processes are not in place as the Company is still in its construction phase the Board will reassess this once the projects are completed.

Corporate Governance Statement

Energy World Corporation Ltd and its Controlled Entities

Principle 2: Structure the Board to add value

Composition of the Board

The names of the Directors of the Company, together with details of their relevant experience are set out in the Directors' Report.

The procedures for election and retirement of Directors are governed by the Company's Constitution and the Listing Rules of Australian Stock Exchange Limited.

A majority of the Board are Non-Executive Directors for the financial period 1 July 2017 to 30 June 2018.

The composition of the Board is determined using the following principles:

- The Board shall comprise Directors with a range of expertise encompassing the current and proposed activities of the Company.
- Where a vacancy is considered to exist, the Board selects an appropriate candidate through consultation with external parties, consideration of the needs of the shareholder base and consideration of the needs of the Company. Such appointments are referred to shareholders at the next available opportunity for re-election at the general meeting.

Board Processes

The Board meets on a regular basis, and also when appropriate, for strategy meetings and any extraordinary meetings at other times as may be necessary to address any specific significant matters that may arise.

Standing items for meetings include Executive Director's updates, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and Non-Executive Directors have other opportunities, including visits to operations, for contact with the employees.

Conflict of Interest

In accordance with the *Corporations Act 2001* and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. In this regard, the Company has procedures for determining and managing conflicts of interest, which includes having a formal Conflicts of Interest and Related Party Transactions Policy and a Register of Interests and Related Party Transactions. Also, where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Details of Directors' related entity transactions with the Company and consolidated entity are set out in Note 27.

Independent Board Committee

On 10 March 2012, the Company established an Independent Board Committee to determine matters in which a Director or some Directors of the Company may, directly or indirectly have interests in. Under its terms of reference, the Independent Board Committee is comprised only of the Independent Non-Executive Directors, being Mr. Leslie Charles, Mr. Michael O'Neill, and is vested with full power on behalf of the Board to deal in such capacity with all matters relating to related party or connected transactions.

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Energy World Corporation Ltd and its Controlled Entities

\ During the period covered in this Annual Report, the responsibility of the Independent Board Committee was performed as follows:

	Number of Meetings held during which they were eligible to attend	Number of Meetings attended
Mr. Michael Philip O'Neill	0	0
Mr. Leslie James Charles	0	0

Independent Professional Advice and Access to Company Information

Each Director has the right to seek independent professional advice on matters relating to his position as a Director of the Company at the Company's expense, subject to prior approval of the Chairperson, which shall not be unreasonably withheld.

The following Principle 2 recommendations are not yet complied with:

- The role of Chairman is not fulfilled by an Independent Non-Executive Director, it is fulfilled by Mr. Stewart Elliott, the Company's Managing Director and Chief Executive Officer. The Directors believe this is appropriate having regard to the alignment of his interests with shareholders through his shareholding in the Company, the size of the Company and the nature of the Company's operations.
- For the period covered in this Annual Report, a separate nomination committee has not been established. The Directors believe the role of this committee can be fulfilled by the full Board having regard to the size and nature of the Company's operations.
- The full Board is responsible for the function of evaluating the performance of the Board, its committees and individual Directors. Due to the size and structure of the board, a formal performance evaluation process is not conducted.

Principle 3: Act ethically and responsibly

Ethical Standards / Code of Conduct

The Directors acknowledge the need for, and continued maintenance of, the highest standards of ethical conduct by all Directors and employees of the Company. All Directors, executives and employees are required to abide by laws and regulations, to respect confidentiality and the proper handling of information and act with their highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Company and the wider community.

Director Dealings in Company Shares

Directors must obtain the approval of the Chairperson of the Board and notify the Company Secretary before they sell or buy shares in the Company. This is reported to the Board and is subject to Board veto. In accordance with the provisions of the *Corporations Act 2001* and the Listing Rules of the Australian Stock Exchange, Directors advise the Exchange of any transactions conducted by them in shares in the Company. Company policy prohibits Directors and senior management from buying or selling in Company shares whilst in possession of price sensitive information.

Corporate Governance Statement

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Diversity

The Company values diversity and recognises the benefits it can bring to the Company and its employees. The Company employs people from a diverse range of ethnic and cultural backgrounds. At the end of the current reporting period women in the group represented approximately 23% of total employees. There were no women in senior executive or Board positions.

The following principle 3 recommendation is not yet complied with:

- Whilst recognising the benefits of diversity, due to the size and nature of its operations, the Company has not developed a formal diversity policy.

Principle 4: Safeguard integrity in corporate reporting

Audit Committee

The Board reviews the independence of the auditors on an annual basis. The Company formed an Audit Committee since the financial year commenced 1 July 2008 and adopted a formal Audit Committee Charter in March 2012. In November 2013, the Company advised that its Audit Committee would consist solely of the following Independent Non-Executive Directors effective 22 November 2013 (being the date of the Company's Annual General Meeting):

Dr. Brian Derek Littlechild (*retired on 28 November 2017*)

Mr. Michael Philip O'Neill;

Mr. Leslie James Charles; and

Winston Mandrawa (*appointed on 31 July 2017*)

The principal duties of the Audit Committee include, but are not limited to, reviewing the Company's current financial standing, considering the nature and scope of audit reports, and ensuring internal control systems cooperate in accordance with applicable standards and conventions.

During the period covered in this Annual Report, the responsibility of the Audit Committee was performed as follows:

	Number of Meetings held during which they were eligible to attend	Number of Meetings attended
Dr. Brian Derek Littlechild (<i>retired on 28 November 2017</i>)	2	0
Mr. Michael Philip O'Neill	3	3
Mr. Leslie James Charles	3	3
Mr. Winston Mandrawa (<i>appointed on 31 July 2017</i>)	3	1

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude errors and irregularities. The system is based upon written procedures, policies and guidelines, division of responsibility and the careful selection and training of qualified personnel.

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Principle 5: Make timely and balanced disclosure

Continuous disclosure – the consolidated entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

- Company Secretary is directly accountable to the Board;
- A comprehensive process is in place to identify matters that may have a material effect on the price of the Company's securities;
- The Managing Director, the Executive Directors and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board;
- The Company Secretary or an Executive Director is responsible for all communications with the ASX.

Principle 6: Respect the rights of security holders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- The half-year and annual financial reports contain summarised financial information and a review of the operations of the consolidated entity during the period. The financial reports are prepared in accordance with the requirements of applicable accounting standards and the *Corporations Act 2001* and are lodged with the Australian Securities and Investment Commission and the Australian Securities Exchange. The financial report is sent to any shareholder who requests it.
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.
- Notices of all meetings of shareholders.

The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

Principle 7: Recognise and manage risk

The Company has a risk management framework and policies which are monitored by the Audit Committee and Directors. This includes policies on employee conduct, an authorisation and approval matrix, and a disaster recovery plan. The Company's senior management is involved in the design and implementation of this risk management framework and policies, and reports to the Board (including the Audit Committee) on its effectiveness. Any areas identified as requiring rectification are addressed by senior management accordingly.

Where necessary, the Board draws on the expertise of appropriate internal staff and external consultants to assist in dealing with or mitigating significant business risk.

The Company's main areas of risk include:

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- Contractual risks associated with power, gas and LNG sales;
- Construction and timetabling risks involved with major projects;
- Reliance on third parties (e.g. to complete supporting infrastructure or provide fuel sources in a timely manner);
- Water supply and mechanical and electrical risks associated with power generation, gas and LNG production;
- Exploration and development risks;
- Obtaining sufficient capital to fund current and future projects; and
- Obtain appropriate licences and governmental approvals to implement current and future projects.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude errors and irregularities. The system is based upon written procedures, policies and guidelines, division of responsibility and the careful selection and training of qualified personnel.

Business risk management

The Board acknowledges that it is responsible for the overall internal control and risk management framework. In particular, the Company has set clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. Procedures exist to ensure that business transactions are properly authorised and executed.

The Board has received assurance from the Managing Director and the Finance Director that their confirmation given to the Board in respect of the integrity of the financial statements is founded on a sound system of risk management and internal control which implements the policies adopted by the Board and that the system is operating in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Remuneration Policies

The Company established a Remuneration Committee on 12 March 2012 with written terms of reference in compliance with the ASX Corporate Governance Principles. The Remuneration Committee consists of two members all of whom are Independent Non-Executive Directors, being Mr. Michael O'Neill (as the Chairman of the Remuneration Committee) and Mr Leslie Charles.

Following the establishment of the Remuneration Committee, each of the Executive Directors entered into a service agreement with the Company commencing from 13 March 2012. Under these service agreements, the Executive Directors are entitled to an aggregate annual basic salary of approximately US\$1,186,449. These service agreements were approved by the Remuneration Committee and will also be put forward for approval by shareholders at the next Annual General Meeting. Each of the Executive Directors is also entitled to a discretionary bonus as determined by the Remuneration Committee by reference to the performance of our Group.

As a result of the service agreements entered into by the Executive Directors with the Company, the management services agreement with EWI was terminated on 13 March 2012.

Each of the Independent Non-Executive Directors entered into an appointment letter with the Company on 12 March 2012. Each of the Independent Non-Executive Directors is subject to retirement and re-election every three years commencing from the date of their appointment. The aggregate annual fees payable to the Company's Independent Non-Executive Directors under the appointment letters is US\$75,000.

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Specific details of Directors Remuneration are provided in the Remuneration Report and Note 27 of the financial statements.

ASX Corporate Governance Council's Principles and Recommendations

ASX Principle		Reference [^]	Compliance
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and, (b) those matters expressly reserved to the Board and those delegated to management.	Principle 1	Comply
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and, (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Principle 1, Principle 2 and Principle 6	Comply
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Principle 8 and 2018 Remuneration Report	Comply
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Principle 5	Comply
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and, (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant Committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act	Principle 3	Not comply. Refer to Corporate Governance Statement.
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a	Principle 1	Not comply. Refer to Corporate Governance Statement.

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	performance evaluation was undertaken in the reporting period in accordance with that process		
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and, (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Principle 1	Not comply. Refer to Corporate Governance Statement.
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE			
2.1	The Board of a listed entity should: (a) have a nomination Committee which: (1) has at least three members, a majority of whom are Independent Directors; and (2) is chaired by an Independent Director, and disclose: (3) the charter of the Committee (4) the members of the Committee; and (5) as at the end of each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings	Principle 2	Not comply. There is no nomination committee in place, all roles related to such a committee are performed by the full Board refer to Corporate Governance Statement.
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership	Directors' Report	Not comply These processes are not in place as the Company is still in its construction phase. The Board will reassess this once the projects are completed.
2.3	A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director	Directors' Report	Comply
2.4	A majority of the Board of a listed entity should be independent Directors.	Remuneration Report – Individual Key Management Personnel	Not Comply As at 30 June 2018, the Board

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		Disclosures	had a majority of Executive Directors. As at 28 September 2018, the Board is comprised of 3 Non-Executive Directors and 4 Executive Directors.
2.5	The Chair of the Board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.	Principle 2	Not comply. Refer to Corporate Governance Statement.
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	Principle 2	Not comply These processes are not in place as the Company is still in its construction phase the Board will reassess this once the projects are completed.
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its Directors, senior executives and employees; and (b) disclose that code or a summary of it.	Principle 3	Comply
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The Board of a listed entity should: (a) have an Audit Committee which: (1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors; and (2) is chaired by an independent Director, who is not the chair of the Board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Principle 4 Directors' Report & Remuneration Report – Individual Key Management Personnel Disclosures	Comply
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion,	Principle 7	Comply

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	the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.		
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Principle 6	Comply
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and, (b) disclose that policy or a summary of it.	Principle 5	Comply
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Principle 5 and Principle 6	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Principle 5 and Principle 6	Comply
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Principle 6	Comply
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Principle 5 and Principle 6	Comply
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are Independent Directors; and (2) is chaired by an Independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;	Principle 4 & Principle 7	Only 2 members have been appointed, other than that we Comply
7.2	The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Principle 7	Comply

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7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Principle 7	Not comply. The internal audit process is managed by EWC's accounting team.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Disclosed in 2018 Annual Report	Comply
PRINCIPLE 8 – REMUNERATE AND RESPONSIBLY			
8.1	The Board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are Independent Directors; and (2) is chaired by an Independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Principle 8	Only 2 members have been appointed, other than that we Comply
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.	Principle 8	Comply
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Principle 8	Comply

All references are to sections of this Corporate Governance Statement unless otherwise stated

Energy World Corporation Ltd and its Controlled Entities
Consolidated Statement of Comprehensive Income
For The Year Ended 30 June 2018

	Notes	2018 US\$'000	2017 US\$'000
Sales revenue	3(b)	158,188	177,774
Cost of sales		(61,424)	(71,338)
Gross profit		96,764	106,436
Other income		2,133	18
Depreciation and amortisation expenses	5(a)	(38,232)	(40,250)
Impairment of non-current assets		(2,233)	-
Other expenses	5(b)	(16,690)	(14,942)
Results from operating activities		41,742	51,262
Financial income		456	276
Financing expenses		-	(895)
Net financing expenses		456	(619)
Foreign currency exchange loss		481	1,037
Profit before income tax expense		42,679	51,680
Income tax expense	7	(20,529)	(24,817)
Net profit for the period		22,150	26,863
Profit for the period is attributable to:			
Non-controlling interest		1,017	1,306
Owners of the parent		21,133	25,557
		22,150	26,863
Net profit for the period		22,150	26,863
Other comprehensive income not to be reclassified to profit or loss subsequent periods (net of tax):			
Actuarial (losses) / gains on defined benefit plans	9	(123)	228
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on cash flow hedges	9	256	2,796
Exchange differences on translation of foreign operations	9	(2,099)	1,578
Other comprehensive income/ (loss) for the period, net of tax		(1,966)	4,602
Total comprehensive income for the period		20,184	31,465
Total comprehensive income for the period is attributable to:			
Non-controlling interest		989	1,236
Owners of the parent		19,195	30,229
		20,184	31,465
		Cents	Cents
Basic earnings per share attributable to ordinary equity holders	8	1.20	1.47
Diluted earnings per share attributable to ordinary equity holders	8	1.11	1.35

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

Energy World Corporation Ltd and its Controlled Entities
Consolidated Statement of Financial Position
As At 30 June 2018

	Notes	2018 US\$'000	2017 US\$'000
Current Assets			
Cash assets	26(b)	4,222	2,498
Cash held in reserve accounts	10	71,796	146,473
Trade and other receivables	11	26,831	26,255
Hedging Assets	29	369	
Inventories	12	734	864
Prepayment	13	1,923	2,203
Total Current Assets		105,875	178,293
Non-Current Assets			
Trade and other receivables	11	279	-
Prepayment	13	575	-
Hedging Asset	29	555	337
Oil and gas assets	16	95,228	100,787
Exploration and evaluation expenditure	17	74,207	69,194
Property, plant and equipment	18	1,347,652	1,325,009
Total Non-Current Assets		1,518,496	1,495,327
Total Assets		1,624,371	1,673,620
Current Liabilities			
Trade and other payables	19	66,580	81,322
Trade and other payables – related parties	19	21,511	17,729
Income tax payable		24,951	19,979
Interest-bearing borrowings	20	259,822	342,373
Derivative liabilities	29	-	567
Provisions	21	782	1,015
Total Current Liabilities		373,646	462,985
Non-Current Liabilities			
Trade and other payables	19	23	23
Trade and other payables – related parties	19	43,251	-
Interest-bearing borrowings	20	438,730	482,052
Deferred tax liabilities	7	31,063	34,410
Derivative liabilities	29	-	263
Provisions	21	16,281	16,919
Total Non-Current Liabilities		529,348	533,667
Total Liabilities		902,994	996,652
Net Assets		721,377	676,968
Equity			
Issued capital	22	492,733	466,805
Other reserves	22	15,975	19,616
Retained profits		199,514	178,381
Shareholders' equity attributable to members of Energy World Corporation Ltd		708,222	664,802
Non Controlling Interest		13,155	12,166
Total Shareholder's Equity		721,377	676,968

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

Energy World Corporation Ltd and its Controlled Entities

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2018

	Issued capital US\$'000	Other reserves US\$'000	Accumulated profits / (losses) US\$'000	Owners of the Parent US\$'000	Non - Controlling Interest US\$'000	Total Equity US\$'000
	Note 22	Note 22				
Balance at 1 July 2017	466,805	19,616	178,381	664,802	12,166	676,968
Profit for the period	-	-	21,133	21,133	1,017	22,150
Other comprehensive loss	-	(1,938)	-	(1,938)	(28)	(1,966)
Total comprehensive income for the period	-	(1,938)	21,133	19,195	989	20,184
Conversion of convertible notes	25,928	(1,703)		24,225		24,225
Balance at 30 June 2018	492,733	15,975	199,514	708,222	13,155	721,377
Balance at 1 July 2016	466,805	14,944	152,824	634,573	10,930	645,503
Profit for the period	-	-	25,557	25,557	1,306	26,863
Other comprehensive income	-	4,672	-	4,672	(70)	4,602
Total comprehensive income for the period	-	4,672	25,557	30,229	1,236	31,465
Issue of convertible note	-	-	-	-	-	-
Balance at 30 June 2017	466,805	19,616	178,381	664,802	12,166	676,968

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

Energy World Corporation Ltd and its Controlled Entities
Consolidated Statement of Cash Flows
For The Year Ended 30 June 2018

	Notes	2018 US\$'000	2017 US\$'000
Cash Flows From Operating Activities			
Receipts from customers (GST inclusive)		157,183	179,810
Payments to suppliers and employees (GST inclusive)		(69,999)	(68,046)
Income tax paid		(16,035)	(25,936)
Interest (paid)/received		226	306
Net Cash Flows Generated from Operating Activities	26(a)	71,375	86,134
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(27,279)	(41,279)
Payments for exploration and evaluation		(5,337)	(3,223)
Payments for oil and gas assets		-	(4,166)
Interest paid – Capitalised in Assets under Construction		(15,668)	(16,081)
Net Cash Flows Used in Investing Activities		(48,284)	(64,749)
Cash Flows From Financing Activities			
Transfer from /(to) restricted deposit and reserve accounts		74,677	(12,833)
Borrowing transaction costs		(30)	(442)
Repayment of borrowings		(113,988)	(42,526)
Proceeds from borrowings		18,049	-
Net Cash Flows Used in Financing Activities		(21,292)	(55,801)
Net Increase / (Decrease) In Cash Held		1,799	(34,416)
Cash at the beginning of the year		2,498	36,989
Net foreign exchange differences		(75)	(75)
Cash at the end of the financial year	26(b)	4,222	2,498

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes To The Financial Statements

For The Year Ended 30 June 2018

1. Corporate Information

The financial report of Energy World Corporation Ltd (the “Company” or the “Group”) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 28 September 2018. Energy World Corporation Ltd is a for-profit company domiciled in Australia and limited by shares, which are publicly traded on the Australian and OTCQX Stock Exchanges.

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the ASX Listing Rules applying the recognition and measurement criteria of applicable Accounting Standards and interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

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 Corporations Instrument applies.

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this financial report.

(b) Going Concern

As at 30 June 2018 the group’s consolidated balance sheet shows a net current liability position of \$267.8 million. This net liability position is primarily the result of the various debt arrangements that are in technical breach at 30 June 2018 as described in Note 20. The risk associated with the Group’s ability to repay these amounts if the debt providers were to demand repayments indicates a material uncertainty regarding the Group’s ability to continue as a going concern. Outlined below are the key factors the Group has considered when assessing the ability of the Group to continue as a going concern.

Post balance date we have completed documentation for the transaction with Standard Chartered Private Equity (Singapore) Limited (“SCPE”) such that SCPE will reinvest the entire proceeds of their existing US\$50m exchangeable convertible into a new instrument structured as a US\$50m loan to EWC and an issue of warrants by EWC. Closing of the transaction is expected by 14 October 2018 (the “Closing”). The loan has a final maturity 3 years from the date of Closing, with principal and interest payments to be made at various times during the loan term. The loan terms provide for accelerated re-payment from surplus cash flow available to EWC from our Indonesian subsidiaries.

SCPE will be issued 101,122,429 warrants convertible into ordinary shares in the capital of EWC at A\$0.50 at anytime within 5 years of the Closing. The warrants are subject to adjustment mechanisms for reorganisation of capital and standard ASX antidilution provisions. As part of this transaction, Energy World International Limited (“EWI”) has agreed to extend the repayment date of its US\$45m in loan funding which it has provided to the Company, and defer repayment date of all US\$45m of its funding until 1 January 2022. The EWI loan will incur interest at the rate of 7% pa, which will be accrued until the repayment date.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(b) Going Concern (continued)

As part of this transaction, Slipform Engineering (“Slipform”), has agreed to defer repayment of any principal until 15 October 2021, or such earlier date as is possible under the SCPE agreement. All interest will also be accrued until this date. Other terms of the Slipform loan remain the same.

EWC continues to progress other sources of funding to complete the projects under development and to provide working capital to the Company. In this regard, EWC has received updated financing terms and conditions from Landbank and the Development Bank of the Philippines for the Philippines Power Plant project finance facility previously announced. Upon our acceptance, these terms will be processed through their respective internal approvals, and after approval, will lead to a process to secure draw down of funds.

EWC is also currently in advanced negotiations with a number of parties to secure new sources of financing. EWC is confident we will secure the required levels of funding at the appropriate time to successfully progress and complete the projects and that EWI and Slipform will continue to support the Company.

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. The 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) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Energy World Corporation Ltd and its controlled entities as at 30 June 2018.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has; power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The financial statements of 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 any impairment charges.

A change in the ownership interest of a subsidiary 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.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(c) Basis of Consolidation (continued)

(ii) *Jointly Controlled Operations and Assets*

The interest of the Company and of the consolidated entity in unincorporated joint operations and jointly controlled assets 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 joint operations.

(d) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(e) New Accounting Standards and Interpretations

(i) *Changes in accounting policy and disclosures*

The following new and revised Standards and Interpretations have been adopted in the current year.

- AASB AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealized Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(e) New Accounting Standards and Interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective

Initial application of the following Standards is likely to impact the amounts recognised in the future financial statements:

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments This Standard replaces AASB139 Financial Instruments: Recognition and Measurement and all previous versions of AASB9. AASB makes makes changes to the classification and measurement of financial instruments, introduces a new expected loss model when recognising expected credit losses (ECL) on financial assets, and also introduces new general hedge accounting requirements. The Company has commenced a preliminary assessment of AASB 9 on existing financial assets and liabilities and expects that a material transitional adjustment to the carrying value of financial liabilities will arise due to the different rules under AASB 139 and AASB 9. AASB 9 requires entities to recognise an upfront gain or loss from modifications of financial liabilities. This was inconsistent with the Company's accounting policy under AASB 139. The Company is in the process of finalising the quantification of the impact and the adjustment will be made for the period beginning 1 July 2018 against retained earnings.	July 1, 2018	Jun 30, 2019
AASB 15 Revenue from Contracts with Customers The standard introduces a new 5-step model to recognising revenue that requires the Company to identify contracts and performance obligations, determine transaction price, allocate the transaction price to performance obligations and recognise revenue as each performance obligation is satisfied. The new revenue standard will supersede all current revenue recognition requirements under Australian Accounting Standards. The Company will apply the new standard from the required effective date using the modified retrospective approach. During the year, the Company performed a preliminary assessment of AASB 15 and does not expect there to be a material transition adjustment.		
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	July 1, 2018	Jun 30, 2019

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(e) New Accounting Standards and Interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective (continued)

AASB 16 Leases

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.	July 1, 2019	Jun 30, 2020
	July 1, 2018	Jun 30, 2019
	July 1, 2018	Jun 30, 2019
	July 1, 2018	Jun 30, 2019
	July 1, 2018	Jun 30, 2019

The standard is expected to have an impact on the Company's financial position at transition and in future years, as the standard requires operating leases to be recognised on the balance sheet. The Company plans to complete their assessment of the impact of AASB 16 in the upcoming year.

IFRS 2 (Amendments) – Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment property, Annual Improvements to IFRS Standards 2014-2016 Cycle and Other Amendments

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(f) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 2(m)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased Assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy Note 2(m)). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property.

(iii) Depreciation

With the exception of freehold land and oil and gas assets, depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Oil and gas assets are depreciated on a unit of production basis over the life of the economically recoverable reserves. The estimated useful lives in the current and comparative periods are as follows:

Buildings	14 to 22 years
Plant and Equipment	5 to 25 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

(iv) Revaluation

Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit and loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(g) Oil and Gas Assets

Development expenditure is stated at cost less accumulated depletion and any impairment in value. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field, on a unit-of-production basis. Costs are amortised only once production begins.

Oil and gas assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

(h) Exploration and Evaluation Expenditure

During the geological and geophysical exploration phase, costs are charged against profit and loss as incurred. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploration, or alternatively, sale of the respective areas of interest. If no reserves are found, the exploration asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, is likely to be developed commercially; the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognised.

(i) Investments

The fair value of financial instruments classified as held for trading and available-for-sale represent their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the consolidated entity.

In measuring fair value, revaluation increments on a class of assets basis are recognised in the revaluation reserve except that amounts reversing a decrement previously recognised as an expense are recognised as other income. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

Investments in subsidiaries held by Energy World Corporation Ltd are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

(j) Trade and Other Receivables

Trade receivables are on from 28 to 30 day terms. Other receivables range from 30 to 90 days terms. Receivables are recognised initially at fair value, usually based on the transaction cost or face value. An allowance for impairment of receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Bad debts are written off as incurred.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(l) Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivable are subsequently carried at amortised cost using the effective interest method less any allowance for impairment.

(iii) Fair Value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

(iv) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

Reserve cash is cash held in reserve accounts against the project finance which will be accessible to repay the bridging facility and letter of credit available in the group.

(m) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy 2(k)) and deferred tax assets (see accounting policy 2(u)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of Recoverable Amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of Impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(n) Interest-Bearing Borrowings

Interest-bearing loans and borrowings are initially recognised at fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis. Debentures, bills of exchange and notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds and convertible note (Note 20).

(o) Compound financial instruments

Compound financial instruments issued by the consolidated entity comprise convertible notes that can be converted to share capital at the option of the holder, with the number of shares to be issued being fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar financial liability that does not have the equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the financial liability component. Any directly attributable transaction costs are then allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognised in the statement of comprehensive income as a component of the profit or loss or capitalised to the statement of financial position where the borrowing costs relates to a qualifying asset. On conversion the financial liability is reclassified to equity and no gain or loss is recognised in the statement of comprehensive income.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(p) Employee Benefits

(i) *Defined Contribution Superannuation Funds*

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of comprehensive income as incurred.

(ii) *Long-Term Service Benefits*

The consolidated entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the government bond rates at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) *Wages, Salaries, Annual Leave, Sick Leave and Non-Monetary Benefits*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided to reporting date. These are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

(iv) *Defined Benefit Plan*

In accordance with International Financial Accounting Standards, the cost of providing employee benefit under Indonesian Law is determined using the projected unit credit actuarial valuation method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. These gains or losses are recognised on a straight line basis over the expected average remaining working lives of the employees.

Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortised over the period until the benefits concerned become vested.

For expatriate employees, the provision for service entitlements is calculated based on the actual years of service, calculated in accordance with the expatriate employees' employment arrangement and the Company's expatriate personnel policy.

(q) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(i) Site Restoration

In accordance with the consolidated entity's environmental policy and applicable legal requirements, a provision for site restoration is recognised when the disturbance or other activity is incurred.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out in Note 2(f). The unwinding of the effect of discounting on the provision is recognised as a finance cost. The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the statement of comprehensive income as incurred.

(r) Trade and Other Payables

Trade and other payables are stated at their amortised cost. Other than those with related parties, trade payables are non-interest bearing and are normally settled from 30-day terms to 90-day terms.

(s) Revenue

(i) Goods Sold and Services Rendered

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the end of the reporting period. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(ii) Interest

Interest is recognised as the interest accrues to the net carrying amount of the financial assets.

(t) Expenses

(i) Operating Lease Payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

(ii) Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(iii) Financing Costs

Financing costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the statement of comprehensive income. Borrowing costs are expensed as incurred and included in net financing costs where it does not relate to a qualifying asset.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established which in the case of quoted securities is ex-dividend date. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

(u) Income Tax

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

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The Group is subject to income taxes in multiple jurisdictions to be exercised in determining the Groups provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current and deferred tax liabilities and assets are recognized at the amount expected to be paid or recovered from the taxation authorities.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(v) Petroleum Resource Rent Tax (“PRRT”)

In addition to corporate income taxes, the consolidated financial statements also include and disclose certain taxes determined from oil and gas production and levied on net income.

Resource rent taxes and government royalties are treated as taxation arrangements when they are imposed under Government authority and when the calculation of the amount payable falls within the definition of “taxable profit” for the purposes of AASB 112. Current and deferred tax is then provided on the same basis as described in income taxes above.

The Australian Government enacted legislation to extend the PRRT regime to all onshore oil and gas projects, from 1 July 2012. PRRT is applied to onshore and offshore oil and gas projects at a rate of 40%. State petroleum royalties will continue to apply to projects within state jurisdictions; however these royalties are fully creditable against PRRT liabilities. The extended PRRT applies to EWC’s Australian operations.

(w) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Refer to Note 3.

(x) Value-Added and Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) and value-added tax (VAT), except where the amount of GST and VAT incurred are not recoverable from the taxation authority. In these circumstances, the GST and VAT are recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST and VAT included. The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST and VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(y) Derivative financial instruments and hedging

The Group uses derivative financial instruments (including interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year. The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset, or
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is re-measured to fair value. Gains and losses from both are taken to profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(ii) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity in the cash flow hedge reserve, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(y) Foreign currency translation

(i) *Functional and presentation currency*

Both the functional and presentation currency of Energy World Corporation Ltd is United States Dollars (\$). The Australian subsidiaries' functional currency is Australian Dollars which is translated to presentation currency (see below).

(ii) *Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) *Translation of Group Companies functional currency to presentation currency*

The results of the Australian subsidiaries are translated into United States Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(z) Significant Accounting Judgements, Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

(i) *Estimates of Reserve Quantities*

The estimated quantities of proven and probable hydrocarbon reserves reported by the Group are integral to the calculation of depletion and depreciation expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared in accordance with the Group's policies and procedures for reserves estimation.

Notes To The Financial Statements

For The Year Ended 30 June 2018

2. Summary of Significant Accounting Policies (continued)

(ii) Exploration and Evaluation

The consolidated entity's policy for exploration and evaluation expenditure is discussed in Note 2(h). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploration or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

The carrying amount of exploration and evaluation assets is disclosed in Note 17.

(iii) Provision for Restoration

The consolidated entity's policy for providing for restoration is discussed in Note 2(q). The key judgements are in relation to the future restoration costs, discounting used to calculate the present value and the estimation of the timing of rehabilitation.

(iv) Impairment of Oil and Gas Assets

The consolidated entity's policy for impairment of oil and gas assets is discussed in Note 2(m).

(v) Carrying values of property, plant and equipment

There are certain estimates and assumptions made by management that support the carrying values of its property, plant and equipment at the reporting date, particularly in relation to its LNG and power projects in Indonesia and the power and Hub terminal in the Philippines. These assessments require assumptions to be made regarding future government approvals to operate its planned facilities, the ability to raise sufficient funds to complete the project and the completion of an off-take agreement. Any changes in one or more of these judgements may impact the carrying value of these assets. The Group's policy for accounting for property, plant and equipment is discussed in Note 2(f).

(vi) Income taxes

The Group is subject to income taxes in multiple jurisdictions which require significant judgment to be exercised in determining the Groups provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current and deferred tax liabilities and assets are recognized at the amount expected to be paid or recovered from the taxation authorities.

Notes To The Financial Statements

For The Year Ended 30 June 2018

3. Operating Segments

(a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed for the different operating businesses and one internal report for the assets under construction 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 / or for 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 geographical locations, they are of same nature of activity. As these assets are not yet operating, they are more alike and more suited to aggregation with one another than to existing operating business segments.

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

(b) Major customers

The Group supplies Indonesian Government agencies that combined account for 99% of external revenue (2017: 99%). The next most significant customer accounts for 0.5% (2017: 1%).

Revenue from external customers by geographic locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

	2018	2017
	US\$'000	US\$'000
Indonesia	157,349	175,291
Australia	839	2,483
Total revenue	158,188	177,774

Notes To The Financial Statements

For The Year Ended 30 June 2018

3. Operating Segments (continued)

(c) Segment revenue, expenses, assets and liabilities

Inter-segment pricing is determined on an arm's length basis.

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 & Gas</u>		<u>Power</u>		<u>Oil & Gas</u>		<u>Power</u>					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Sales revenue	839	465	-	2,017	41,655	48,167	115,694	127,125	-	-	158,188	177,774
Result												
Segment result	365	68	232	807	27,708	33,169	55,535	59,803	-	-	83,376	93,848
Depreciation and amortisation	(458)	(712)	(228)	(507)	(5,694)	(7,481)	(31,852)	(31,550)	-	-	(38,232)	(40,250)
Net financing cost											456	(619)
Unallocated corporate result											(3,401)	(2,336)
Foreign currency exchange gain/(loss)											480	1,037
Profit before income tax											42,679	51,680
Income tax expense											(20,529)	(24,817)
Net profit after tax											22,150	26,863
Non-controlling interest											(1,017)	(1,306)
Net profit attributable to owners of the parent											21,133	25,557
Other Comprehensive income/(loss)											(1,966)	4,602
Current assets	285	309	25	58	10,110	9,423	39,034	36,174	117	86	49,571	46,050
Segment assets	62,028	57,270	2,503	2,762	125,121	134,453	168,904	196,795	1,205,790	1,147,569	1,564,346	1,538,849
Segment liabilities	(4,495)	(4,270)	(64)	(67)	(93,892)	(105,327)	(73,557)	(97,051)	(526,919)	(497,213)	(698,927)	(703,928)

Notes To The Financial Statements

For The Year Ended 30 June 2018

3. Operating Segments (continued)

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

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 and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Reconciliation of segment operating assets to total assets:

	2018 US\$'000	2017 US\$'000
Current operating assets	49,571	46,050
Corporate Cash	1,885	1,808
Cash held in reserve accounts	52,006	128,124
Prepayments and other	2,413	2,311
Current corporate assets	56,304	132,243
Total current assets per the statement of financial position	105,875	178,293

	2018 US\$'000	2017 US\$'000
Segment operating assets	1,564,346	1,538,849
Current corporate assets	1,885	132,243
Non-current cash held in reserve accounts	52,006	-
Non-current prepayments and other	6,134	2,528
Total assets per the statement of financial position	1,624,371	1,673,620

Reconciliation of segment operating liabilities to total liabilities:

	2018 US\$'000	2017 US\$'000
Segment operating liabilities	698,927	703,928
Deferred tax liabilities	31,063	34,410
Interest-bearing borrowings	171,734	253,760
Provisions and other	1,270	4,554
Total liabilities per the statement of financial position	902,994	996,652

Notes To The Financial Statements

For The Year Ended 30 June 2018

4. Parent Entity Information

Information relating to Energy World Corporation Ltd:

	2018	2017
	US\$'000	US\$'000
Current assets	54,714	129,552
Total assets	1,023,039	1,052,936
Current liabilities	(207,705)	(465,686)
Total liabilities	(701,902)	(742,759)
Issued capital	492,733	466,805
Other reserves	(51,207)	(44,030)
Accumulated losses	(120,389)	(112,598)
Total shareholders' equity	321,137	310,177
Net loss and total comprehensive income	7,790	6,185

5. Expenses

	2018	2017
	US\$'000	US\$'000
(a) Depreciation and amortisation expenses		
Property, plant and equipment	(32,538)	(32,925)
Oil and gas assets	(5,694)	(7,325)
	(38,232)	(40,250)
(b) Other expenses		
Insurance	(2,169)	(3,117)
Employee entitlements	(457)	(886)
Professional services	(770)	(913)
Director Fees	(1,283)	(1,275)
Employee expenses and other	(12,011)	(8,751)
	(16,690)	(14,942)

6. Auditors' Remuneration

	2018	2017
	US\$'000	US\$'000
Amounts paid or payable to Ernst & Young (Australia)		
Audit and review of financial reports	533	439
Other – tax services	0	249
	533	688
Amounts paid or payable to Ernst & Young (other locations)		
Audit and review of financial reports	237	225
	237	225

Notes To The Financial Statements

For The Year Ended 30 June 2018

7. Income Tax

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

	2018 US\$'000	2017 US\$'000
Accounting profit before tax:	42,679	51,680
At the Parent Entity's statutory income tax rate of 30% (2017: 30%)	(12,803)	(15,504)
Difference in tax rates (a)	(2,869)	(3,400)
Decrease/(increase) in tax expense due to:		
Non-deductible expenses/non-assessable income	(4,992)	(3,124)
Temporary differences not brought to account, including foreign exchange impact	-	(12)
Tax losses not brought to account	(1,275)	(2,777)
Overprovision in previous financial years	1,000	-
Other	410	-
Income tax expense reported in the statement of comprehensive income	(20,529)	(24,817)

The major components of income tax expense are:

Current income tax charge	(23,877)	(26,658)
Deferred tax income	3,348	1,841
Income tax expense reported in the statement of comprehensive income	(20,529)	(24,817)

(a)

Indonesia - PTES Tax rate 25%

Indonesia - EEES Tax rate 44%

Australia Tax rate 30%

Notes To The Financial Statements

For The Year Ended 30 June 2018

7. Income Tax (continued)

Deferred income tax at 30 June relates to the following:

	Balance Sheet		Income Statement	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
<i>Deferred tax assets</i>				
Provision for employee entitlements	2,866	2,887	(21)	450
Provision for abandonment and restoration	2,571	2,682	(111)	1,125
Tax losses	17,559	15,353	2,206	759
Unrecovered cost pool	969	1,052	(83)	35
<i>Deferred tax liabilities</i>				
Fixed and moveable assets	(1,110)	(2,623)	3,733	2,215
Oil and gas properties and fixed assets	(29,178)	(32,681)	3,503	(5,059)
In respect of EEES assets	(20,943)	(15,499)	(5,444)	1,609
In respect of PTES assets	(2,384)	(1,315)	(1,069)	263
Borrowing costs	(3,438)	(3,871)	433	432
Hedging	(172)	(38)	(134)	(361)
Foreign exchange	-	-	-	547
Non-capital inventories	(23)	(357)	335	(174)
Net deferred tax balance	(31,063)	(34,410)	3,348	1,841

Tax losses not brought to account for the year ended 30 June 2018 were \$27.9 million (2017: \$45 million). Realisation of these tax losses are subject to specific entities meeting legislative requirements and generating income to utilise these losses.

Notes To The Financial Statements

For The Year Ended 30 June 2018

8. Earnings per Share (EPS)

The calculation of basic earnings per share for the year ended 30 June 2018 was based on the profit attributable to ordinary shareholders of \$21,133,000 (2017: \$25,557,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2018 of 1,768,014,521 (2017: 1,734,166,672).

	2018 US\$'000	2017 US\$'000
Earnings reconciliation		
Profit attributable to ordinary shareholders for basic and diluted earnings (a)	21,133	25,557
	2018 Number	2017 Number
Weighted average number of shares used as a denominator for basic earnings per share	1,768,014,521	1,734,166,672
<i>Effect of dilution:</i>		
SCPE	101,122,459	101,122,459
EWI	27,504,822	61,215,000
Weighted average number of shares used as a denominator for diluted earnings per share	1,896,641,802	1,896,504,131
	2018 Cent	2017 Cent
Earnings per share basic – cents per share	1.20	1.47
Earnings per share diluted – cents per share	1.11	1.35

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.

Notes To The Financial Statements

For The Year Ended 30 June 2018

9. Other Comprehensive Income

Within the statement of comprehensive income, the Group has disclosed certain items of other comprehensive income net of the associated income tax expense or benefit. The pre-tax amount of each of these items and the associated tax effect is as follows:

	2018 US\$'000	2017 US\$'000
Cash flow hedges		
Cash flow hedges (gross of tax)	420	4,612
Tax effect	(164)	(1,816)
Cash flow hedges net of tax	256	2,796
Exchange differences on translation of foreign operations		
Exchange differences on translation of foreign operations (gross of tax)	(2,999)	2,254
Tax effect	900	(676)
Exchange differences on translation of foreign operations net of tax	(2,099)	1,578
Defined benefit plans		
Defined benefit plans (gross of tax)	(202)	407
Tax effect	79	(179)
Defined benefit plans net of tax	(123)	228

Notes To The Financial Statements

For The Year Ended 30 June 2018

10. Cash Held in Reserve Accounts

	2018 US\$'000	2017 US\$'000
Cash held in reserve accounts - current	71,796	146,473
Cash held in reserve accounts – non-current	-	-
	71,796	146,473

As at 30 June 2018, cash of \$71.8 million is held in reserve accounts for the following purpose.

- \$51.0 million as security for payment to HSBC of the corporate facility (Note 20(f)(ii))
- \$16.6 million as Debt Service Accrual and Debt Service Reserve Sub Accounts for PT Energi Sengkang (Note 20(d))
- \$0.3 million as Security Deposits made by Energy World Corporation Ltd (\$0.04 million); Australian Gasfields Limited (\$0.09 million); Central Energy Australia Pty Ltd. (\$0.06 million) and Energy Equity Epic (Sengkang) Pty Ltd (\$0.06 million)
- \$0.9 million as Security Deposits made by Energy World Gas Operations Philippines Inc.
- \$3.0 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 (Note 20(f)(i))
- \$51.0 million as security for payment to HSBC of the corporate facility (Note 20(f)(ii))
- \$15.7 million as Debt Service Accrual and Debt Service Reserve Sub Accounts for PT Energi Sengkang (Note 20(d))
- \$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

Notes To The Financial Statements

For The Year Ended 30 June 2018

11. Trade and Other Receivables

	2018 US\$'000	2017 US\$'000
Current		
Trade receivables (i)	22,263	21,175
Sundry debtors	4,568	5,080
	26,831	26,255
Less : Allowance for doubtful debts	-	-
	26,831	26,255
Non - current		
Trade and other receivables (i)	279	-

(i) Trade and other receivables are not interest bearing.

At 30 June, the aging analysis of trade receivables is as follows:

		Total US\$'000	0-28 days US\$'000	29-40 days US\$'000	41-90 days PDNI* US\$'000	+91 days PDNI* US\$'000	+91 days CI** US\$'000
2018	Trade receivables	22,263	9,408	9,779	3,076	-	-
	Sundry debtors	4,568	1,553	44	27	2,944	-
2017	Trade receivables	21,175	9,054	9,872	1,117	1,132	-
	Sundry debtors	5,080	1,247	64	40	3,729	-

* Past due not impaired ('PDNI')

** Considered impaired ('CI')

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the consolidated entity's policy to transfer (on-sell) receivables to special purpose entities.

Detail regarding liquidity risk is disclosed in Note 29(g).

Notes To The Financial Statements

For The Year Ended 30 June 2018

12. Inventories

	2018 US\$'000	2017 US\$'000
Consumables	699	828
Finished goods	35	36
	734	864

13. Prepayment

	2018 US\$'000	2017 US\$'000
Current		
Prepayment	1,923	2,203
	1,923	2,203
Non - current		
Prepayment	575	-

Notes To The Financial Statements

For The Year Ended 30 June 2018

14. Consolidated Entities

	<u>Ownership Interest</u>	
	<u>2018</u>	<u>2017</u>
Parent Entity		
Energy World Corporation Ltd		
Subsidiaries		
Active Subsidiaries		
Australian Gasfields Limited ^{^ w}	100	100
Central Energy Australia Pty Ltd ^{^ w}	100	100
Central Energy Power Pty Ltd ^{^ w}	100	100
Central Queensland Power Pty Ltd	100	100
Energy Equity Epic (Sengkang) Pty Ltd * ^w	100	100
Energy Equity LNG Pty Ltd ^w	100	100
Energy World Holdings (Cayman) Ltd ^x	100	100
Energy World L.N.G. (Queensland) Pty Ltd ^w	100	100
Energy World Operations Pty Ltd ^w	100	100
Energy World Petroleum Pty Ltd	100	100
Epic Sulawesi Gas Pty Ltd ^w	100	100
Galtee Limited ^x	100	100
Sulawesi Energy Pty Ltd * ^w	100	100
PT Energi Sengkang * ^y	95	95
PT South Sulawesi LNG * ^y	100	100
Energy World (H.K.) Ltd ^v	100	100
Energy World Philippines Holdings Ltd ^x	100	100
Energy World Gas-Power Holdings Philippines Inc. ^z	100	100
Energy World Gas Developments Holdings Philippines Inc. ^z	100	100
Energy World Gas Operations Philippines Inc. ^z	100	100
Energy World Power Developments Philippines Inc. ^z	100	100
Energy World Power Operations Philippines Inc. ^z	100	100

* Entities which carry on business in Indonesia.

[^] Pursuant to ASIC Corporations Instrument 2016/785, relief has been granted to these controlled entities of Energy World Corporation Ltd from the Corporations Law requirements for preparation, audit and publication of financial reports. As a condition of the Class Order, Energy World Corporation Ltd and the controlled entities subject to the Class Order entered into a deed of indemnity on 16 June 1998. The effect of the deed is that Energy World Corporation Ltd has guaranteed to pay any deficiency in the event of winding up of the controlled entity. The controlled entities have also given a similar guarantee in the event Energy World Corporation Ltd is wound up. Refer Note 25.

^v Incorporated in Hong Kong

^w Incorporated in Australia

^x Incorporated in Cayman Islands

^y Incorporated in Indonesia

^z Incorporated in Philippines

Notes To The Financial Statements

For The Year Ended 30 June 2018

15. Interests in Oil & Gas Operations

	Ownership Interest	
	2018	2017
	%	%
PL115 & PL116 Eromanga (Australia)	100.0	100.0
PL65 Gilmore (Australia)	100.0	100.0
PL1030, 1031, 1032 & 1033 (formerly ATP-549P) (Australia)#	100.0	100.0
PL184 (part of ATP-269P) (Australia)*	100.0	19.604
ATP932 (Australia)*	100.0	0.0
PEL 96 (Australia)	33.3	33.3
Naccowlah Block (part of ATP-259P) (Australia)	2.0	2.0

Petroleum lease numbers have been allocated, applications are being made for titles to be issued.

* Title in the process of being registered.

The principal activity of these Oil and Gas Operations is the exploration and development of oil and gas prospects

Australian Gasfields Limited (AGF) as the authorized holder of ATP 549 has applied for 4 Petroleum Leases (PLs) to replace parts of ATP-549P (East) which expired on 30 April 2017, and is currently working with Queensland Department of Natural Resources and Mines to facilitate granting of these PLs, along with a smooth final relinquishment of the remainder of ATP 549. The Company is not aware of any reason why the DNRM will not approve the granting of these PLs. AGF also has a 100% interest in petroleum leases PL115 (Bunya) and PL116 (Cocos), which have been developed from the original grant of ATP-549P (East) and each of which contains production wells. Each of these PLs is current through to September 2019.

The Eromanga Gas Plant, which is not currently in production or operation, is located on AGF's ATP-549P (East) licence area and is connected by pipeline to the production wells on PL115 (Bunya), PL116 (Cocos) and Vernon 1 (owned and operated by an independent third party) with an outlet line for processed gas linked to the Mt. Isa Pipeline serving the Queensland piped gas network. The Eromanga plant is designed to be run at 12 MMscfd. Land use rights for AGF's Eromanga Gas Plant are provided under the terms of PL115. AGF is undertaking the work to assess what is required to restart the Eromanga Processing Facilities.

We are considering a number of options to exploit the resources of the Eromanga Gas Field but have not settled upon which approach we will pursue. Under the terms of our petroleum leases we are required to pay the Queensland State a royalty of 10% of the wellhead value of petroleum produced or disposed from the Gilmore and Eromanga Gas Fields.

The Department of Natural Resources and Mines (DNRM) of the Queensland Government approved the renewal of PL 65 on 19 September 2017 for a period of 15 years. The renewed licence term commenced with effect from 16 December 2014 and expires on 15 December 2029.

Notes To The Financial Statements

For The Year Ended 30 June 2018

16. Oil and Gas Assets

	2018 US\$'000	2017 US\$'000
Opening balance	100,787	105,137
(Disposal) / Additions	90	2,975
Amortisation	(5,694)	(7,325)
Closing balance	95,228	100,787

17. Exploration and Evaluation Expenditure

	2018 US\$'000	2017 US\$'000
Opening balance	69,194	63,425
Additions	7,424	7,105
Foreign currency translation	(2,411)	(1,336)
Closing balance	74,207	69,194

18. Property, plant and equipment

	Freehold land US\$'000	Buildings on freehold land US\$'000	Plant and equipment US\$'000	Assets under construction US\$'000	Total US\$'000
Assets at Cost					
Balance at 1 July 2016	7,200	2,731	415,244	1,067,226	1,492,401
Additions	-	-	213	80,155	80,368
Disposals	-	-	(29)	-	(29)
Transfers	(29)	-	29	-	-
Other	-	-	(432)	-	(432)
Foreign currency translation	34	10	1,368	-	1,412
Balance at 30 June 2017	7,205	2,741	416,393	1,147,381	1,573,720
Balance at 1 July 2017	7,205	2,741	416,393	1,147,381	1,573,720
Additions	-	-	539	57,175	57,714
Impairment	-	-	-	(2,233)	(2,233)
Foreign currency translation	(20)	(12)	(1,559)	-	(1,591)
Balance at 30 June 2018	7,185	2,729	415,373	1,202,323	1,627,611
Depreciation					
Balance at 1 July 2016	-	(1,013)	(213,966)	-	(214,979)
Depreciation charge for the year	-	(13)	(32,912)	-	(32,925)
Disposals	-	-	10	-	10
Foreign currency translation	-	(7)	(810)	-	(817)
Balance at 30 June 2017	-	(1,033)	(247,678)	-	(248,711)
Balance at 1 July 2017	-	(1,033)	(247,678)	-	(248,711)
Depreciation charge for the year	-	1	(32,539)	-	(32,538)
Disposals	-	-	-	-	-
Foreign currency translation	-	-	1,291	-	1,291
Balance at 30 June 2018	-	(1,032)	(278,927)	-	(279,958)
Carrying amount					
At 30 June 2017	7,205	1,708	168,715	1,147,381	1,325,009
At 30 June 2018	7,185	1,697	136,447	1,202,323	1,347,652

Notes To The Financial Statements

For The Year Ended 30 June 2018

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 Ministry of Forestry is currently in the process of re-mapping this land.

The Assets under construction comprise of \$526.1 million (June 2017: \$513.2 million) applicable to the Sengkang LNG plant development; \$453.1 million (June 2017: \$418.4 million) applicable to the Philippines Power project; \$180.3 million (June 2017: \$173.5 million) applicable to the Philippines LNG project; and \$42.7 million (June 2017: \$42.3 million) applicable to other projects.

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 30 June 2018, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of the assets under construction.

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

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 these CGUs.

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.
- Commencement of operations – start times assumed are consistent with those detailed in the annual report.

Notes To The Financial Statements

For The Year Ended 30 June 2018

19. Trade and other payables

	2018 US\$'000	2017 US\$'000
Current		
Trade Payables (a) (b)	4,551	9,548
Trade Payables – related parties (b) (c)	19,540	16,110
Other creditors and accruals (b)	62,029	71,751
Other creditors and accruals – related parties (b) (c)	726	664
Outstanding Directors' fees and salaries – related parties	1,245	978
	88,091	99,051
 Total current trade payables	66,580	81,299
Total current trade payables – related parties	21,511	17,752
 Non Current		
Other creditors and accruals	23	23
Other creditors and accruals – related parties (c)	43,251	-

- (a) Trade and other payables are non-interest bearing and are normally settled within 30-day terms. The net of GST payable and GST receivable (or other taxes applicable) is remitted to the taxation authority on a monthly basis.
- (b) Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.
- (c) US\$9.0million of trade payables was related to the O&M payment for PT Consolidated Electric Power Asia (2017: \$10.4 million); \$3.4 million was related to the project development in Philippines LNG Project for Slipform Engineering International (H.K.) Ltd (2017: \$zero million); \$22 million was related to the project development in Philippines Power Project for Slipform Engineering International (H.K.) Ltd (2017: \$zero million); \$2.6 million was related to the project development in Australia for Slipform Engineering International (H.K.) Ltd (2017: \$zero million) and \$16.9 million was related to project development in Indonesia for PT Slipform Indonesia (2017: \$zero million); \$6 million (2017: \$3.2 million) was related to interest and arrangement fees accrued for Energy World International (EWI) and \$5 million (2017: \$0.7 million) relates to other payables.

Information regarding interest rate is set out in Note 29(f) and liquidity risk exposure is set out in Note 29(g).

Notes To The Financial Statements

For The Year Ended 30 June 2018

20. Interest-Bearing Liabilities

		2018 US\$'000	2017 US\$'000
Current			
PTES US\$200 million with Standard Chartered Bank and Mizuho Corporate Bank	(d)	37,033	65,580
EEES US\$125 million Secured Borrowing Base Facility with Standard Chartered Bank and Mizuho Corporate Bank	(e)	65,225	73,643
US\$75 million Revolving Loan Facility Agreement with Standard Chartered Bank	(f)(i)	-	74,676
US\$75 million Convertible Exchangeable Note with Standard Chartered Private Equity (Singapore) Pte. Ltd.	(h)	50,444	49,202
US\$51 million Revolving Loan Facility Agreement with The Hong Kong and Shanghai Banking Corporation Limited	(f)(ii)	49,987	50,462
LNG Hub Corporate Notes	(j)	27,134	28,810
EWI US\$25 million Loan	(g)	24,999	-
EWI US\$5 million - 29 May 2018 (Maturity date 1 July 2018)	(l)	5,000	-
Total current		259,822	342,373
Non-current			
Slipform US\$432 million Term Loan	(k)	425,098	432,512
EWI US\$25 million Convertible Exchangeable Note	(i)	-	24,039
EWI US\$25 million Loan	(g)	-	24,699
EWI US\$5 million - 29 May 2018 (Maturity date 1 July 2018)	(l)	-	802
EWI US\$5 million - 1 Oct 2018 (Maturity date 30 Sep 2019)	(l)	4,936	-
EWI US\$5 million - 15 Nov 2018 (Maturity date 14 Nov 2019)	(l)	4,931	-
EWI US\$5 million - 23 Mar 2018 (Maturity date 22 Mar 2020)	(l)	3,765	-
Total non-current		438,730	482,052
Total interest-bearing liabilities		698,552	824,425

Notes To The Financial Statements

For The Year Ended 30 June 2018

(a) Interest Rate, Foreign Exchange and Liquidity Risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 29.

(b) 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.

(c) Default and Breaches

During the current and prior years, there were no defaults or breaches on any of the loans with the exception of those described below in (d), (e), (f)(ii) and (j).

Notes To The Financial Statements

For The Year Ended 30 June 2018

20. Interest-Bearing Liabilities (continued)

(d) 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, totalling US\$185 million, of which only US\$37 million was outstanding as at 30 June 2018, excluding unamortised borrowing costs. This remaining amount is payable in approximately equal semi-annual instalments with the last payment due in October 2021.

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. PTES is in advanced negotiation with the three remaining lenders (all of which are development finance institutions of European countries) with a view of rectifying and waiving all non-compliance.

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\$16.6 million in reserve accounts as security for the facility. Refer to Note 10.

(e) EEES 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, of which \$65.2m was outstanding at 30 June 2018, excluding unamortised borrowing costs. 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.

The EEES facility is currently classified as a current liability because it is in breach of the borrowing base determination and repayment schedule, both of which need adjustment based on the gas field production, caused principally by the fall in well head pressure. We have now ordered a new compressor package which is currently in transit to Indonesia. We expect the installation of this compressor package will facilitate the adjustment of

Notes To The Financial Statements

For The Year Ended 30 June 2018

20. Interest-Bearing Liabilities (continued)

(e) EEES Secured Borrowing Base Facility Terms and Conditions (continued)

those provisions in the financing documents to eliminate any non compliance. 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.

(f) 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 and has now been fully paid.

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

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 2020. As at 30 June 2018, the gross 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.

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

Subsequent to balance date, EWI agreed on a revised loan agreement for the total amount of the outstanding loans of US\$45m loans consolidating the loans under note 20(g) and 20(l) plus accrued interest until 1 January 2022. Please refer to Note 30.

Details for the year ended 30 June 2018 were as follows:

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 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.

Notes To The Financial Statements

For The Year Ended 30 June 2018

20. Interest-Bearing Liabilities (continued)

(h) 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:

- (a) EWP has issued, and the Subscriber has subscribed for, US\$50 million 2.5% convertible exchangeable notes due in May 2018.
- (b) On 14 May 2018, we announced that the maturity of Convertible Exchange Note had been extended by 3 months until 14 August 2018.
- (c) On 14 August 2018 we announced that we had entered into a term sheet with the Subscriber for them to reinvest the \$50m Exchangeable Convertible Note into a \$50m Loan plus the issue of 101,112, 429 warrants exercisable at A\$0.50.
- (d) On 14 September 2018 the Subscriber entered into a new agreement with EWC committing to reinvesting the US\$50 million proceeds from the Exchangeable Convertible Note into a loan into EWC of equivalent amount to effect the transaction mentioned above in (c), with issuance of 101,122,429 warrants to the Subscriber.

Post balance date, SCPE has agreed it will reinvest the entire proceeds of their existing US\$50m exchangeable convertible into a new instrument structured as a US\$50m loan to EWC and an issue of warrants by EWC. Please refer to Note 30.

(i) US\$25,000,000 Convertible Exchangeable Note with Energy World International Ltd

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.

(j) 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.

Notes To The Financial Statements

For The Year Ended 30 June 2018

20. Interest-Bearing Liabilities (continued)

(j) LNG Hub Corporate Note Facility (continued)

As at 30 June 2018, the aggregate amount owed under the LNG Hub Corporate Note Facility was US\$28.1 million, excluding unamortised borrowing costs.

(k) 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%. In the event that principal repayments are not paid on the proposed scheduled repayment dates, an additional interest rate of 2%pa on those deferred amounts will be charged.

Subsequent to balance date, Slipform has agreed to defer repayment of any principal until 15 October 2021, or such earlier date as is possible under the SCPE agreement. Please Refer to Note 30.

(l) US\$20,000,000 EWI Loans

Subsequent to balance date, EWI agreed on a revised loan agreement for the total amount of the outstanding loans of US\$45m consolidating the loans under note 20(g) and 20(l) plus accrued interest with a new maturity date of 1 January 2022. Please refer to Note 30.

Details for the year ended 30 June 2018 were as follows:

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

Notes To The Financial Statements

For The Year Ended 30 June 2018

20. Interest-Bearing Liabilities (continued)

(I) US\$20,000,000 EWI Loans (continued)

- 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.

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.

On 23 Mar 2018, 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 22 Mar 2020.

As at 30 June 2018, US\$3.9 million was drawn down. Subsequently to year-end an additional US\$1.1 million was drawn down and remains outstanding.

Notes To The Financial Statements

For The Year Ended 30 June 2018

21. Provisions

	2018 US\$'000	2017 US\$'000
Current		
Employee benefits (a)	782	265
Production bonus (c)	-	750
	782	1,015
Non-current		
Employee benefits (a)	6,606	7,158
Restoration/rehabilitation (b)	9,675	9,761
	16,281	16,919

(a) Employee Benefits

	2018 US\$'000	2017 US\$'000
Current		
Australian employees - Annual leave	95	91
Indonesia National employees – Defined benefit scheme	687	174
	782	265
Non-current		
Indonesia National employees – Defined benefit scheme	6,606	7,158
	6,606	7,158

The Group has a defined benefit pension under which PTES & EEES provide final salary plans for their employees who achieve the retirement age of 58 based on the provisions of the Indonesian Labor Law No.13/2003 dated 25 March 2003. The benefits are unfunded.

The following tables summarise the components of net Indonesian national employee service entitlements expenses of which a component is recognised in the statement of comprehensive income as determined by an independent actuary PT Padma Radya Aktuaria.

	2018 US\$'000	2017 US\$'000
Current service cost	731	692
Interest cost	481	444
Past service costs recognised	(28)	-
Benefits paid	(145)	(102)
Accrued liability for Employees Termination	-	-
Exchange differences	(568)	180
Actuarial changes arising from changes in assumptions	(510)	(197)
Net employee service entitlements expenses	(39)	1,017

The current service cost and interest cost on benefit obligation has been recognised with other expenses in the income statement.

Notes To The Financial Statements

For The Year Ended 30 June 2018

21. Provisions (continued)

Movements in the provision for Indonesian national employee service entitlements during the years ended 30 June 2018 and 2017 are as follows:

	2018 US\$'000	2017 US\$'000
Balance at beginning of year	7,332	6,317
Add: Provision during the year/(release of unused provision)	106	1,119
Less: Utilisation during the year	(145)	(100)
Balance at the end of the year	7,293	7,332

The principal assumptions used in determining provision for Indonesian national employee service entitlements liabilities as of 30 June 2018 and 30 June 2017 are as follows:

	2018 US\$'000	2017 US\$'000
Discount rate	8%	6.75%
Salary increment rate	10%	10%
Mortality rate	100%TM13	100%TM13
Disability rate	5%TM13	5%TM13
Resignation/turnover rate	1% p.a. until age 35, then decreasing linearly to 0% at age 58	1% p.a. until age 35, then decreasing linearly to 0% at age 58
Retirement	The earlier of 56 years of age or 30 September 2022	
TM13 means Table Mortality Indonesia third edition		

Notes To The Financial Statements

For The Year Ended 30 June 2018

21. Provisions (continued)

2018 changes in the defined benefit obligation and fair value of plan assets

	<u>Cost of sales for pensions during the year</u>												
	1-Jul-17	Current service cost	Interest cost on benefit obligation	Expected return on plan assets	Past service costs recognised	Subtotal included in other expenses	Benefits paid	Amortisation of unvested Past service Cost	Amortisation of Actuarial Gain	Contributions by employer	Exchange differences	Accrued liability for Employees Termination	Total 30 June 2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Defined benefit obligation	(7,332)	(731)	(481)	-	28	(8,515)	145	-	510	-	567	-	(7,293)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total recognised benefit liability	(7,332)	(731)	(481)	-	28	(8,515)	145	-	510	-	567	-	(7,293)
Benefit liability	(7,332)	(731)	(481)	-	28	(8,515)	145	-	510	-	567	-	(7,293)

2017 changes in the defined benefit obligation and fair value of plan assets

	<u>Cost of sales for pensions during the year</u>												
	1-Jul-16	Current service cost	Interest cost on benefit obligation	Expected return on plan assets	Past service costs recognised	Subtotal included in other expenses	Benefits paid	Amortisation of unvested Past service Cost	Amortisation of Actuarial Gain	Contributions by employer	Exchange differences	Accrued liability for Employees Termination	Total 30 June 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Defined benefit obligation	(6,317)	(692)	(444)	-	-	(7,453)	102	-	(180)	-	199	-	(7,332)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total recognised benefit liability	(6,317)	(692)	(444)	-	-	(7,453)	102	-	(180)	-	199	-	(7,332)
Benefit liability	(6,317)	(692)	(444)	-	-	(7,453)	102	-	(180)	-	199	-	(7,332)

Notes To The Financial Statements

For The Year Ended 30 June 2018

21. Provisions (continued)

- (b) Restoration/rehabilitation provisions relate to the estimated costs associated with the restoration of sites in Eromanga and Gilmore, Australia and Sengkang, Indonesia, that will be incurred at the conclusion of the petroleum lease/production sharing contract/economic life of the asset.

	2018 US\$'000	2017 US\$'000
Movement in provision for abandonment and restoration:		
Balance at the beginning of the year	9,761	9,127
Addition	-	-
Revision on estimated abandonment and restoration costs	258	189
Unwind discount for the year	360	358
Foreign exchange (gain)/loss	(704)	87
Balance at end of the year	9,675	9,761

- (c) EWC is required to pay a production bonus to SKKMIGAS of \$2 million within 30 days after cumulative production from the contract area has reached 10 MMBOE and to pay an additional production bonus of \$750,000 for each increment in production of 5 MMBOE.

	2018 US\$'000	2017 US\$'000
Movement in provision for production bonus:		
Balance at the beginning of the year	750	-
Provision made/ (released) during the year	(750)	750
Balance at end of the year	-	750

22. Share Capital and Reserves

	2018 US\$'000	2017 US\$'000
Issued capital	492,733	466,805

	2018	2017
Number of ordinary shares, issued and fully paid	1,795,631,672	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.

Notes To The Financial Statements

For The Year Ended 30 June 2018

22. Share Capital and Reserves (continued)

Other reserves

	2018 US\$'000	2017 US\$'000
Asset revaluation reserve	19,211	19,211
Cash flow hedge reserve	923	667
Foreign currency translation reserve	(7,832)	(5,761)
Warrant reserve	458	458
Convertible note reserve	3,462	5,165
Employee Benefit Reserve	(247)	(124)
	<u>15,975</u>	<u>19,616</u>

Asset Revaluation Reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of property, plant and equipment, land and buildings to the extent that they offset one another.

Cash Flow Hedge Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Nil of expenses were transferred out of equity to assets under construction during the year (2017: \$0.3 million of income was transferred out of equity to profit or loss).

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary. Refer to Note 2(aa).

Warrant Reserve

EWC issued to the Subscriber a Warrant to purchase 9,920,634 Ordinary Shares at an initial exercise price of AU\$0.50 on 21 November 2013. An additional Warrant was issued in 2016 to purchase 4,213,435 Ordinary Shares at an initial exercise price of AU\$0.60. This balance pertains to the equity value of this transaction.

Notes To The Financial Statements

For The Year Ended 30 June 2018

22. Share Capital and Reserves (continued)

Convertible Note Reserve

Convertible note reserve represents the equity component of the US\$25 million convertible notes issued in December 2014 (refer to Note 20(i)).

Employee Benefit Reserve

The employee benefit reserve represents the actuarial gains and losses that are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

23. 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 (BPMigas' 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 BPMigas' 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, SKK Migas, an arm of the Indonesian Ministry for Energy and Mineral Resources, replaced BPMigas, and all of BPMigas's functions and responsibilities, and its employees, were transferred to SKK Migas.

(b) Litigation and Legal

As a result of its operations, the Group has certain contingent liabilities related to certain litigation and legal proceedings. The Group has determined that the possibility of a material outflow related to these contingent liabilities is remote.

Notes To The Financial Statements

For The Year Ended 30 June 2018

24. Future Financial Capital Commitments

Details of the Group's committed capital expenditure during the financial year ended 30 June 2018 are as disclosed. Contracts with related parties are structured in a manner that the contract is subject to the Group having available financing in place to proceed with the projects.

Sengkang LNG Project

As at 30 June 2018, the Group was contracted to spend a remaining amount of US\$8.9 million representing the balance remaining under the construction services contract with Slipform (Indonesia). The project is expected to be completed by 2019. (2017: US\$ 10.3 million)

Philippines Power Plant

As at 30 June 2018, the Group was contracted to spend a remaining amount of US\$232.5 million representing the balance remaining under the construction services contract with Slipform (HK) in relation to Phase 1. The first phase project (400MW) is expected to be completed in 2019. (2017: US\$ 240.7 million)

Philippines LNG Hub

As at 30 June 2018, the Group was contracted to spend a remaining amount of US\$0.1 million, representing the balance remaining under the construction services contract with Slipform (HK). The project is expected to be completed by 2019. (2017: US\$ 0.1 million)

Gilmore LNG Project

As at 30 June 2018, the Group was contracted to spend a remaining amount of US\$38.9 million representing the balance remaining under the construction services contract with Slipform (HK). The project is expected to be completed by 2019. (2017: US\$ 39.3 million)

Notes To The Financial Statements

For The Year Ended 30 June 2018

25. Deed of Cross Guarantee

Pursuant to ASIC Corporations Instruments 2016/785, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit, and lodgement of financial reports, and Directors' report.

It is a condition of the Corporations Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Australian Gasfields Limited
- Central Energy Australia Pty Ltd
- Central Energy Power Pty Ltd
- Central Queensland Power Pty Ltd
- Energy Equity West Kimberly Pty Ltd

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2018 is set out below:

Notes To The Financial Statements

For The Year Ended 30 June 2018

25. Deed of Cross Guarantee (continued)

	2018 US\$'000	2017 US\$'000
Statement of comprehensive income		
Loss from ordinary activities	(10,735)	(9,304)
Income tax attributable to ordinary activities	568	-
Loss from ordinary activities after income tax	(10,167)	(9,304)
Accumulated losses at the beginning of the financial year	(100,476)	(91,172)
Accumulated losses at the end of the financial year	(110,643)	(100,476)
Statement of financial position		
Current assets		
Cash assets	1,908	1,866
Cash held in reserve accounts	51,192	126,199
Trade and other receivables	903	825
Inventories	114	119
Prepayment	980	996
Total current assets	55,097	130,005
Non-current assets		
Cash held in reserve accounts	-	-
Trade and other receivables	207,485	398,671
Investments	78,115	77,685
Exploration and evaluation expenditure	57,270	52,256
Property, plant and equipment	689,974	658,833
Oil and gas assets	5,300	-
Total non-current assets	1,038,144	1,187,445
Total assets	1,093,241	1,317,450
Current Liabilities		
Payables	127,432	101,294
Interest bearing liabilities	80,482	125,187
Provisions	95	91
Total current liabilities	208,009	226,572
Non-current liabilities		
Payables	-	-
Interest bearing liabilities and borrowings	487,613	705,435
Deferred tax liabilities	206	219
Provisions	3,682	3,704
Total non-current liabilities	491,501	709,358
Total liabilities	699,510	935,930
Net assets	393,731	381,520
Equity		
Issued capital	491,032	466,805
Other reserves	13,343	15,191
Accumulated losses	(110,644)	(100,476)
Total equity	393,731	381,520

Notes To The Financial Statements

For The Year Ended 30 June 2018

26. Notes to the Statements of Cash Flows

	2018 US\$'000	2017 US\$'000
(a) Reconciliation of the profit from ordinary activities after tax to the net cash flows generated from operations		
Profit from ordinary activities after tax	22,150	26,863
Add/(less) non-cash items		
Depreciation of non-current assets	38,232	40,250
Foreign currency loss	(481)	(1,037)
Impairment loss	2,233	-
Changes in assets and liabilities during the financial year		
Decrease in receivables	(1,430)	1,514
(Increase) / Decrease in prepayments	795	131
Decrease in inventories	130	246
(Decrease) / Increase in payables	5,896	20,332
(Decrease) / Increase in income tax	4,972	(4,801)
(Decrease) / Increase in provisions	(1,122)	2,636
Net cash generated from operating activities	71,375	86,134

(b) Reconciliation of cash

For the purpose of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

Cash assets	4,222	2,498
Closing cash balance	4,222	2,498

Cash assets include cash at bank and short-term deposits. Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash assets is US\$4.2 million (2017: US\$2.5 million).

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures

Transactions with Related Parties

There was no new related party contract entered into during the financial year.

(a) Leases of properties

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

Premises	Lessor	Lessee	Term	Rental
1. Part of Unit 9A, Seaforth Crescent, Seaforth, Sydney, New South Wales, Australia	Energy World International Limited	Energy World Corporation Ltd	Extended to 1 January 2019	A\$6,000 per month (excluding GST); Payment made during the period of this annual report - US\$55,691 (AU\$72,000)
2. Parcel of land comprising a total area of 282,823 sq.m on Pagbilao Grande Island, Province of Quezon, Lozon, the Philippines	Malory Properties Inc.(i)	Energy World Corporation Ltd, Energy World Power Operations Philippines Inc. and Energy World Gas Operations Philippines Inc.	25 years commencing 24 May 2017 with an option to extend for a further term of 25 years	20.8 PHP (\$0.4) per square metre with escalation every three years at 3%

- (i) Malory Properties Inc., a company incorporated in the Philippines on 23 March 1993 with limited liability. Mr. Stewart Elliott, who is the Group's Chairman, Managing Director, Chief Executive Officer and one of EWC's Substantial Shareholders has a 40% beneficial interest.

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures (continued)

Transactions with Related Parties (continued)

(b) Commercial Agreements with EWC and Related Parties

EWC has entered into a number of management services agreements with EWI and Slipform Engineering International (H.K.) Ltd, details of which are set out in the following table:

Parties	Date of agreement/ amendment	Scope of services	Fees	Payment made during the year ended 30 June 2018	Amount remaining on contract at 30 June 2018
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.	Balance payable as at 30 June 2018: 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 an Executive Director, have a 90% and 10% beneficial interest respectively.

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures (continued)

Transactions with Related Parties (continued)

(b) Commercial Agreements with EWC and Connected Persons (continued)

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

Parties	Date of agreement / amendment	Scope of services	Amounts incurred for the year ended 30 June 2018	Payments made during the year ended 30 June 2018	Amount payable on contract at 30 June 2018
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 will be extended to cover the additional 180MW units upon commercial operation of the 60MW steam turbine.	US\$16.08m	US\$17.55m Including 1. US\$3.99m: invoices received in the year ending 2018 which were paid in the current year; 2. US\$13.6m: invoice received and paid during the current financial year;	US\$8.96m

* 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.

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures (continued)

Transactions with Related Parties (continued)

(b) Commercial Agreements with EWC and Connected Persons (continued)

EWC has 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 (\$US millions)	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.	\$70.0 subject to adjustment and deduction for equipment and consultant services incurred directly by the Company.	30 June 2018: \$20.8	30 June 2018: \$10.2	30 June 2018: \$31.1	30 June 2018: \$38.9	30 June 2018: \$20.5
				30 June 2017: \$20.5	30 June 2017: \$10.2	30 June 2017: \$30.7	30 June 2017: \$39.3	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.	30 June 2018: \$111.6	30 June 2018: \$18.3	30 June 2018: \$129.9	30 June 2018: \$0.1	30 June 2018: \$21.8
				30 June 2017: \$111.6	30 June 2017: \$18.3	30 June 2017: \$129.9	30 June 2017: \$0.1	30 June 2017: \$21.8

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures (continued)

Transactions with Related Parties (continued)

(b) Commercial Agreements with EWC and Connected Persons (continued)

Parties	Date of agreement / amendment	Scope of services	Contract value (\$US millions)	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)
PT South Sulawesi LNG and PT Slipform Indonesia and its related entities	18 March 2009	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	30 June 2018: \$147.9	30 June 2018: \$195.2	30 June 2018: \$343.1	30 June 2018: \$8.9	30 June 2018: \$137.6
	12 March 2012 (novation and variation) 18 June 2012 (amendment)			30 June 2017: \$146.5	30 June 2017: \$195.2	30 June 2017: \$341.7	30 June 2017: \$10.3	30 June 2017: \$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	30 June 2018: \$224.6	30 June 2018: \$130.9	30 June 2018: \$355.5	30 Jun 2018: \$232.5	30 June 2018: \$173.3
				30 June 2017: \$216.4	30 June 2017: \$130.9	30 June 2017: \$347.3	30 Jun 2017: \$240.7	30 June 2017: \$171.9
Energy Equity Epic Sengkang Pty Ltd and PT Slipform Indonesia	28 June 2018	PT Slipform Indonesia agrees to undertake the engineering, procurement, construction and installation of the 2 booster compressor.	IDR34,154,565,340 (exclude VAT of 10%, include WHT)	Nil	Nil	Nil	Nil	Nil

* 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.

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures (continued)

Transactions with Related Parties (continued)

(c) Co-operation and Non-Competition Arrangements (continued):

Arrangements with Slipform Engineering International (H.K.) Ltd

EWC has confirmed Slipform Engineering International (H.K.) Ltd's continued support for the Group's projects by entering into a binding strategic alliance agreement (the "**Slipform Co-operation Agreement**") with Slipform Engineering International (H.K.) Ltd on the basis described below.

Background

EWC and Slipform Engineering International (H.K.) Ltd have worked together for many years and Slipform Engineering International (H.K.) Ltd has historically provided engineering, design, development, construction and project management services (together, the "**Services**") to EWC in relation to:

- power plant developments;
- development of LNG facilities, including: up-stream, modular LNG liquefaction, storage and export facilities; and mid- and down-stream, modular LNG, regasification and storage facilities; and
- related infrastructure and facilities in the Asia Pacific region as well as carrying on business on its own behalf.

Co-operation Arrangements

Going forward, Slipform Engineering International (H.K.) Ltd will continue to operate as a separate entity but has undertaken in accordance with the Slipform Co-operation Agreement that, in relation to the power plant and LNG projects in the Asia Pacific region, it will provide the Services to the Group on terms and conditions to be agreed between Slipform Engineering International (H.K.) Ltd and the Group and reflecting the principles set out below.

The Slipform Co-operation Agreement acknowledges that EWC is entirely free to source Services from independent third parties.

Any contract between EWC and Slipform Engineering International (H.K.) Ltd or its affiliates from time to time for some or all of the Services (a "**Slipform Contract**") shall be negotiated in good faith.

EWC will seek approval from the Board Committee, comprising Independent Non-Executive Directors who do not have a material interest in the matter, as to whether to enter into any Slipform Contract and the terms and conditions thereof.

Non-competition Arrangements

Slipform Engineering International (H.K.) Ltd has agreed (on behalf of itself and its affiliates) to non-competition arrangements in favour of EWC, under which it undertakes not to carry on, participate in or be interested in, a business or company that competes with the Group's business in the Asia Pacific region. The non-compete undertakings do not apply to prevent Slipform Engineering International (H.K.) Ltd or its affiliates from providing Services to third parties in the ordinary course of its business.

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures (continued)

Transactions with Related Parties (continued)

(d) Co-operation and Non-Competition Arrangements (continued):

No fees are paid to Slipform Engineering International (H.K.) Ltd for entering into the arrangements.

Arrangements with PT Consolidated Electric Power Asia

EWC has confirmed PT Consolidated Electric Asia's continued support for the Group's projects by entering into a binding strategic alliance agreement (the "**CEPA Co-operation Agreement**") with PT Consolidated Electric Power Asia on the basis described below.

Background

EWC has engaged PT Consolidated Electric Power Asia to provide operation and maintenance services (together, the "**Services**") to the Group in relation to the Sengkang Expansion and propose to engage PT Consolidated Electric Power Asia to provide operation and maintenance services to the Group in relation to the Sengkang LNG Project. PT Consolidated Electric Power Asia also carries on business on its own behalf.

Co-operation Arrangements

Going forward, PT Consolidated Electric Power Asia will continue to operate as a separate entity but has undertaken in accordance with the CEPA Co-operation Agreement that, in relation to the power plant and LNG projects in the Asia Pacific region, it will provide the Services to the Group on terms and conditions to be agreed between PT Consolidated Electric Power Asia and the Group as well as reflecting the principles set out below.

The CEPA Co-operation Agreement acknowledges that EWC is entirely free to source Services from independent third parties.

Any contract between the Group and PT Consolidated Electric Power Asia or its affiliates from time to time for some or all of the Services (a "**CEPA Contract**") shall be negotiated in good faith.

EWC will seek approval from the Board Committee, comprising independent non-executive Directors who do not have a material interest in the matter, as to whether to enter into any CEPA Contract and the terms and conditions thereof.

Non-competition Arrangements

PT Consolidated Electric Power Asia has also agreed (on behalf of itself and its affiliates) to non-competition arrangements in favour of us, under which it undertakes not to carry on, participate in or be interested in, a business or company that competes with the Group's business in the Asia Pacific region. The non-compete undertakings do not apply to prevent PT Consolidated Electric Power Asia from providing Services to third parties in the ordinary course of its business.

No fees are paid to PT Consolidated Electric Power Asia for entering into the arrangements.

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures (continued)

Transactions with Related Parties (continued)

(e) Co-operation and Non-Competition Arrangements (continued):

Arrangements with EWI and Mr. Stewart Elliott

We have entered into a binding co-operation and non-competition agreement (the “**Framework Agreement**”) with EWI and Mr. Stewart Elliott (each, together with its or his respective associates, a “**Covenantor**”).

The Framework Agreement governs the conduct of the activities in the Asia Pacific region between each Covenantor and us in relation to:

- developing, constructing, owning or operating gas-fired power plants;
- developing, constructing, owning or operating LNG facilities, including: up-stream, modular LNG liquefaction, storage and export facilities; and mid- and down-stream, modular LNG import, regasification and storage facilities; and
- the production, trading or sale of power, natural gas and LNG, (together, the “**Relevant Sector**”).

Background

EWI has historically provided finance and executive management support to the Group and has acted as a developer of early stage opportunities in the energy and infrastructure sector. EWI also owns assets, develops projects and carries on business on its own behalf.

Co-operation Arrangements

Going forward, each Covenantor undertakes that the Covenantors will operate in accordance with the Framework Agreement and that EWC will be the primary company for the development and implementation of projects, investments and opportunities in the Relevant Sector in the Asia Pacific region and that:

- each of the Covenantors will continue to develop, at any early stage, projects, investments and opportunities in the Relevant Sector in the Asia Pacific region (“**New Opportunities**”) and EWC will have a first right to adopt, develop further and implement those New Opportunities; and
- neither of the Covenantors will compete with the Group in the Asia Pacific region.

New Opportunities

The Framework Agreement covers New Opportunities within the Relevant Sector in the Asia Pacific region. Each Covenantor undertakes to notify the Group on a periodic basis of New Opportunities that a Covenantor identifies or that are offered to it and provide a first right to adopt, develop further and implement the New Opportunity, exercisable within 10 business days from receipt of the notification.

In addition, each Covenantor undertakes to refer such New Opportunity to the Group once a certain milestone (based on achieving certain capital expenditure thresholds, based on the status of development or progress of legal commitments or relationships) is achieved with regard to the development of that New Opportunity.

Notes To The Financial Statements

For The Year Ended 30 June 2018

27. Related Party Disclosures (continued)

Transactions with Related Parties (continued)

EWC will disclose in the annual report any decision in relation to a New Opportunity made by the independent non-executive Directors.

The Framework Agreement acknowledges that EWC may continue to source, either ourselves or via independent third parties, other projects, investments and opportunities within the Relevant Sector.

Non-competition Arrangements

Each of the Covenantors has entered into non-competition arrangements in favour of the Group, under which each Covenantor undertakes: directly or indirectly and on its own account, in conjunction with, on behalf of, or through, any person, business or company not to carry on, participate or be interested, engaged or otherwise involved in or to acquire or hold any legal, beneficial or economic interest in any person, business or company that competes, or is reasonably expected to compete, with business in Asia Pacific.

No fees are paid to EWI and Mr. Stewart Elliott for entering into the arrangements.

The Key Management Personnel compensations paid are noted in the following table:

	2018 US\$'000	2017 US\$'000
Short term benefits	1,037	1,110
Directors' fees	245	283
Post employment benefits	1	5
Long term benefits	-	-
Share based benefits	-	-
Termination benefits	-	-
	1,283	1,398

Amounts outstanding to related parties:

The amounts owed and outstanding by the Group and to the Group to related parties at 30 June are as follows:

	2018 US\$'000	2017 US\$'000
Slipform Engineering International (H.K.) Ltd. *	(293,394)	(311,819)
PT Consolidated Electric Power Asia	(8,960)	(10,450)
PT Slipform Indonesia *	(183,970)	(120,694)
Directors Fee and Salaries	(1,245)	(978)
Total	(487,569)	(443,941)

On 30 June 2018, 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%. Refer to Note 20(k).

Notes To The Financial Statements

For The Year Ended 30 June 2018

28. Economic Dependency

A large portion of the revenue of the consolidated entity and the revenue received by subsidiaries is from long term power purchase contracts with state government owned electricity corporations in Australia and Indonesia.

29. Financial Instruments

Financial assets

	2018 US\$'000	2017 US\$'000
Financial assets at fair value through profit and loss		
Interest rate swap	923	337
Total financial assets at fair value through profit and loss	923	337
Total current	369	337
Total non-current	555	-

Financial liabilities

	2018 US\$'000	2017 US\$'000
Financial liabilities at fair value through profit and loss		
Interest rate swap	-	(830)
Total financial liabilities at fair value through profit and loss	-	(830)
Total current	-	(567)
Total non-current	-	(263)

Notes To The Financial Statements

For The Year Ended 30 June 2018

29. Financial Instruments (continued)

(a) Financial Risk Management

The consolidated entity's principal financial instruments, other than derivatives, comprise cash, cash held in reserved accounts, receivables, payables and secured bank loans. The main purpose of these financial instruments is to raise finance for its operations. The consolidated entity has financial instruments such as trade debtors and trade creditors, which arise directly from operations.

The consolidated entity manages its exposure to key financial risks, including interest rate, foreign currency credit and liquidity risks in accordance with the consolidated entity's Treasury Management policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

(b) Capital Risk Management

The consolidated entity manages its capital to ensure it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Board reviews and agrees policies for managing the capital structure when considering each major project investment.

The consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total shareholders' equity. Net debt is calculated as total interest-bearing financial liabilities less cash and restricted cash. Total shareholders' equity is calculated as equity as shown in the statement of financial position.

(c) Foreign Currency Risk

Management regularly monitors the position of the consolidated entity and has not entered into any foreign exchange contracts as at 30 June 2018. The Company manages the risk by matching receipts and payments in the same currency.

Most of the revenue is denominated in US dollars and most of the loans extended to the consolidated entities are denominated in US dollars. From 1 July 2007, the functional currency of all entities is the US Dollar with the exception of certain Australian subsidiaries which are denominated in Australian Dollar and a Hong Kong subsidiary denominated in Hong Kong Dollars.

The Group has assessed the sensitivity of movements in foreign currencies on post tax profit and equity to be not significant.

(d) Credit Risk

The consolidated entity's maximum exposure to credit risk to each class of recognised financial asset is the carrying amount, net of any provisions for doubtful debts, of those assets as indicated in the statement of financial position.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counter parties to meet their obligations under the contract or arrangement. Credit risk on off-balance sheet derivative contracts is minimised, as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Notes To The Financial Statements

For The Year Ended 30 June 2018

29. Financial Instruments (continued)

(d) Credit Risk (continued)

The majority of production from the operations of the consolidated entity is sold to government entities in Australia and Indonesia under long term Take or Pay contracts with the respective government utility.

Exposure to power utilities in Indonesia through the consolidated entity in the Sengkang Gas and Power Project is included in the consolidated entity's investment in associated entities.

The consolidated entity is dependent on three major suppliers. The provision of feedstock gas is sourced from PT. Pertamina (Persero) in Indonesia. The operation and maintenance contract for the PTES Sengkang power plant is with PT CEPA Sulawesi (previously PT Alstom Power Energy Systems, Indonesia).

(e) Inflation and Deflation

The consolidated entity sells products (principally gas and power) pursuant to long-term agreements containing terms that permit only small variations in prices. If the economies in which EWC operates, particularly Indonesia, were to suffer significant inflation or deflation, the pricing mechanisms in these contracts would not fully reflect these changed circumstances. During the period of this annual report, the Group was not materially affected by inflation or deflation.

(f) Interest Rate Risk

The consolidated entity's exposure to market risk for changes in interest rates relates primarily to its cash, cash held in reserve accounts and debt obligations. Management reviews its position in respect of any change in interest rate.

The Group's subsidiaries PTES and EEES entered into interest rate swap contracts to hedge their debt obligations.

The PTES interest rate swap was restructured on 15 July 2011 when PTES entered into an interest rate swap contract (ISDA Agreement) with Standard Chartered Bank Limited, London Branch, at a fixed rate of 3.06% p.a. and a new interest rate swap contract (ISDA Agreement) with Mizuho Corporate Bank and Natixis Bank at a fixed rate of 2.2375%. This interest rate swap was in respect of the US\$100.59M initially drawn under the PTES Facility. On 10 December 2012, PTES entered into a further interest rate swap in respect of the US\$59.3M subsequently drawn down under the PTES Facility. This interest rate swap was with Standard Chartered Bank Limited, London Branch, at a fixed rate of 1.60% p.a. and with Mizuho Corporate Bank at a fixed rate of 1.065% p.a. Interest payment dates are October and April each calendar year with the final instalment to be paid on 22 October 2021 to Standard Chartered Bank Limited and 22 April 2018 to Mizuho Corporate Bank. These swaps are designated to hedge the debt obligations.

On 11 April 2014 EEES entered into an interest rate swap contract (ISDA Agreement) with Standard Chartered Bank Limited - London Branch and Mizuho Corporate Bank at a fixed rate of 2.485% and Natixis - Singapore Branch at a fixed rate of 2.065%. Interest payment dates are December and June each calendar year with the first instalment due on 30 June 2014 and the final instalment due on 31 December 2020. These swaps are designated to hedge the debt obligations.

Notes To The Financial Statements

For The Year Ended 30 June 2018

29. Financial Instruments (continued)

(f) Interest Rate Risk (continued)

Cash flow hedges

Interest rate swap contracts measured at fair value through profit or loss are designated as hedging instruments of interest on debt obligations.

	2018		2017	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Interest rate swap contracts				
Fair value	923	-	337	(830)

The terms of the interest rate swap contracts match the terms of the expected debt obligation repayment transactions. As a result, no material hedge ineffectiveness arises requiring recognition through profit or loss. The difference between fixed and variable rate interest amounts is calculated by reference to an agreed-upon notional principal amount. At 30 June 2018, the notional principal amount of these swaps was \$65,718,366 at a fixed rate of interest (2017: \$110,151,233)

The cash flow hedges of the expected debt obligation repayments were assessed to be highly effective and a net unrealised gain of \$923,358, with a deferred tax asset of \$275,315 relating to the hedging instruments, is included in OCI.

At the end of 30 June 2017, the cash flow hedges of the expected debt obligation repayments were assessed to be highly effective and a net unrealised loss of \$2,264,160, with a deferred tax asset of \$955,035 relating to the hedging instruments, is included in OCI.

Financial Instruments

The following table sets out the carrying amount of the financial instruments exposed to United States Dollar and Australian Dollar variable interest rate risk.

Table A

	2018 Effective interest rate	2017 Effective interest rate	2018 US\$'000	2017 US\$'000
Financial assets				
Cash and cash equivalents	2.4%	0.08%	4,222	2,277
Cash held in reserve accounts	0.2%	0.19%	71,796	128,427
			76,018	130,704
Financial liabilities				
Interest-bearing loans and borrowings	4.83%	3.19%	152,701	263,617
			152,701	263,617
Net exposure			76,683	132,913

Notes To The Financial Statements

For The Year Ended 30 June 2018

29. Financial Instruments (continued)

(f) Interest Rate Risk (continued)

At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the consolidated entity's post-tax profit and equity would have been affected as follows. EWC has elected to use these interest rate variations as the basis of the sensitivity analysis due to the fact that the Group currently operate in a US dollar low interest rate environment.

Table B

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Consolidated				
+1% (100 basis points)	(767)	(1,329)	3	28
-0.5% (50 basis points)	383	665	(1)	(14)

The movements in profit in 2018 and 2017 are due to higher / lower interest costs from variable rate debt and cash balances. These arrangements have been subsequently modified and amended as described above.

(g) Liquidity Risk

The aim of liquidity risk management is to ensure that the consolidated entity has sufficient funds available to meet its obligations both on a day to day basis and in the longer term. That is, its aim is to ensure that new funding and refinancing can be obtained when required and without undue concentration at times when financial markets might be strained. Provided that these aims are met, the policy also aims to minimise net interest expense.

The tables below details the maturity profile of the financial assets and liabilities. Trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant and equipment and investments in working capital e.g. trade receivables. These assets are considered in the consolidated entity's overall liquidity risk. Management closely monitors the timing of expected settlement of financial assets and liabilities.

30 June 2018

	Contractual Maturity					Total US\$'000
	< 6 months US\$'000	6-12 months US\$'000	1-2 years US\$'000	2-5 years US\$'000	> 5 years US\$'000	
Financial assets						
Cash and cash equivalents	4,222	-	-	-	-	4,222
Cash held in reserve accounts	71,796	-	-	-	-	71,796
Trade and other receivables	26,831	-	-	-	-	26,831
Derivative assets	369	-	555	-	-	924
	103,218	-	555	-	-	103,773

Notes To The Financial Statements

For The Year Ended 30 June 2018

29. Financial Instruments (continued)

(g) Liquidity Risk (continued)

30 June 2018

	Contractual Maturity					Total US\$'000
	< 6 months US\$'000	6-12 months US\$'000	1-2 years US\$'000	2-5 years US\$'000	> 5 years US\$'000	
Financial liabilities						
Trade and other payables	88,091	-	43,274	-	-	131,365
Interest-bearing loans and borrowings	206,450	19,384	53,825	391,563	141,090	812,311
Derivative liabilities	-	-	-	-	-	-
	294,541	19,384	97,099	391,563	141,090	943,677
Net maturity	(191,323)	(19,384)	(96,544)	(391,563)	(141,090)	(839,904)

* Interest bearing loans of the consolidated group currently bear an interest rate ranging from 2.5% to 8.0% p.a. in 2018.

30 June 2017

	Contractual Maturity					Total US\$'000
	< 6 months US\$'000	6-12 months US\$'000	1-2 years US\$'000	2-5 years US\$'000	> 5 years US\$'000	
Financial assets						
Cash and cash equivalents	2,498	-	-	-	-	2,498
Cash held in reserve accounts	90,553	53,699	-	2,221	-	146,473
Trade and other receivables	26,255	-	-	-	-	26,255
Derivative assets	337	-	-	-	-	337
	119,643	53,699	-	2,221	-	175,563
Financial liabilities						
Trade and other payables	99,051	-	23	-	-	99,074
Interest-bearing loans and borrowings	238,302	144,738	67,891	430,704	157,531	1,039,146
Derivatives liabilities	567	-	263	-	-	830
	337,920	144,738	68,177	430,704	157,531	1,139,050
Net maturity	(218,277)	(91,039)	(68,177)	(428,483)	(157,531)	(963,487)

* Interest bearing loans of the consolidated group currently bear an interest rate ranging from 1.46% to 8.0% p.a. in 2017.

(h) Commodity Price Risk

Due to the pricing mechanism in the Group's long-term Gas Supply Agreement, under which the Group sells gas to Pertamina in Indonesia, the exposure to fluctuations in the price of gas is not material to the Group's gas operations. Due to EWC's long-term gas supply arrangements with Pertamina in Indonesia, under which EWC receive gas for the power plants, EWC's exposure to fluctuations in the price of gas is also not material to the Group's power operations. Furthermore, because EWC is integrated to the extent that the Group's sales and supply arrangements are matched with each other in terms of duration and price stability, EWC does not run a material risk in power operations that the Group will be locked into what has become a low price for the sale of power while the Group's cost of gas increases or that EWC will be locked into what has become a high price for the purchase of gas while the price EWC is paid for power declines.

Notes To The Financial Statements

For The Year Ended 30 June 2018

30. Subsequent Events

Subsequent to balance date, we have completed documentation for the transaction with Standard Chartered Private Equity (Singapore) Limited (“SCPE”).

SCPE will reinvest the entire proceeds of their existing US\$50m exchangeable convertible note previously issued by EWC’s wholly owned subsidiary, Energy World Philippines Holdings Limited, into a new instrument structured as a US\$50m loan to EWC and an issue of warrants by EWC.

Closing of the transaction is expected by 14 October 2018 (the “Closing”).

The loan has a final maturity 3 years from the date of Closing, with principal and interest payments to be made at various times during the loan term. The loan terms provide for accelerated re-payment from surplus cash flow available to EWC from our Indonesian subsidiaries.

SCPE will be issued 101,122,429 warrants convertible into ordinary shares in the capital of EWC at A\$0.50 at anytime within 5 years of the Closing. The warrants are subject to adjustment mechanisms for reorganisation of capital and standard ASX antidilution provisions.

As part of this transaction, Energy World International Limited (“EWI”), our major shareholder, was required to extend the repayment date of its US\$45m in loan funding which it has provided to the Company, and defer interest payments until the SCPE loan has been fully repaid. EWI agreed to consolidate its loans into one facility and extend the repayment date of all US\$45m of its funding until 1 January 2022. The EWI loan will incur interest at the rate of 7% pa, which will be accrued until the repayment date. EWI has the right to ask for repayment by way of the issue of equity or equity related instruments, which would be subject to the receipt of appropriate approvals.

As part of this transaction, Slipform Engineering (“Slipform”), a related company of EWI, was required to defer principal and interest repayments until the full amount of the SCPE loan has been repaid. Under the existing Slipform loan, which totals approximately US\$432m, the first principal repayment was due in December 2019 with a final repayment date of 30 June 2024. Slipform has agreed to defer repayment of any principal until 31 December 2021, or such earlier date as is possible under the SCPE agreement. All interest will also be accrued until this date. Other terms of the Slipform loan remain the same.

We have entered into an agreement with the Australian Government who has agreed to provide us with up to A\$2m in funding to help accelerate the recommissioning of our Eromanga and Gilmore gas fields.

Landbank and DBP have provided us with the updated financing terms and conditions for the Pagbilao power plant. Upon our acceptance, these terms will be processed through their respective internal approvals, and after approval, will lead to a process to secure draw down of debt facilities.

Compressors for the Sengkang gas field have been placed on a ship and are in transit to Indonesia

Other than the events disclosed above, there have been no significant events occurring after balance date that may affect the company’s operations or results of these operations or the company’s state of affairs.

Directors' Declaration

For the Year Ended 30 June 2018

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 the consolidated entity 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 30 June 2018 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations Act 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (d); and
- (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 6.3 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Stewart William George Elliott
Chairman/ Managing Director

Dated 28 September 2018

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

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Energy World Corporation Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is 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 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

Notes 17 and 18 of the financial report refer to indications of impairment of exploration and evaluation assets and assets under construction being identified at 30 June 2018. Note 17 also refers to the reversal of a previous impairment of exploration and evaluation assets. The Directors have performed assessments of the recoverable amounts of each of its assets under construction and exploration and evaluation assets and used the assessments to support the carrying amount of these assets in the statement of financial position as at 30 June 2018. We were unable to obtain sufficient appropriate audit evidence to support certain assumptions used by the Directors in their impairment assessments at 30 June 2018. Consequently, we were unable to determine whether any adjustment to the amounts recorded in assets under construction and exploration and evaluation assets are necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

Without further qualifying our opinion, we draw attention to Note 2(b) to the financial report 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, complete its assets under construction 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Related Party Transactions

Refer to Note 27 'Related party transactions'

Why significant to the audit

The Group has entered into a significant number of ongoing related party transactions and relies on related party service providers to continue operating its business, complete its assets under construction and maintain its ability to continue as a going concern. The related parties are controlled by the Chairman, Managing Director, and Chief Executive Officer of the Group.

As a result of the significant number and impact of related party transactions to the financial statements, the recognition,

How our audit addressed the key audit matter

- ▶ We evaluated the Group's process for identifying, measuring and disclosing related party transactions.
- ▶ We assessed whether all related party transactions entered into during the year were approved by the Independent Non-Executive Director Committee and the Board of Directors.
- ▶ We read minutes of all Committee and Board meetings held to identify any undisclosed related party transactions, if any.

measurement and disclosure of related party transactions was considered to be a Key Audit Matter.

- ▶ We obtained listings of all purchases which occurred during the financial year and identified those that were made to directors and director related entities and agreed these to supporting documentation. We also obtained signed confirmations from each Director disclosing all director related entities and payments made or payable to assess whether the related party transactions recorded and disclosed were complete.
- ▶ We considered the completeness of the financial report disclosures regarding each related party agreement, transaction and/or balance outstanding.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

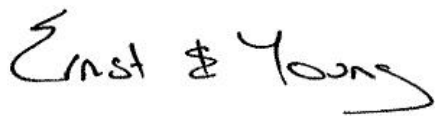
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 53 to 58 of the directors' report for the year ended 30 June 2018.

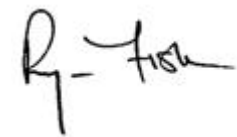
In our opinion, the Remuneration Report of Energy World Corporation Ltd for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Ryan Fisk
Partner
Sydney
28 September 2018

ASX Additional Information

Energy World Corporation Ltd and its Controlled Entities

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows.

Substantial Shareholdings (as at 26 September 2018)

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	415,156,162	23.12
ENERGY WORLD INTERNATIONAL LIMITED	361,215,000	20.12
ENERGY WORLD INTERNATIONAL LTD	334,572,393	18.63
	1,110,943,555	61.87

Voting Rights

All ordinary shares carry one vote per share without restriction.

Distribution of Equity Security Holders

Distribution of shareholdings	Number of Shareholders	%
1 - 1,000	598	0.02
1,001 - 5,000	1,423	0.23
5,001 - 10,000	744	0.33
10,001 - 100,000	1,181	2.28
100,001 - 9,999,999,999	287	97.14
Rounding	-	-
	4,233	100.00

On-Market Buy-Back

There is no current on-market buy-back.

Independent Audit Report

For The Year Ended 30 June 2018

Twenty Largest Shareholders from the Register of Members as at 26 September 2018 were:

No.	Shareholder	Shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	415,156,162	23.12
2	ENERGY WORLD INTERNATIONAL LIMITED	361,215,000	20.12
3	ENERGY WORLD INTERNATIONAL LTD	334,572,393	18.63
4	CITICORP NOMINEES PTY LIMITED	207,154,911	11.54
5	UBS NOMINEES PTY LTD	71,786,645	4.00
6	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	53,279,366	2.97
7	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	32,770,284	1.83
8	BNP PARIBAS NOMS (NZ) LTD <DRP>	32,060,536	1.79
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	28,214,432	1.57
10	MR D'ARCY FREDERICK QUINN + MRS HEATHER JEAN QUINN + MR DAVID BRENDON QUINN <THE QUINN FAMILY NO 2 A/C>	13,748,167	0.77
11	MR DAVID WILLIAM MAIR + MR JOHN GORDON PHIPPS <DM2 INVESTMENT A/C>	13,434,914	0.75
12	MR JOHN GORDON PHIPPS + MRS KATHRON ANNE PHIPPS + MR DAVID WILLIAM MAIR <PHIPPS CORONET A/C>	10,570,102	0.59
13	MS DOROTHEA HOLTMANN + DR CHRISTIAN ALEXANDER	8,169,796	0.45
14	STUART JOHN NATTRASS	6,623,635	0.37
15	SELWYN JOHN CUSHING + BEVAN DAVID CUSHING <KD CUSHING FAMILY A/C>	6,250,000	0.35
16	MR JOHN GORDON PHIPPS + MRS KATHRON ANNE PHIPPS + MR DAVID WILLIAM MAIR <PHIPPS CORONET A/C>	5,553,226	0.31
17	G P BARANIKOW PTY LTD <G P BARANIKOW SUPER FUND A/C>	4,877,015	0.27
18	INVESTMENT CUSTODIAL SERVICES LIMITED <C A/C>	3,798,903	0.21
19	BNP PARIBAS NOMS PTY LTD <DRP>	3,735,569	0.21
20	MR DAVID MAIR <DM 2 INVESTMENT A/C>	3,145,000	0.18
		1,616,116,056	90.00

Issued Capital

- (a) At 31 August 2018, the Company had 1,795,631,672 ordinary fully paid shares listed on the Australian Stock Exchange Limited.
- (b) At 31 August 2018, 1517 shareholders held less than a marketable parcel.



**ENERGY WORLD
CORPORATION LIMITED**

ACN 009 124 994