



Emperor Energy Limited

ABN 56 006 024 764

Annual Report - 30 June 2019

Emperor Energy Limited

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30 June 2019

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The Company's 2019 Corporate Governance Statement has been released to ASX on 30 September 2019 and is available on the Company's website.

Emperor Energy Limited
Corporate directory
30 June 2019

Directors	Carl Dumbrell Nigel Harvey Malcolm King Philip McNamara
Company secretary	Carl Dumbrell
Registered office & Principal place of business	Level 32, 1 Market Street Sydney NSW 2000 Ph 02 9275 8878
Share register	Automic Pty Ltd Level 3, 50 Holt Street Surry Hills NSW 2010 Telephone: 1300 288 664
Lawyer	Hopgood Gamin Level 27, Allendale Square, 77 St Georges Tce Perth, WA 6000
Auditor	Deloitte 550 Bourke Street Melbourne VIC 3000
Stock exchange listing	Emperor Energy Limited shares are listed on the Australian Securities Exchange (ASX code: EMP)
Website	www.emperorenergy.com.au

Review of Operations

Highlights

- Resource statement – Vic/P47
- Dynamic Modelling Results - Vic/P47
- Sale of Cyrano (R3)
- Completion of environmental work - Backreef
- Appointment of Ocean Reach Advisory
- Appointment of new board of directors

Resource Statement

On 11 July 2019, the company announced that an Independent Resource Statement had been completed for the Judith Gas Field with the 100% Emperor Energy owned Vic/P47 Exploration Permit located in the offshore Gippsland Basin, Victoria (Figure 1).

Consultants 3D-GEO Pty Ltd have assessed the gas-in-place and recoverable gas volumes in the Judith-1 gas discovery and Greater Judith Structure. This followed the merging and reprocessing of the Northern Fields and 3D seismic surveys in VIC/P47 conducted in 2016/17.

3D-GEO has now completed its assessment of Contingent and Prospective Resources for the Judith Field within VIC/P47 and conducted simulation flow modelling of the Greater Judith Structure. The resources presented are 100% attributable to VIC/P47. Emperor Energy holds 100% equity in VIC/P47.

An Independent Technical Specialist's Report comprising both Contingent and Prospective Resources was provided to Emperor on 5 July 2019 by 3D-GEO Pty Ltd.

3D-GEO has apportioned resources in accordance with the Society of Petroleum Engineers' internationally recognised Petroleum Resources Management System (SPE-PRMS 2018). The results are provided below in Table 1.

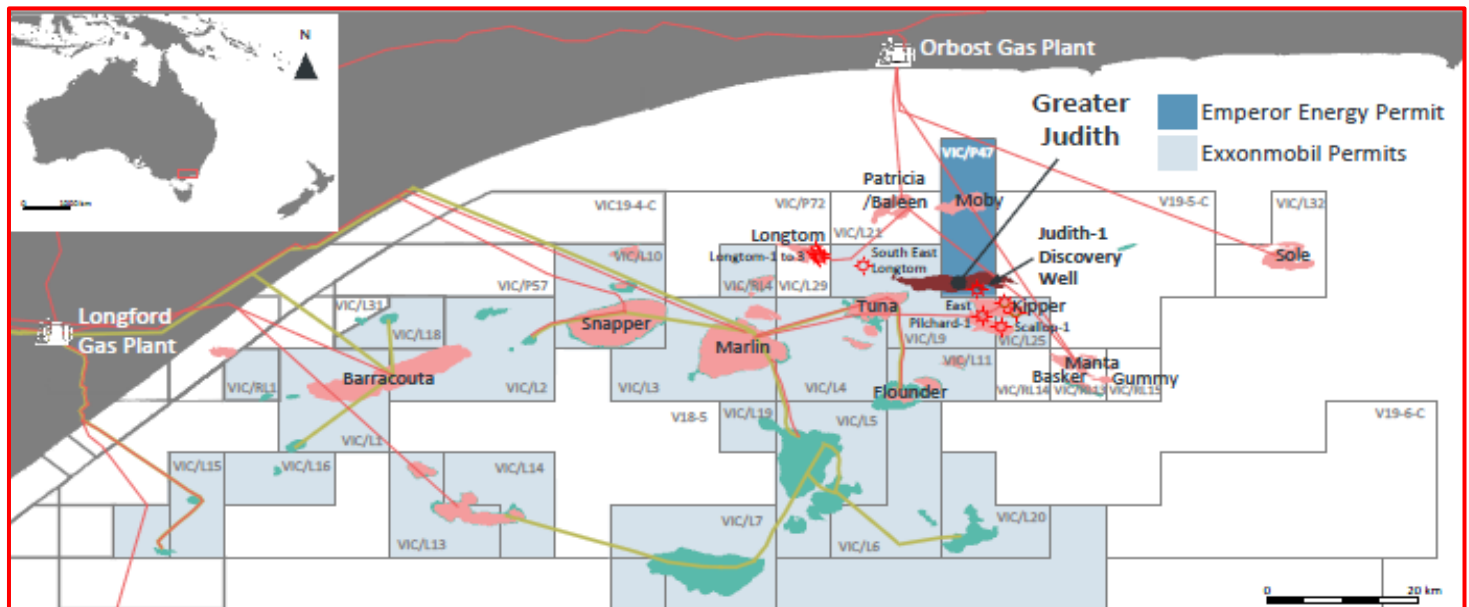


Figure 1: Location of 100% Emperor Energy owned VIC/P47 offshore Gippsland Basin showing regional permits along with oil and gas fields

Judith Gas Discovery		Contingent Resources		
		Low Estimate 1C	Best Estimate 2C	High Estimate 3C
GIIP	Bcf	180	278	386
Sales gas	Bcf	97	150	209
Condensate	MMbbl	1.4	2.2	3.2

Greater Judith Area		Unrisked Prospective Resources		
		P90	P50	P10
Judith Deep	Bcf	38	62	92
West	Bcf	83	127	176
Central	Bcf	37	333	628
North	Bcf	29	166	315
North East	Bcf	49	279	494
North West	Bcf	15	102	226
South	Bcf	14	157	565
Total	Bcf	265	1226	2496

Table 1: Summary of Contingent and Prospective Resources for Judith area of VIC/P47 (3D-GEO, July 2019)

Dynamic Modelling

On 11 July 2019, the company's resource statement announcement included an update to the Dynamic Modelling on Vic/P47.

3D-GEO built a dynamic simulation model using the compartments and a gas column height of 450m in each compartment. This model was used to estimate potential well deliverability, potential production history and estimate recovery factors. The unconstrained gas flow rate for a single well with multiple gas sands producing was approximately 44 MMcf/d.

A four well development was modelled over a 35-year production life with gas production limited to 80 MMscf/d. This production constraint was applied to provide an analogue comparison with the capacity of current onshore gas processing infrastructure at Orbost owned and operated by others.

The 80 MMscf/d production plateau was maintained for 32 years with a gas production of 29Bcf /year. Total gas production over the 32-year plateau period was 934 Bcf of Raw Gas.

The field production rate declined to 68 MMscf/d at the end of the 35-year model simulation. Total production was 1.01 Tcf across the 35-year period with a recovery factor of approximately 40% of contacted gas in place.

A full field development of 16 wells over all compartments was simulated and resulted in a 6-year plateau of 400 MMscf/d and total production in the 35-year simulation of over 2.6 Tcf from the overall Judith Structure, resulting in a recovery factor of 58%. These recovery factors were used to guide the resource estimation.

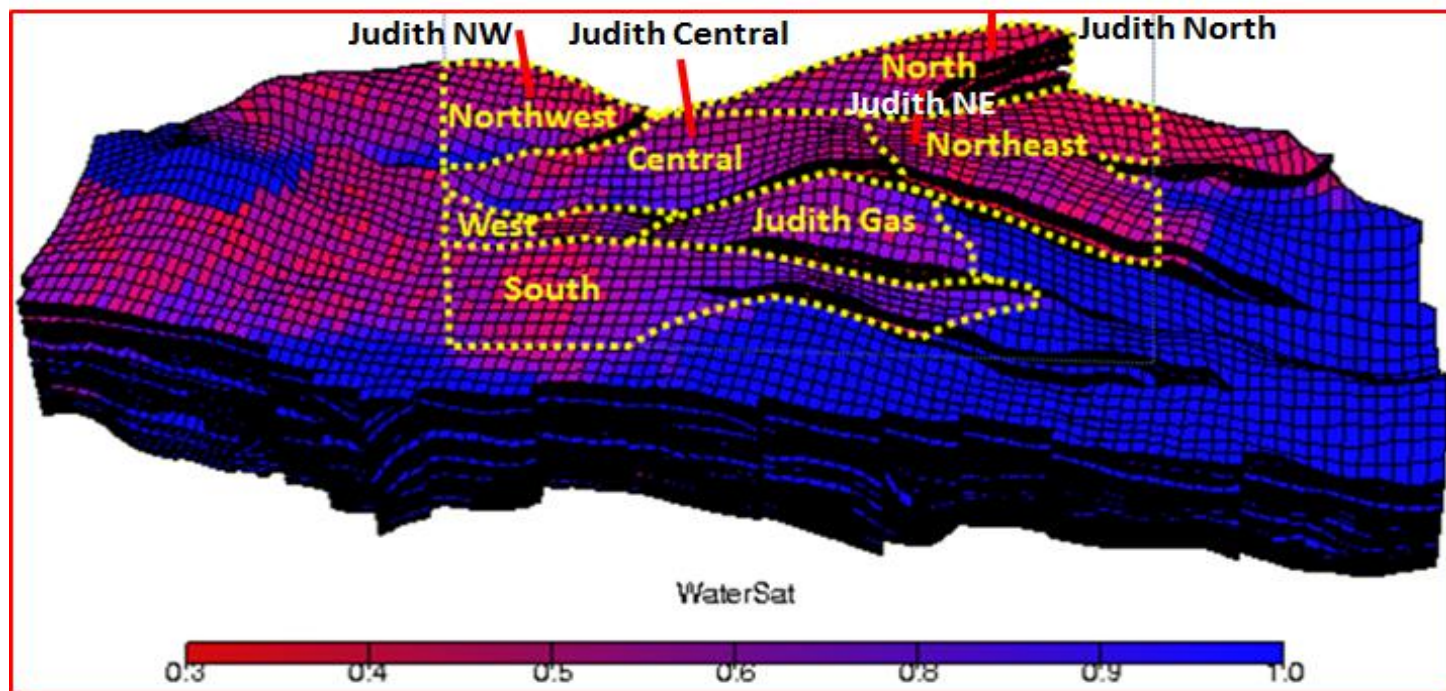


Figure 7: Greater Judith Dynamic Model with Compartments and Four Well Model

Sale of Cyrano (R3)

On 18 September 2019, the company announced that it had entered in a sale and purchase agreement to sell its offshore Retention Lease, Cryano R3. The sale and purchase is subject to approval of the dealing under the *Petroleum and Geothermal Energy Resources Act 1967* (WA).

The terms of the agreement are:

Purchaser:	BR Cyrano Pty Ltd (A.C.N. 636 176 193)
Purchase price:	\$325,000
Settlement date:	Subject to approval of dealing by no later 31 December 2019
Royalty:	A Royalty of \$0.50 per Barrel of Oil Equivalent of Petroleum Products produced and recovered from the Title Area (Retention Lease R3).
Option to acquire	
Royalty:	The Purchaser may acquire the Royalty from EMP at any time within 48 months from the date of Settlement for a purchase price of \$1,500,000.00.

About Cyrano (R3)

- Cyrano has Contingent Resource (2C) of 3.01 MMbbl of oil
- Additional Prospective Resources (P50) estimated at 0.928 MMbbl
- EMP is Operator and holds 100% of R3
- Permit Area – 81 km²
- The Cyrano Oil Field was discovered in 2003
- The field is defined by 4 vintage wells and 3D seismic
- The field is located in 17 m of water.
- Productive reservoirs commence at 600 m depth.
- Permit renewed for 5 years in early 2017

Completion of Environmental work – Backreef

The company own 100% of the Backreef block in the Canning Basin, Western Australia. Backreef-1 was drilled in October 2010 to a depth of 1800m. Oil was discovered in porous and permeable Laurel dolomites. The well is currently cased and suspended at 1155m.

In November 2018 the company completed environmental work at Backreef. The company intends to commence further exploration activities following DMIRS approval at Backreef.

Appointment of Ocean Reach Advisory

On 21 May 2019 the company announced that it had appointed Ocean Reach Advisory to carry out a Global Search for a suitable Exploration and Development Partner for exploration and development of the Judith Gas Field, 100% owned by Emperor Energy Limited.

Ocean Reach Principals' Austen Fresson and Rob Singh provide extensive experience with a proven Mergers and Acquisitions track record within the Australian Oil and Gas sector.

Appointment of new board of directors

The board acknowledges shareholders concerns about the personal agendas of those in the board room over the last year. Shareholders support has led to the change in the boardroom and the current board has stated that the proposals recommend by the previous board will not be implemented. The board is focused on exploration and potential capitalisation of its current portfolio of exploration projects. Further information about the current board of directors can be found on page 7.

We thank shareholders for their ongoing support.

On behalf of the board of directors.



Carl Dumbrell

Company secretary/Director

Emperor Energy Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Emperor Energy Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of Emperor Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Carl Dumbrell (Non-Executive Director and Company Secretary)
Nigel Harvey (Non- Executive Director) – appointed 1 April 2019
Malcolm King (Non-Executive Director) - appointed 2 April 2019
Philip McNamara (Non-Executive Director) – appointed 1 April 2019
Natt Arian (Non-Executive Director) – appointed 14 December 2018, resigned 1 April 2019
Vazrick Hovanessian (Non-Executive Director) – resigned 1 April 2019
Daniel Justyn Peters (Non-Executive Director) – resigned 28 March 2019
Raymond Shaw (Non- Executive Director) – appointed 14 December 2018, resigned 27 March 2019

Principal activities

During the financial year the principal activities of the consolidated entity consisted of investment in selected exploration, production and development opportunities in the upstream oil and gas sector.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$768,322 (30 June 2018: \$1,171,544).

A detailed review of operations is presented on the previous pages.

Financial Position

The net assets of the consolidated entity decreased by \$48,322 to \$3,619,274 as at 30 June 2019 (2018: \$3,667,596).

The consolidated entity's working capital position, (being current assets less current liabilities) was in surplus at 30 June 2019 by \$313,272 (2018: surplus \$266,811). During the period, the consolidated entity had negative cash flows from operating activities of \$361,895 (2018: \$972,867) and expended \$347,002 (2018: \$263,886) in relation to exploration and evaluation activities.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years, other than:

- The company completed a consolidation of its share capital on 20 August 2019, following the approval of a 1:15 consolidation at the Extraordinary General Meeting of shareholders on 7 August 2019. All numbers quoted in the financial statements are pre-consolidation.
- The company entered into an agreement to sell Cyrano on 17 September 2019. The consideration for the sale is \$325,000 in cash plus a royalty of \$0.50 per barrel of oil equivalent of petroleum products produced and recovered from the area of the petroleum permit. Under the terms of the sale and purchase agreement, the purchaser can acquire the Royalty from Emperor Energy within four years for \$1,500,000 AUD.

Likely developments and expected results of operations

The likely developments in the consolidated entity's operations in future years and the expected result from those operations are dependent on exploration success in the permit areas in which the consolidated entity currently holds an interest and the ability to fund the ongoing operations.

Environmental regulation

The company holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies, during the year ended 30 June 2019.

Information on directors

Name: Carl Dumbrell
Title: Non-Executive Director
Qualifications: BCom MTAX CA FCA (England & Wales) CTA MAICD JP
Experience and expertise: Carl is CEO of London Listed Herencia Resources Plc. He has been a partner of accounting firms for over 20 years in Australia and England. Carl has extensive experience with Mining, and Oil & Gas companies. He is actively involved in capital market transactions globally.

Other current directorships: Herencia Resources Plc (AIM: HER)
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: 72,247,101 fully paid ordinary shares

Name: Phil McNamara
Title: Non-Executive Director
Qualifications: BEng (Mining)
Experience and expertise: Phil is a Mining Engineer with 36 Years of experience in the Resources Industry. He is a qualified Coal Mine Manager having managed 3 underground coal mines across a 13 year period. He has held corporate roles with Junior Exploration Companies across the last 10 Years and was the Founding CEO and Managing Director of ASX listed Armour Energy (ASX: AJQ).

Phil has been providing consulting services to Emperor Energy since 2016 and has played a key role in Emperor Energy's progress to redefine the Judith gas prospect in the Company's key Exploration Permit Vic/P47.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: 15,000,000 fully paid ordinary shares
Interest in options: 10,000,000

Name: Malcolm King
Title: Non-Executive Director
Qualifications: BSc, USQ (Applied Science) and MSc, Aberdeen University, Scotland (Petroleum Geology) MAICD
Experience and expertise: Malcolm has over 30 years' experience in the upstream oil & gas industry in both technical and commercial leadership roles, most of this with Shell. During the first half of his career Malcolm worked as an exploration geologist with focus on opening new plays and developing new ventures across Australia, with a final technical role as Exploration Manager Timor Sea and Onshore Basins. During the second half of his career Malcolm led upstream business development and commercial teams in deal delivery, LNG marketing and joint venture management in Australia as well as in global roles across Asia. More recently Malcolm led the Commercial and then Business Development & New Ventures functions at Senex Energy.

A point to note in Malcolm's technical background (with reference to Emperor Energy) is that while at Shell he was part of the team who developed the Judith play in the Gippsland Basin, including acquiring the acreage from LASMO at the time, and was later the well-site geologist during the drilling of the Judith-1 discovery.

Other current directorships: Nil
Former directorships (last 3 years): Nil

Emperor Energy Limited
Directors' report
30 June 2019

Special responsibilities: Nil
Interest in shares: Nil
Interest in options: Nil

Name: Nigel Harvey
Title: Non-Executive Director
Qualifications: BA (Hons) MAICD
Experience and expertise: Nigel is an experienced ASX Director and has previously been a Director of Emperor Energy. He is Chairman of a mid sized not for profit organisation and holds a wholesale Australian Financial Services Licence. Nigel operates a market consulting practice predominantly on AFSL compliance.

Early in his career he was a business and finance journalist predominantly in London and the Middle East and subsequently worked as an investment banker in Sydney for several decades predominantly covering the Asia Pacific region for energy derivatives and hedging. He has held roles with large banks including JP Morgan and Macquarie.

He has undertaken the Australian Institute of Company Directors course including the two update courses.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: 3,993,750 fully paid ordinary shares
Interests in options: Nil

Name: Ray Shaw
Title: Non-Executive Director, resigned 27 March 2019
Qualifications: BSc (Hons), PhD, Dip Law (SAB)

Experience and expertise: Ray is a geologist and geophysicist with a legal background and with over 35 years' experience in the energy and resources sector who has, for the last 15 years, been involved in senior corporate roles in ASX listed companies, including foundation managing director of Great Artesian Oil & Gas Ltd and Bandanna Energy Ltd. He has worked extensively throughout Australia, Asia and South America, including for public and private entities as well as World Bank, Asian Development Bank and AusAid funded programs. He has broad experience in resource financing, ranging from recapitalisation and listing small resources companies to funding major infrastructure projects, including, as Board member, during the initial construction phase of the \$2.5 billion Wiggins Island Coal Export Terminal at Gladstone.

Other current directorship etc N/A
Former directorships (last 3 years): N/A
Special responsibility: N/A
Interest in shares: N/A
Interests in options: N/A

Name: Natt Arian
 Title: Non-Executive Director, resigned 1 April 2019
 Qualifications: PhD, MA

Experience and expertise: Natt is a petroleum and energy technical expert. He has worked for and consulted to Australian Government organisations and numerous Australian and international companies. He is currently engaged by the Victorian Government as a senior geoscientist advisor to the department of Economic Development, Jobs, Transport and Resource to produce Victoria's final resource estimate under the Victorian Gas Program, which aims to improve understanding of Victoria's potential conventional gas prospectivity, including resource estimates. It is expected that the resources minister will make his final decision based on Dr Arian's findings.

He is a member of several professional organisations, including Australian, European, US and international Engineering and scientific bodies, and has a broad range of skills in the diverse fields of petroleum and energy, including engineering, science and technology, management and infrastructure

Other current directorships: N/A
 Other directorships (last 3 years): N/A
 Interest in shares: N/A
 Interests in options: N/A

Name: Justyn Peters
 Title: Non-Executive Director, resigned 28 March 2019
 Qualifications: BLaw, BA (politics/jurisprudence) GDLP
 Experience and expertise: Justyn – has graduate law and politics degrees and is Executive Chairman of ASX listed Leigh Creek Energy Limited which is advancing the development of the Leigh Creek Energy Project in South Australia. Previously he was Executive General Manager for Linc Energy and held a wide range of senior executive appointments for over 6 years. His experience across a broad range of onshore development activities will prove invaluable in assisting OBL developing the Company's Canning projects. Previously Justyn was employed at the Queensland EPA as Head of Investigations and Compliance and then as acting Director of Central and Northern Regions. He earlier managed the integration of the environmental regulation of Queensland mining into the EPA.

Other current directorships: N/A
 Former directorships (last 3 years): N/A
 Interests in shares: 45,962,954
 Interests in options: N/A

Emperor Energy Limited
Directors' report
30 June 2019

Name:	Vazrick Hovanessian
Title:	Non-Executive Director, resigned 1 April 2019
Qualifications:	B.Bus, M.App.Fin, CPA, FCSA, FGIA
Experience and expertise:	Vaz has degrees in Accounting and Finance with over 25 years' experience with junior oil & gas and mining companies and has held directorship, secretarial and finance roles in several of them. He has served on the Boards or had Company Secretarial/CFO roles in ASX listed Beach Petroleum, Stirling Resources, Capital Energy, Zephyr Minerals, and Silver Mines and currently is an executive director on Mandalong Resources Ltd and Broad Investments Ltd. Vaz has extensive corporate advisory, finance and property and tourism experience and in the ASX listed junior resources area, and has been instrumental in or assisted with the ASX listing by IPO or back-door listing of such companies.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Special responsibilities:	N/A
Interests in shares:	N/A
Interests in options:	N/A

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

All shares and options noted in the directors' report are holdings at the date of this report.

Geological Consultant

The company's geological and geophysical technical team since the company's requotation on the ASX in 2006 has been headed by Geoff Geary a consultant petroleum geologist (formerly with Oil Company of Australia and Mobil Oil) with over 30 years in the profession. He has had significant experience in company mergers, acquisitions, acreage promotion and farmouts in his career, both with junior, national and with major multi-nationals oil companies. He is experienced in sedimentary basin analysis, sequence stratigraphy, structural geology, seismic interpretation, basin modelling and oil and gas field evaluation and development.

Company secretary

Refer to C Dumbrell's bio in the information on directors above.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
C Dumbrell	5	9
M King	3	3
N Harvey	3	3
P McNamara	3	3
N Arian	3	3
V Hovanessian	4	6
J Peters	5	5
R Shaw	2	2

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives ('program participants'). The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing on economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee.

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2009, where the shareholders approved an aggregate remuneration of \$500,000.

Executive remuneration

The consolidated entity has no executives. Non-Executive directors, other key management personnel and other senior employees have been granted options over ordinary shares. The recipients of options are responsible for growing the Company and increasing shareholder value. The options provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

Remuneration report (audited)

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

- C Dumbrell
- N Harvey
- M King
- P McNamara
- N Arian, resigned 1 April 2019
- V Hovanessian, resigned 1 April 2019
- D Peters, resigned 28 March 2019
- R Shaw, resigned 27 March 2019

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current positions for the whole of the financial year and since the end of the financial year:

- C Dumbrell, Director / Company Secretary
- G Geary, Geological Consultant
- P McNamara, Director / Engineering Consultant

Voting and comments made at the company's 22 November 2018 Annual General Meeting ('AGM')

The company received 96% of 'for' votes in relation to its remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

Remuneration report (audited)

	Short- term benefits	Share based payments	
	Cash salary and fees	Equity Settled***	Total
	\$	\$	\$
2019			
<i>Non-Executive Directors:</i>			
C Dumbrell**	45,518	80,000	125,518
P McNamara****	65,772	-	65,772
J Peters ^^	-	80,000	80,000
V Hovanessian ^	-	80,000	80,000
M King	14,836	-	14,836
N Harvey	15,000	-	15,000
 Other Key Management			
G Geary *	72,025	-	72,025
	<u>213,151</u>	<u>240,000</u>	<u>453,151</u>

* Amount consists of fees paid to Focus on Australia Pty Ltd in respect of Consulting services provided.

** Includes amounts in respect of company secretarial fees.

*** The equity settled remuneration above relates to shares issued in lieu of directors fees as approved by shareholders throughout the year. Share based payments noted above includes \$91,555 of Directors fees accrued as at 30 June 2018 and \$148,455 expensed in 30 June 2019

**** Amount consists of fees paid to McNamara Advisory in respect of Consulting services provided.

^ V Hovanessian has been overpaid by \$4,482

^^ J Peters has been overpaid by \$4,975

Total performance fees paid to related parties for the year ended 30 June 2019 was nil (2018: nil)

	Short- term benefits	Share based payments	
	Cash salary and fees	Equity Settled***	Total
	\$	\$	\$
2018			
<i>Non-Executive Directors:</i>			
C Dumbrell**	60,000	48,644	108,644
J Peters	-	48,644	48,644
V Hovanessian	-	48,644	48,644
 Other Key Management			
G Geary *	93,562	15,000	108,562
P McNamara	44,475	15,000	59,475
	<u>198,037</u>	<u>175,932</u>	<u>373,969</u>

* Amount consists of fees paid to Focus on Australia Pty Ltd in respect of Consulting services provided.

** Includes amounts in respect of directors' fees and company secretarial fees.

*** The equity settled remuneration above relates to shares issued in lieu of directors fees and bonus payments to G Geary and P McNamara as approved by shareholders throughout the year.

**** Amount consists of fees paid to McNamara Advisory in respect of Consulting services provided.

Remuneration report (audited)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI	
	2019	2018	2019	2018
<i>Non-Executive Directors:</i>				
C Dumbrell	100%	100%	-	-
M King	100%	100%	-	-
N Harvey	100%	100%	-	-
P McNamara	100%	100%	-	-
J Peters	100%	100%	-	-
V Hovanessian	100%	100%	-	-
<i>Other Key Management Personnel:</i>				
G Geary	100%	100%	-	-

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Date	Shares	Issue price	\$
C Dumbrell	17 December 2018	15,000,000	\$0.004	60,000
	20 December 2018	5,000,000	\$0.004	20,000
J Peters	17 December 2018	15,000,000	\$0.004	60,000
	20 December 2018	5,000,000	\$0.004	20,000
V Hovanessian	17 December 2018	15,000,000	\$0.004	60,000
	20 December 2018	5,000,000	\$0.004	20,000

On 22 November 2018 shareholders approved the issue of shares to directors in lieu of directors' fees at the company's 2018 Annual General Meeting of which a total of 60,000,000 fully paid shares were issued as noted above.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019	2018	2017	2016	2015
		\$	\$	\$	\$
Revenue (Including other income)	1,988	26,245	49,142	540,607	383,660
Net loss before tax	(768,322)	(1,171,544)	(2,451,403)	(2,367,411)	(1,157,113)
Net loss after tax	(768,322)	(1,171,544)	(1,549,207)	(2,367,411)	(1,157,113)

Remuneration report (audited)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018	2017	2016	2015
Share price at financial year start (\$)	0.003	0.003	0.006	0.003	0.010
Share price at financial year end (\$)	0.003	0.003	0.003	0.006	0.003
Basic earnings per share (cents per share)	(0.081)	(0.178)	(0.717)	(2.055)	(1.257)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Disposals	Additions	Balance at the end of the year
<i>Ordinary shares</i>					
C Dumbrell	48,247,101	20,000,000	-	4,000,000	72,247,101
N Harvey	3,993,750	-	-	-	3,993,750
P McNamara	15,000,000	-	-	-	15,000,000
V Hovanesian	79,421,287	20,000,000	99,421,287	-	-
J Peters	25,962,954	20,000,000	-	-	45,962,954
G Geary	5,000,000	-	-	-	5,000,000
	<u>177,625,092</u>	<u>60,000,000</u>	<u>109,421,287</u>	<u>4,000,000</u>	<u>142,203,805</u>

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Emperor Energy Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
November 2017	31 March 2020	\$0.0050	518,051,398
June 2019	31 March 2020	\$0.0050	<u>116,600,000</u>
			<u><u>634,651,398</u></u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Emperor Energy Limited issued due to the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

Emperor Energy Limited
Directors' report
30 June 2019

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of amounts

Emperor Energy Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Carl Dumbrell
Non-Executive Director

30 September 2019

30 September 2019

The Board of Directors
Emperor Energy Limited
Level 32, 1 Market Street
SYDNEY NSW 2000

Dear Board Members

Emperor Energy Limited

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

As lead audit partner for the audit of the financial statements of Emperor Energy Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


Craig Bryan
Partner
Chartered Accountants

Emperor Energy Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Other income	5	1,848	26,245
Net fair value gain on financial assets designated as FVTPL	12	140	-
Expenses			
Corporate expenses		(399,308)	(677,886)
Administration expenses		(46,008)	(91,727)
Employee benefits expense	6	(55,353)	(244,740)
Share based payments	6	(148,445)	(175,932)
Finance costs		(4,271)	(7,504)
Impairment of exploration assets	13	(116,925)	-
Loss before income tax benefit		(768,322)	(1,171,544)
Income tax benefit/(expense)	7	-	-
Loss after income tax benefit for the year attributable to the owners of Emperor Energy Limited		(768,322)	(1,171,544)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of available-for-sale financial assets, net of tax		-	(660)
Other comprehensive income for the year, net of tax		-	(660)
Total comprehensive income for the year attributable to the owners of Emperor Energy Limited		(768,322)	(1,172,204)
		Cents	Cents
Basic earnings per share	30	(0.081)	(0.178)
Diluted earnings per share	30	(0.081)	(0.178)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Emperor Energy Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	8	155,376	229,273
Trade and other receivables	9	114,746	20,039
Other financial assets	10	7,000	266,575
Held-for-sale exploration asset	11	325,000	-
Total current assets		<u>602,122</u>	<u>515,887</u>
Non-current assets			
Financial assets designated as FVTPL	12	680	540
Petroleum exploration expenditure	13	<u>3,305,322</u>	<u>3,400,245</u>
Total non-current assets		<u>3,306,002</u>	<u>3,400,785</u>
Total assets		<u>3,908,124</u>	<u>3,916,672</u>
Liabilities			
Current liabilities			
Trade and other payables	14	<u>288,850</u>	<u>249,076</u>
Total current liabilities		<u>288,850</u>	<u>249,076</u>
Net assets		<u>3,619,274</u>	<u>3,667,596</u>
Equity			
Issued capital	15	25,802,639	25,082,639
Reserves	16	267,870	266,710
Accumulated losses		<u>(22,451,235)</u>	<u>(21,681,753)</u>
Total equity		<u>3,619,274</u>	<u>3,667,596</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Emperor Energy Limited
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2017	23,249,367	(20,510,209)	267,370	3,005,945
Loss after income tax expense for the year	-	(1,171,544)	-	(1,170,961)
Other comprehensive income for the year, net of tax	-	-	(660)	(660)
Total comprehensive income for the year	-	(1,171,544)	(660)	(1,171,621)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	1,833,272	-	-	1,833,272
Balance at 30 June 2018	<u>25,082,639</u>	<u>(21,681,753)</u>	<u>266,710</u>	<u>3,667,596</u>
Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2018	25,082,639	(21,681,753)	266,710	3,667,596
1 July 2018 (AASB 9 Implementation)		(1,160)	1,160	-
Amended position as at 1 July 2018	<u>25,082,639</u>	<u>(21,682,913)</u>	<u>267,870</u>	<u>3,667,596</u>
Loss after income tax benefit for the year	-	(768,322)	-	(768,322)
Total comprehensive income for the year	-	(768,322)	-	(768,322)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	720,000	-	-	720,000
Balance at 30 June 2019	<u>25,802,639</u>	<u>(22,451,235)</u>	<u>267,870</u>	<u>3,619,274</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Emperor Energy Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(359,472)	(1,649,644)
Interest received		1,848	10,345
Interest and other finance costs paid		(4,271)	-
Other receipts		-	15,900
R&D Tax Incentive Concession		-	650,532
		<u> </u>	<u> </u>
Net cash used in operating activities	29	<u>(361,895)</u>	<u>(972,867)</u>
Cash flows from investing activities			
Receipts/ (Payments for) for other financial assets		250,000	(250,000)
Payments for exploration and evaluation		(347,002)	(263,886)
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(97,002)</u>	<u>(513,886)</u>
Cash flows from financing activities			
Proceeds from issue of equity securities		385,000	1,755,135
Payments of share issue costs		-	(97,795)
Net proceeds from borrowings		-	121,000
Repayment of borrowings		-	(121,000)
		<u> </u>	<u> </u>
Net cash from financing activities		<u>385,000</u>	<u>1,657,340</u>
 Net (decrease)/ increase in cash and cash equivalents		 (73,897)	 170,587
Cash and cash equivalents at the beginning of the financial year		<u>229,273</u>	<u>58,686</u>
 Cash and cash equivalents at the end of the financial year	8	 <u><u>155,376</u></u>	 <u><u>229,273</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

1. General information

Emperor Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The address of the registered office and principal place of business is Level 32, 1 Market Street, Sydney, NSW 2000.

The principal activities of the consolidated entity consisted of investment in selected exploration, production and development opportunities in the upstream oil and gas sector.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2019. The directors have the power to amend and reissue the financial statements.

2. Presentation of financial statements

The financial statements cover Emperor Energy Limited as a consolidated entity consisting of Emperor Energy Limited and the entities it controlled at the end of, or during, the year. The financial statements have been presented in Australian dollars (\$) as this is the currency of the primary economic environment that the group operates in.

3. Summary of significant accounting policies

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

Standard/Interpretation

AASB 9 Financial Instruments and related amending Standards

AASB 15 Revenue from Contracts with Customers,

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15,

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

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

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018.

AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities, and
- Impairment of financial assets

The Group has the following financial instruments:

- Trade and other receivables
- Trade and other payables
- Investments in listed securities

Classification and measurement of financial assets

Upon adoption, the Group determined Investments which were previously recognised as available for sale investments will now be treated as 'fair value through profit and loss' ('FVTPL').

3. Summary of significant accounting policies (continued)

The change in classification of the investments has resulted in a fair value loss on available-for-sale financial assets of \$1,160 accumulated in the financial assets reserve being reclassified to the opening retained earnings at 1 July 2018, date of initial application of AASB 9. Accordingly, the Group has applied the requirements of AASB 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. No irrecoverable elections were made.

Adoption of new and revised Accounting Standards (continued)

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group's financial assets do not have a significant financing component. Therefore the entity has adopted the simplified approach for measuring expected credit losses at an amount equal to lifetime expected loss allowance for its financial assets. The assessment of impairment of financial assets under AASB 9 have not had a material impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

AASB 15 Revenue from Contracts with Customers and related amending Standards

AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is a junior explorer and as such, the impact of this new accounting standard is not material.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations relevant to the Group that were in issue but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases	1 January 2019	30 June 2020

AASB 16 Leases is effective for years commencing on or after 1 July 2019. AASB 16 eliminates the classification of leases as either operating leases or finance leases for lessees as required by AASB 117 Leases and instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

On initial application of AASB 16, for all leases (except as noted below), the entity will:

- Recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

3. Summary of significant accounting policies (continued)

- c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Exploration and evaluation leases are specifically excluded from AASB 16. The Group does not have any material leasing arrangements and as such, the impact of this new accounting standard is not expected to be material.

Standards and Interpretations issued not yet effective – IASB and IFRIC Interpretations

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	30 June 2021

3.1 Basis of preparation

These financial statements have been prepared in accordance with International financial Reporting standards (IFRSs) as adopted by Australian Accounting Standard Board (AASB) and the Corporations Act 2001. The financial statements have been prepared on the historical cost basis except for certain assets which are stated at their fair value.

3.2 Going concern

The consolidated financial statements have been prepared on the going concern basis.

During the financial year ended 30 June 2019, the consolidated entity incurred a loss after tax of \$768,322 and had net cash outflows from operating and exploration activities of \$708,897. The consolidated entity's current assets exceeded current liabilities by \$313,272 as at 30 June 2019. At 30 June 2019 the consolidated entity had net assets of \$3,619,274.

In considering the appropriateness of this basis of preparation, the directors have reviewed the Company's working capital forecasts for a minimum of 12 months from the date of the approval of this financial statement. At 30 June 2019, the Group had \$155,376 of available cash.

The Company intends to secure a farm-in partner for part of its tenement portfolio or raise further capital in the second half of 2019. Based on the current management plan, management believes that these funds will be sufficient for the expenditure to date as well as the planned forecast expenditure for the forthcoming twelve months. As a result of that review the Directors consider that it is appropriate to adopt the going concern basis of preparation.

During and since the end of the last financial year, the directors have taken a number of actions to ensure the consolidated entity can continue to fund its operations and further explore and develop the consolidated entity's tenements. These steps comprise:

1. Capital raising in March and June 2019
2. Payment of directors' fees in shares
3. Completing work across each of our permits in accordance with the approved work programs.
4. Engaging Ocean Reach advisory to identify a partner for the partial sale and ongoing exploration costs for VIC/P47.

3. Summary of significant accounting policies (continued)

3.2 Going concern(continued)

The consolidated entity currently does not have any production income and in order to continue as a going concern is reliant on achieving on achieving a capital raising of at least \$450,000 by 31 October 2019 and a combination of the following matters before 31 December 2019:

- a) Receipt of the settlement payment for Cyrano; and
- b) Receiving the proceeds from either the full or partial sale of VIC/P47.

The directors have prepared a detailed cash flow forecast through to 30 September 2020 and based on the budgeted expenditure the consolidated entity will be required to raise additional funds (through the methods set out above) with a minimum overall raising by 31 December 2019 of approximately \$2,000,000 (before costs) to fund the budgeted exploration plan as well as corporate operating costs.

In the event that the consolidated entity is unsuccessful in the matters set out above, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

This financial report does not 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 consolidated entity not continue as a going concern.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial information of the Company and its subsidiaries (the "Group") made up to the end of the reporting period. 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.

The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group's financial statements from the date that control commences until the date that control ceases.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI). When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 Property, plant & equipment

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

3.5 Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

3. Summary of significant accounting policies (continued)

3.6 Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

3.7 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets

Classification of Financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments (Continued)

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI
- Financial assets at FVTPL

(i). Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

(ii) Debt instruments at fair value through other comprehensive income (Debt FVTOCI)

Debt FVTOCI initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss.

(iii) Equity instruments at fair value through other comprehensive income (Equity FVTOCI)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

(iv) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Net gain/(loss) arising on financial assets measured at FVTPL" line.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Financial liabilities

Financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs. All financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. Summary of significant accounting policies (continued)

3.7 Financial instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.8 Petroleum exploration and evaluation expenditures

Petroleum exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

3. Summary of significant accounting policies (continued)

3.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported on comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Group and its subsidiaries operate by the end of the financial period.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

3.10 Share based payments

The Company has applied AASB 2 Share-based Payment for all grants of equity instruments. Fair value is measured using an appropriate fair value model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The inputs to the model include: the share price at the date of grant, exercise price expected volatility, risk free rate of interest.

Note 4. Operating segments

The consolidated entity is organised into one segment: petroleum exploration and investment within Australia. The operating segment is based on the internal reports that are reviewed by the directors (who are identified as Chief Decision Makers) in assessing performance and allocation of resources.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Other income

	Consolidated	
	2019	2018
	\$	\$
Interest	1,848	10,345
Other income	-	15,900
Other income	<u>1,848</u>	<u>26,245</u>

Note 6. Expenses

	Consolidated	
	2019	2018
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Employment Benefits:</i>		
Post employment benefit - Contribution plans	-	957
Other employee benefits	-	59,364
Consultant fees	55,353	184,419
	<u>55,353</u>	<u>244,740</u>
Total Employment Benefits	55,353	244,740
<i>Share-based payments</i>		
Equity settled share based payments	148,445	175,932

The share-based payments listed above relate to shares issued to directors in lieu of directors fees as approved by shareholders at the company's Annual General Meeting held on 22 November 2018.

Note 7. Income tax benefit

	Consolidated	
	2019	2018
	\$	\$
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(768,322)	(1,171,544)
Tax at the statutory tax rate of 27.5% (2018: 30%)	(211,289)	(351,463)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	40,822	52,780
Other permanent differences	444	136
Movements in provisions	-	(287)
Movements in accrued expenditure	(11,289)	(26,338)
Capitalised deductible exploration expenditure	-	-
Capital raising costs	16,853	41,521
Impairment of exploration asset	32,154	-
	<u>(132,303)</u>	<u>(283,651)</u>
Current year tax losses not recognised	132,303	283,651
Benefit of prior year losses recognised	-	-
Income tax benefit/(expense)	<u>-</u>	<u>-</u>
	Consolidated	Consolidated
	2019	2018
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	22,579,290	21,810,968
Potential tax benefit @ 27.5% (2018: 30%)	6,209,305	6,543,290

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 7. Income tax benefit (continued)

	Consolidated	
	2019	2018
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	6,209,305	6,543,290
Temporary differences	(333,261)	(1,211,089)
Total deferred tax assets not recognised	<u>5,876,044</u>	<u>5,332,201</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law, and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank	<u>155,376</u>	<u>229,273</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Other receivables	250	250
GST receivable / (payable)	19,496	19,789
Share application receivable	95,000	-
	<u>114,746</u>	<u>20,039</u>

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

Note 9. Current assets - trade and other receivables (continued)

Accounting policy for trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 10. Other financial assets

	Consolidated	
	2019	2018
	\$	\$
Term deposit	-	250,000
Prepayments	7,000	16,575
	<u>7,000</u>	<u>266,575</u>

Note 11. Held-for-sale exploration assets

	Consolidated	
	2019	2018
	\$	\$
Held-for-sale exploration assets – fair value	325,000	-
	<u>325,000</u>	<u>-</u>

Note 12. Non-current assets – Financial assets designated as FVTPL

Investment in Strategic Energy Resources Limited (ASX: SER)	600	400
Investment in Octanex N.L (ASX : OXX)	80	140
	<u>680</u>	<u>540</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	540	1,200
Revaluation increment/ (decrement)	140	(660)
Closing fair value	<u>680</u>	<u>540</u>

Refer to note 19 for further information on fair value measurement.

Investments in SER and OXX held by the consolidated entity at fair value are valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 30 June 2019 and 30 June 2018.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Note 13. Non-current assets - Petroleum exploration expenditure

	Consolidated	
	2019	2018
	\$	\$
Petroleum Exploration Expenditure	<u>3,305,322</u>	<u>3,400,245</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Petroleum Exploration \$
Balance at 1 July 2017	3,136,359
Expenditure during the year	<u>263,886</u>
Balance at 30 June 2018	<u>3,400,245</u>
Add : Expenditure during the year	347,002
Less: Impairment of exploration assets	(116,925)
Less: Exploration asset held for sale	<u>(325,000)</u>
Balance at 30 June 2019	<u>3,305,322</u>

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 14. Trade and other payables

	Consolidated	
Current liabilities	2019	2018
	\$	\$
Trade payables	210,476	120,129
Other payables	<u>78,374</u>	<u>128,947</u>
	<u>288,850</u>	<u>249,076</u>

Refer to note 18 for further information on financial instruments.

The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 14. Current liabilities - trade and other payables (continued)

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 15. Equity - issued capital

	2019 Shares	Consolidated 2018 Shares	2019 \$	2018 \$
Ordinary shares - fully paid	1,134,459,728	907,859,728	25,802,639	25,082,639

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	01 Jul 2018	907,859,728	25,082,639
Issue of shares in lieu of directors' fees (non-cash)	17 Dec 2018	45,000,000	\$0.004 180,000
Issue of shares in lieu of directors' fees (non-cash)	20 Dec 2018	15,000,000	\$0.004 60,000
Issue of shares	02 Apr 2019	50,000,000	\$0.003 150,000
Issue of shares	26 Jun 2019	110,000,000	\$0.003 330,000
Issue of shares (non-cash)	26 Jun 2019	6,600,000	\$0.003 19,800
Less Cost of capital raising	26 Jun 2019	-	- (19,800)
Balance	30 June 2019	<u>1,134,459,728</u>	<u>25,802,639</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 15. Equity - issued capital (continued)

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 16. Equity – reserves

	Consolidated	
	2019	2018
	\$	\$
Available-for-sale reserve	-	(1,160)
Options reserve	267,870	267,870
	<u>267,870</u>	<u>266,710</u>

Available-for-sale reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Available for sale reserve \$	Options reserve \$	Total \$
Balance at 1 July 2017	(500)	267,870	267,870
Impairment of shares	(660)	-	(660)
	1,160	267,870	266,710
Balance at 30 June 2018	(1,160)	267,870	266,710
1 July 2018 (AASB 9 Implementation)	1,160	-	1,160
Amended position as at 1 July 2018	-	267,870	267,870
Balance at 30 June 2019	<u>-</u>	<u>267,870</u>	<u>267,870</u>

Note 17. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 18. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Note 18. Financial instruments (continued)

Risk management is carried out by the directors under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks.

Market risk

Price risk

The consolidated entity is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

	Average price increase % change	Effect on equity	Average price decrease % change	Effect on equity
Consolidated - 2019				
Available-for-sale investments carried at fair value - quoted shares	10%	<u>68</u>	10%	<u>(68)</u>
	Average price increase % change	Effect on equity	Average price decrease % change	Effect on equity
Consolidated - 2018				
Available-for-sale investments carried at fair value - quoted shares	10%	<u>54</u>	10%	<u>(54)</u>

Interest rate risk

The consolidated entity's main interest rate risk arises from cash deposits. The consolidated entity has no borrowings, and during the year held cash in accessible current accounts for liquidity purposes.

As at the reporting date, the consolidated entity had the following variable interest rates:

	2019		2018	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash at bank	1.40%	155,376	1.40%	229,273
Term deposit	1.79%	<u>-</u>	2.39%	<u>250,000</u>
Net exposure to cash flow interest rate risk		<u>155,376</u>		<u>479,273</u>

The impact would not be material on bank balances held at 30 June 2019 or 30 June 2018.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 18. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %(p.a)	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	288,850	-	-	-	288,850
Total non-derivatives		288,850	-	-	-	288,850

Consolidated - 2018	Weighted average interest rate %(p.a)	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	249,076	-	-	-	249,076
Total non-derivatives		249,076	-	-	-	249,076

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated – 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Ordinary shares	680	-	-	680
Total assets	680	-	-	680

Consolidated – 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Ordinary shares	540	-	-	540
Total assets	540	-	-	540

Note 19. Fair value measurement (continued)

There were no transfers between levels during the financial year.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 20. Key management personnel disclosures

Directors

The following persons were directors of Emperor Energy Limited during the financial year:

C Dumbrell
N Harvey, appointed 1 April 2019
M King appointed 2 April 2019
P McNamara, appointed 1 April 2019
D Peters, resigned 28 March 2019
V Hovanessian, resigned 1 April 2019
R Shaw, appointed 14 December 2018, resigned 27 March 2019
N Arian, appointed 14 December 2018, resigned 27 March 2019

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr C Dumbrell (Company Secretary)
Mr G Geary (Geological Consultant)
Mr P McNamara (Engineering Consultant)

Note 20. Key management personnel disclosures (continued)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	213,151	198,037
Post-employment benefits	-	-
Share-based payments	240,000	175,932
	<u>453,151</u>	<u>373,969</u>

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	<u>45,207</u>	<u>48,308</u>

Note 22. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2019.

Note 23. Commitments

	Consolidated	
	2019	2018
	\$	\$
<i>Petroleum exploration commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,550,000	575,000
One to five years	36,300,000	37,625,000
More than five years	75,000	-
	<u>37,950,000</u>	<u>38,200,000</u>

The consolidated entity has interests in exploration and evaluation permits. These interests give rise to expenditure commitments.

Backreef area

Following the increase in global oil prices the company has decided to recommence work at Backreef in late 2018. The company completed environmental management work on site in November 2018. All requisite expenditure required under the permit has been incurred previously.

Note 23. Commitments (continued)

Cyrano R3/R1

The company entered into an agreement to sell Cyrano on 17 September 2019.

Vic/P47

The consolidated entity has a 100% interest in Vic/P47 and is the operator. Judith-1 was drilled and operated by Shell Company of Australia in 1989 and is contained within the VIC/P47 Permit held 100% by Emperor Energy and located within close proximity of the Kipper Gas Field operated by Esso (Exxon Mobil).

On 10 August 2017 Emperor Energy announced that the outcomes of seismic reprocessing and subsequent analysis completed during 2017 had resulted in a significant increase in the Gas-in-Place Estimate for the Judith Structure within VIC/P47.

On 22 February 2018 Emperor Energy announced that the VIC/P47 permit had been renewed for 5 years with a work program including drilling of an exploration well in the Judith North Structure by early 2021.

On 26 March 2018 Emperor Energy announced that it had completed a thorough well log evaluation of the Judith-1 well and gas discovery. The Judith-1 results were then compared and contrasted with open file data not previously available from the four wells drilled on the Longtom Gas Field located some 22 km west of Judith-1 and the more recent South East Longtom-1 gas discovery by Esso in 2010. Like Judith-1 and the Longtom wells, the South East Longtom-1 discovered gas in multiple Emperor Reservoir sandstones in a structural closure sealed by the Rosedale Fault.

On 7 June 2018 Emperor Energy Limited announced that it had engaged respected Independent Resource Certifier RISC to complete a Resource Statement in relation to the Judith Gas Field in the 100% Emperor Energy owned VIC/P47 Permit in the offshore Gippsland Basin, Victoria. RISC reviewed Static and Dynamic Modelling of the Judith Gas Reservoir Sands by Melbourne based Consultants 3D-GEO Pty Ltd and a Resource Statement was released on the 12 November 2018.

3D-GEO has since reviewed the November 2018 Resource Statement and conducted further technical assessments, leading to submission of a revised Resource Statement to Emperor Energy on the 5 July 2019.

Judith Gas Discovery		Contingent Resources		
		Low Estimate 1C	Best Estimate 2C	High Estimate 3C
GIIP	Bcf	180	278	386
Sales gas	Bcf	97	150	209
Condensate	MMbbl	1.4	2.2	3.2

Note 23. Commitments (continued)

Greater Judith Area		Unrisked Prospective Resources		
		P90	P50	P10
Judith Deep	Bcf	38	62	92
West	Bcf	83	127	176
Central	Bcf	37	333	628
North	Bcf	29	166	315
North East	Bcf	49	279	494
North West	Bcf	15	102	226
South	Bcf	14	157	565
Total	Bcf	265	1226	2496

*Table 1: Summary of Contingent and Prospective Resources for Judith area of VIC/P47
(3D-GEO, July 2019)*

The permit was renewed by NOPTA on 21 February 2018 for a period of five years. The company work program was approved and outlined below :

Permit year	Exploration Activity	Estimated Cost
1. February 2018 – February 2019	Geology Studies including detailed resource assessment, preliminary reservoir engineering, target selection and well planning	\$400,000
2. February 2019 – February 2020	Confirmation of drilling target/s and detailed well planning and preparation	\$1,300,000
3. February 2020 – February 2021	Drill one (1) Exploration Well	\$35,000,000
4. February 2021 – February 2022	Post-well evaluation studies	\$500,000
5. February 2022 – February 2023	Geology Studies including commerciality assessment	\$300,000

The group will need to raise capital, or identify a partner before permit year 3 to fund all the planned activities above.

Note 24. Related party transactions

Parent entity

Emperor Energy Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

Note 24. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	\$	\$
Payment for goods and services:		
Payments to CD & TL Accountants & Advisors	50,000	80,125
Payments to McNamara Advisory	33,975	-
Payments to Raxigi Pty Ltd	-	40,000
	<u>83,975</u>	<u>120,125</u>

During the year the consolidated entity paid \$50,000 to CD & TL Accountants & Advisors (an entity associated with C Dumbrell) for accounting and tax services performed during the year.

During the year the consolidated entity paid \$33,975 to McNamara Advisory (an entity associated with P McNamara) for management & exploration services performed during the year.

Receivable from and payable to related parties

There were no trade receivables from related parties at the current and previous reporting date. As 30 June 2019 the company had trade payable to directors C Dumbrell \$29 and P McNamara \$20,500.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Loss after income tax	<u>(768,322)</u>	<u>(1,178,064)</u>
Total comprehensive income	<u>(768,322)</u>	<u>(1,178,064)</u>

Note 25. Parent entity information (continued)

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	601,872	515,637
Total assets	3,901,021	3,909,568
Total current liabilities	288,850	249,076
Total liabilities	288,850	249,076
Equity		
Issued capital	25,082,639	25,082,639
Available-for-sale reserve	-	(1,160)
Options reserve	267,870	267,870
Accumulated losses	(22,458,338)	(21,688,857)
Total equity	3,612,171	3,660,492

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019	2018
		%	%
OBL Backreef No.10 Pty Ltd	Australia	100.00	100.00
Canning Basin Oil Limited	Australia	100.00	100.00
Wantok Oil Limited	Papua New Guinea	100.00	100.00
Shelf Oil Pty Ltd	Australia	100.00	100.00
Backreef Energy Pty Ltd	Australia	100.00	100.00

Note 27. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Emperor Energy Limited
Canning Basin Oil Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Emperor Energy Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

	2019	2018
	\$	\$
Statement of profit or loss and other comprehensive income		
Other income	1,988	26,245
Corporate expenses	(399,308)	(677,886)
Administration expenses	(46,008)	(91,725)
Employee benefits expense	(55,353)	(244,740)
Share based payments	(148,445)	(175,932)
Impairment of exploration assets	(116,925)	-
Net loss on financial derivatives	-	-
Finance costs	(4,271)	(7,504)
Loss before income tax benefit	(768,462)	(1,171,542)
Income tax benefit	-	-
Loss after income tax benefit	(768,462)	(1,171,542)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>(768,462)</u>	<u>(1,171,542)</u>
Equity – accumulated losses	2019	2018
	\$	\$
Accumulated losses at the beginning of the financial year	(21,681,753)	(20,510,211)
Comprehensive income /(loss) for the year	(768,322)	(1,171,542)
Accumulated losses at the end of the financial year	<u>(22,450,075)</u>	<u>(21,681,753)</u>

Note 27. Deed of cross guarantee (continued)

Statement of financial position	2019 \$	2018 \$
Current assets		
Cash and cash equivalents	250,376	229,273
Trade and other receivables	19,496	20,039
Held-for-sale exploration asset	325,000	-
Other financial assets	7,000	266,575
	<u>601,872</u>	<u>515,887</u>
Non-current assets		
Available-for-sale financial assets	919	540
Petroleum exploration expenditure	3,305,333	3,400,245
	<u>3,306,252</u>	<u>3,400,785</u>
Total assets	<u>3,908,124</u>	<u>3,916,672</u>
Current liabilities		
Trade and other payables	288,850	249,076
	<u>288,850</u>	<u>249,076</u>
Non-current liabilities		
Other payables	-	-
	<u>-</u>	<u>-</u>
Total liabilities	<u>288,850</u>	<u>249,076</u>
Net assets	<u>3,619,274</u>	<u>3,667,596</u>
Equity		
Issued capital	25,802,639	25,082,639
Reserves	267,870	267,370
Accumulated losses	(22,451,235)	(21,681,753)
Total equity	<u>3,619,274</u>	<u>3,667,596</u>

Note 28. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

The company completed a consolidation of its share capital on 20 August 2019, following the approval of a 1:15 consolidation at the Extraordinary General Meeting of shareholders on 7 August 2019. All numbers quoted in the financial statements are pre-consolidation.

The company entered into an agreement to sell Cyrano on 17 September 2019. The consideration for the sale is \$325,000 in cash plus a royalty of \$0.50 per barrel of oil equivalent of petroleum products produced and recovered from the area of the petroleum permit. Under the terms of the sale and purchase agreement, the purchaser can acquire the Royalty from Emperor Energy within four years for \$1,500,000 AUD.

Note 29. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax benefit for the year	(768,322)	(1,171,544)
Adjustments for:		
Net fair value gain on financial assets designated as FVTPL	(140)	-
Share based payments	148,445	175,932
Impairment of exploration assets	116,925	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	293	667,150
Decrease/(increase) in prepayments	9,575	152,504
Increase/(Decrease) in trade and other payables	131,329	(796,909)
Net cash used in operating activities	<u>(361,895)</u>	<u>(972,867)</u>

Note 30. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax attributable to the owners of Emperor Energy Limited	<u>(768,322)</u>	<u>(1,171,544)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>953,260,824</u>	<u>659,137,982</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>953,260,824</u>	<u>659,137,982</u>
	Cents	Cents
Basic earnings per share	(0.081)	(0.178)
Diluted earnings per share	(0.081)	(0.178)

Diluted Earnings Per Share

In the current year, the options held by option holders were not included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they did not meet the requirements for inclusion is AASB 133 "Earnings per Share". The options were non-dilutive as the consolidated entity generated a loss during the financial year.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Emperor Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 31. Share-based payments

On 17 December 2018 the consolidated entity issued 45,000,00 fully paid ordinary shares at a deemed issue price of \$0.004 (0.4 cents) per share to Directors in lieu of directors fees as approved by shareholders at the company's general meeting held on 22 November 2018.

On 20 December 2018 the consolidated entity issued 15,000,00 fully paid ordinary shares at a deemed issue price of \$0.004 (0.4 cents) per share to Directors in lieu of directors fees as approved by shareholders at the company's general meeting held on 22 November 2018.

Set out below are summaries of options granted:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
18/11/2018	17/11/2018	\$0.047	6,700,000			(6,700,000)	-
09/11/2017	31/03/2020	\$0.005	518,051,398	-	-	-	518,051,398
26/06/2019	31/03/2020	\$0.005	-	116,600,000	-	-	116,600,000
			524,751,398	116,600,000	-	(6,700,000)	634,651,398

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other	Balance at the end of the year
18/11/2015	17/11/2018	\$0.0465	6,700,000	-	-	-	6,700,000
09/11/2017	31/03/2020	\$0.005	-	518,051,398	-	-	518,051,398
			7,500,000	518,051,398	-	-	524,751,398

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2019 Number	2018 Number
26/06/2019	31/03/2020	116,600,000	-
09/11/2017	31/03/2020	518,051,398	518,051,398
18/11/2015	17/11/2018	-	6,700,000
		634,651,398	524,751,398

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to directors and other key management personnel as part of compensation during the year.

Equity-settled transactions are awards of shares, or options over shares that are provided to directors and other key management personnel in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 31. Share-based payments (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Emperor Energy Limited
Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group 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 described in note 26 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Carl Dumbrell, Director

30 September 2019

Independent Auditor's Report to the Members of Emperor Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Emperor Energy Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3.2 in the financial report, which indicates that the Group incurred a net loss of \$768,322 and had net cash outflows from operating and exploration activities of \$708,897 during the year ended 30 June 2019. As stated in Note 3.2, these events or conditions, along with other matters as set forth in Note 3.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit procedures in relation to going concern included, but were not limited to:

- Reviewing management's cash flow forecasts for the next 12 months including understanding the rationale and reasonableness of the assumptions made including inflows from future capital raisings, sale of permit areas or farm-outs, exploration work program commitments and the basis of the other operating expenditure requirements of the Group for the period ending 30 September 2020; and
- Assessing the adequacy of the disclosures related to going concern in Note 3.2.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Accounting for exploration and evaluation costs</p> <p>As at 30 June 2019, the Group's carrying value of the exploration and evaluation assets totals \$3,305,322 as disclosed in Note 13. This includes exploration and evaluation expenditure capitalised in the current year of \$263,886. Management is required to exercise judgements in assessing the carrying value of exploration and evaluation assets including:</p> <ul style="list-style-type: none"> • Whether the conditions for capitalising exploration and evaluation expenditures are satisfied; • Which elements of exploration and evaluation expenditures qualify for capitalisation; and • Whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment. 	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the key processes and controls associated with the allocation of exploration and expenditure costs between capital and expense; • Confirming that the rights to tenure of areas of interest are current and challenging management's consideration of the ability to recoup the capitalised costs through future development or sale of the area of interest; • Obtaining management's forecast evidencing the ongoing exploration and appraisal activity, including the future intention for each material formation, by reference to the allocation of future budgeted expenditure; • Evaluating the Group's analysis for assessing impairment indicators of the exploration and evaluation assets, • Confirming whether exploration activities for the area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and • Testing a sample of capitalised exploration and evaluation expenditure to confirm the nature of the costs incurred and the appropriateness of the classification between asset and expense. <p>We also assessed the appropriateness of the disclosures in Note 13 to the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, 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 we do not express any form of assurance conclusion thereon.

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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 has 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 judgement 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's 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 with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Emperor Energy Limited, for the year ended 30 June 2019, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants
Melbourne, 30 September 2019

Emperor Energy Limited
Shareholder information
30 June 2019

The shareholders information set out below was applicable as at 30 September 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of listed options
1 to 1,000	198	77
1,001 to 5,000	66	52
5,001 to 10,000	24	17
10,001 to 100,000	205	67
100,001 and over	98	60
	<hr/> 591	<hr/> 273
	<hr/> <hr/> 288	<hr/> <hr/> -
Holding less than a marketable parcel	<hr/> <hr/>	<hr/> <hr/>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Citicorp Nominees Pty Limited	6,924,243	9.16%
Scintilla Strategic Investments Limited	5,960,851	7.88%
Mr Martin Rowney	3,600,000	4.76%
Sama Zaraah Pty Ltd	3,257,000	4.31%
Daniel J Peters	3,064,197	4.05%
Bond Street Custodians Limited	2,916,474	3.86%
Mr Craig Graeme Chapman	2,266,667	3.00%
The Australian Special Opportunity Fund LP	1,888,890	2.50%
Slade Technologies Pty Ltd	1,833,334	2.42%
Littlejohn Embrey Engineering Pty Ltd	1,798,973	2.38%
Mr Carl Francis Dumbrell	1,466,667	1.94%
Tomlin Sales Pty Ltd	1,430,000	1.89%
Harness Pty Ltd	1,341,667	1.77%
Buduci Fond Pty Ltd	1,271,175	1.68%
Mr Mark Stephen O'leary	1,200,000	1.59%
Mr Nishant Kumar Misra	1,144,445	1.51%
Mr Craig John Pontey	1,111,112	1.47%
Mr Paul Anthony Evans	1,100,000	1.45%
Mr Gavin Jeremy Dunhill	1,066,667	1.41%
ACEC Superannuation Fund Pty Ltd	1,006,667	1.33%

Emperor Energy Limited
Shareholder information
30 June 2019

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	42,310,165	273

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Citicorp Nominees Pty Limited/The Australian Special Opportunity Fund LP	8,813,133	11.65%
Scintilla Strategic Investments Limited	5,960,851	7.88%
Carl Dumbrell/ Bond Street Custodian	4,816,473	6.37%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.