

# **Emperor Energy Limited**

**(Formerly known as Oil Basins Limited)**

**ABN 56 006 024 764**

## **Half-year Financial Report - 31 December 2017**

**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
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**31 December 2017**

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**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Corporate directory**  
**31 December 2017**

Directors	Carl Dumbrell (Non-Executive Director) Daniel Justyn Douglas Peter (Non-Executive Director) Vazrick (Vaz) Hovanessian (Non-Executive Director)
Company secretary	Carl Dumbrell
Registered office	Level 4 100 Albert Road South Melbourne Vic 3205
Principal place of business	Level 32 1 Market Street Sydney NSW 2000 Telephone: (02) 9275 8878
Share register	Automic Pty Ltd Level 3, 50 Holt Street Surry Hills NSW 2010 Telephone: 1300 288 664
Auditor	Deloitte Touche Tohmatsu Chartered Accountants 550 Bourke Street Melbourne Vic 3000
Stock exchange listing	Emperor Energy Limited shares are listed on the Australian Securities Exchange (ASX code: EMP)
Website	<a href="http://www.emperorenergy.com.au">www.emperorenergy.com.au</a>

**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Directors' report**  
**31 December 2017**

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 half-year ended 31 December 2017.

**Directors**

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

Mr Carl Dumbrell (Non-Executive Director)  
Mr Daniel Justyn Douglas Peters (Non-Executive Director)  
Mr Vazrick (Vaz) Hovanessian (Non-Executive Director)

**Principal activities**

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

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$761,287 (31 December 2016: \$1,299,220).

**Financial Position**

The net assets of the consolidated entity increased by \$945,985 to \$3,952,513 as at 31 December 2017 (30 June 2017: \$3,006,528).

The consolidated entity's working capital, being current assets less current liabilities was \$747,454 at 31 December 2017 (30 June 2017: deficit \$131,031). The consolidated entity had a negative cash flows from operating activities of \$336,049 for the six months (31 December 2016: \$406,811) and expended \$72,500 (31 December 2016: \$82,407) in relation to exploration and evaluation activities.

**Significant changes in the state of affairs**

On 11 August 2017, the consolidated entity issued 10,000,000 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share to consultants of the company for services provided.

On 10 November 2017, the consolidated entity completed a fully underwritten rights issue issuing a total of 518,051,398 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share raising \$1,554,154 (before costs). The offer also included one free attaching option for each share successfully subscribed to, resulting in a total of 518,051,398 options been issued with an exercise price of \$0.005 (0.5 cents) per option expiring on 31 March 2019.

On 24 November 2017, the consolidated entity issued 60,000,000 fully paid ordinary shares at a deemed issue price of \$0.0024322 (0.24322 cents) per share. The shares were issued to directors in lieu of directors fees as approved by shareholders at the Company's Annual General meeting held on 21 November 2017.

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

**Matters subsequent to the end of the financial half-year**

No matter or circumstance has arisen since 31 December 2017 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.

**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 immediately after this directors' report.

**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Directors' report**  
**31 December 2017**

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Carl Dumbrell  
Non-Executive Director

15 March 2018

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

15 March 2018

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.

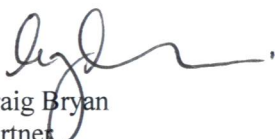
As lead audit partner for the review of the financial statements of Emperor Energy Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

  
Craig Bryan  
Partner  
Chartered Accountant

**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2017**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>		2,988	1,486
Other income	3	9,900	251,666
<b>Expenses</b>			
Corporate expenses		(623,575)	(209,061)
Employee benefits expense		(150,600)	(231,100)
Depreciation and amortisation expense		-	(1,109)
Exploration expenditure written off		-	(851,057)
Net loss on financial derivatives		-	(80,194)
Finance costs		-	(179,851)
<b>Loss before income tax expense</b>		(761,287)	(1,299,220)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Emperor Energy Limited</b>		(761,287)	(1,299,220)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive loss for the half-year attributable to the owners of Emperor Energy Limited</b>		<u>(761,287)</u>	<u>(1,299,220)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	11	(0.10)	(0.59)
Diluted earnings per share	11	(0.10)	(0.59)

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

**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Statement of financial position**  
**As at 31 December 2017**

		<b>Consolidated</b>	
		<b>31 December</b>	
	<b>Note</b>	<b>2017</b>	<b>30 June 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		510,089	58,686
Trade and other receivables		61,759	683,726
Other financial assets		528,215	172,483
Total current assets		<u>1,100,063</u>	<u>914,895</u>
<b>Non-current assets</b>			
Available-for-sale financial assets		1,200	1,200
Petroleum exploration expenditure	4	<u>3,203,859</u>	<u>3,136,359</u>
Total non-current assets		<u>3,205,059</u>	<u>3,137,559</u>
<b>Total assets</b>		<u>4,305,122</u>	<u>4,052,454</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		<u>352,609</u>	<u>1,045,926</u>
Total current liabilities		<u>352,609</u>	<u>1,045,926</u>
<b>Total liabilities</b>		<u>352,609</u>	<u>1,045,926</u>
<b>Net assets</b>		<u>3,952,513</u>	<u>3,006,528</u>
<b>Equity</b>			
Issued capital	5	24,956,639	23,249,367
Reserves	6	267,370	267,370
Accumulated losses		<u>(21,271,496)</u>	<u>(20,510,209)</u>
<b>Total equity</b>		<u>3,952,513</u>	<u>3,006,528</u>

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



**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2017**

<b>Consolidated</b>	<b>Contributed equity \$</b>	<b>Accumulated losses \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
Balance at 1 July 2016	22,460,115	(18,961,002)	267,870	3,766,983
Loss after income tax expense for the half-year	-	(1,299,220)	-	(1,299,220)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	(1,299,220)	-	(1,299,220)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	788,350	-	-	788,350
Balance at 31 December 2016	<u>23,248,465</u>	<u>(20,260,222)</u>	<u>267,870</u>	<u>3,256,113</u>
<b>Consolidated</b>	<b>Contributed equity \$</b>	<b>Accumulated losses \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	23,249,367	(20,510,209)	267,370	3,006,528
Loss after income tax expense for the half-year	-	(761,287)	-	(761,287)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	(761,287)	-	(761,287)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	1,707,272	-	-	1,707,272
Balance at 31 December 2017	<u>24,956,639</u>	<u>(21,271,496)</u>	<u>267,370</u>	<u>3,952,513</u>

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

**Emperor Energy Limited**  
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**Statement of cash flows**  
**For the half-year ended 31 December 2017**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of GST)	(989,567)	(658,645)
R&D Tax Incentive Concession	650,530	251,666
	(339,037)	(406,979)
Interest received	2,988	1,486
Interest and other finance costs paid	-	(1,318)
Net cash used in operating activities	(336,049)	(406,811)
<b>Cash flows from investing activities</b>		
Payments for other financial assets	(500,000)	-
Payments for exploration and evaluation	(72,500)	(82,407)
Net cash used in investing activities	(572,500)	(82,407)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,457,747	570,550
Cost for issue of shares	(97,795)	-
Proceeds from borrowings	-	400,000
Payments for capital raising costs	-	(18,128)
Repayment of borrowings	-	(155,000)
Net cash from financing activities	1,359,952	797,422
Net increase in cash and cash equivalents	451,403	308,204
Cash and cash equivalents at the beginning of the financial half-year	58,686	24,308
Cash and cash equivalents at the end of the financial half-year	510,089	332,512

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

**Emperor Energy Limited**  
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**Notes to the financial statements**  
**31 December 2017**

**Note 1. General information**

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 half-year. The financial statements are presented in Australian dollars, which is Emperor Energy Limited's functional and presentation currency.

Emperor Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

<b>Registered office</b>	<b>Principal place of business</b>
Level 4 100 Albert Road South Melbourne VIC 3205	Level 32 1 Market Street Sydney NSW 2000

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 15 March 2018. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

**Basis of preparation**

The consolidated financial statements have been prepared on the basis of historical cost. Historical cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian Dollars, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and simultaneous realisation and settlement'.

**Note 2. Significant accounting policies (continued)**

*AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'*

AASB 134 Interim Financial Reporting– clarifies that certain information required by the Standard can be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. Amends AASB 101 Presentation of Financial Statements to provide clarification regarding the disclosure requirements in AASB 101, including narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.

The amendments provide additional guidance in the following areas:

- **Materiality** - The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information (2) materiality considerations apply to the all parts of the financial statements and (3) even when a standard requires a specific disclosure, materiality considerations still apply, i.e. a specific disclosure is not required to be included in the financial report if it is not material to the entity
- **Statement of financial position and statement of profit or loss and other comprehensive income** - The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss
- **Notes** - The amendments add additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes rather than being presented in the order previously included in AASB 101.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Company's consolidated financial statements.

*AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)*

The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Company's financial statements.

**Emperor Energy Limited**  
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**Notes to the financial statements**  
**31 December 2017**

**Note 2. Significant accounting policies (continued)**

**Going concern**

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the six months ended 31 December 2017, the consolidated entity incurred a loss after tax of \$761,287 (31 December 2016: \$1,299,220) and had net cash outflows from operating and exploration activities of \$408,549 (31 December 2016: \$489,218). Notwithstanding the above as at 31 December 2017 the consolidated entity had net current assets of \$747,454 (30 June 2017: negative net current assets \$131,031) and net assets of \$3,952,513 (30 June 2017: \$3,006,528).

During and since the end of the financial period, the directors have maintained the policies outlined in the 2017 financial report. These policies ensure the consolidated entity can continue to fund its operations and further explore and develop the consolidated entity's tenements. These steps comprise:-

1. Completion of a rights issue in November 2017 raising \$1.5 million before costs
2. Ongoing review of suppliers and costs
3. Investing in the most prospective projects
4. Paying all directors fees in equity rather than cash.

The consolidated entity currently does not have any production income and in order to continue as a going concern is therefore reliant on achieving a combination of the following matters before 31 March 2019 to complete its planned business activities:-

- a) Raising additional equity capital or debt funding;
- b) Receiving the proceeds from either the full or partial sale of its existing tenement portfolio; and
- c) Securing farm-out arrangements of its existing tenement portfolio or obtaining approval for the deferral of the current work programs.

The directors have prepared a detailed cash flow forecast through to 31 March 2019 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 of \$300,000 before capital raising costs by 31 December 2018.

Cash flow forecasts prepared by management which include the capital raisings described above demonstrate that the consolidated entity will have sufficient funds to meet its commitments over the next twelve months and for this reason the financial statements have been prepared on the basis that the consolidated entity is a going concern.

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.

**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Notes to the financial statements**  
**31 December 2017**

**Note 3. Other income**

	<b>Consolidated</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
Research and development tax concession	-	251,666
Other Income	9,900	-
Other income	<u>9,900</u>	<u>251,666</u>

	<b>Consolidated</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
Net loss on financial derivative	-	(80,194)

**Note 4. Non-current assets - petroleum exploration expenditure**

	<b>Consolidated</b>	
	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation - at cost	<u>3,203,859</u>	<u>3,136,359</u>

*Reconciliations*

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

<b>Consolidated</b>	<b>Exploration \$</b>
Balance at 1 July 2017	3,136,359
Expenditure during the half-year	<u>67,500</u>
Balance at 31 December 2017	<u>3,203,859</u>

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**Note 5. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 December 2017</b>	<b>30 June 2017</b>	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	865,857,730	277,806,332	24,956,639	23,324,367
Treasury shares	-	-	-	(75,000)
	<u>865,857,730</u>	<u>277,806,332</u>	<u>24,956,639</u>	<u>23,249,367</u>

**Emperor Energy Limited**  
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**Notes to the financial statements**  
**31 December 2017**

**Note 5. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	No of shares	Issue price	\$
Balance	1 July 2017	277,806,332		23,324,367
Issue of shares to Consultants	11 August 2017	10,000,000	\$0.003	30,000
Rights Issue	10 November 2017	518,051,398	\$0.003	1,554,154
Issue of shares in lieu of directors fees	24 November 2017	60,000,000	\$0.002	145,933
Costs of capital raising		-	-	(97,815)
Balance	31 December 2017	<u>865,857,730</u>		<u>24,956,639</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.

*Treasury shares*

The Treasury shares listed above relate to the collateral shares issued to Lind as part of the convertible note funding arrangement in which the collateral shares were repaid to Lind during the half year.

**Note 6. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2017</b>
	<b>2017</b>	
	<b>\$</b>	<b>\$</b>
Available-for-sale reserve	(500)	(500)
Options reserve	267,870	267,870
	<u>267,370</u>	<u>267,370</u>

*Movements in reserves*

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

<b>Consolidated</b>	<b>Options reserve \$</b>
Balance at 1 July 2017	<u>267,370</u>
Balance at 31 December 2017	<u>267,370</u>

**Note 7. Equity - dividends**

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

**Note 8. Commitments**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2017</b>
	<b>2017</b>	
	<b>\$</b>	<b>\$</b>
<i>Exploration and evaluation</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	575,000	575,000
One to five years	37,475,000	37,475,000
	<u>38,050,000</u>	<u>38,050,000</u>

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

*Backreef area*

The Company intends to plug the well in 2018 at an estimated cost \$75,000. Following this, no further work needs to be conducted and the well will be protected. The Company has made this decision to focus its resources and efforts on the more prospective VIC/P47 project in light of the forecast gas shortage on the Australian East Coast. We can re-drill the well if and when the company has sufficient resources to further develop this project. The company will continue to consider farmin partners.

*Cyrano R3/R1*

The consolidated entity holds 100% interest in Cyrano R3/R1 and is the operator. The Company successfully booked 3.0 million barrels oil 2P reserves in May 2015. The permit was renewed by the DMP in January 2017 until October 2021. The approved work program is:

<b>Permit year</b>	<b>Exploration Activity</b>	<b>Estimated Cost</b>
1. October 2016 – October 2017	Review of engineering technologies	\$100,000
2. October 2018 – October 2019	Reservoir engineering studies	\$100,000
3. October 2019 – October 2020	Reservoir engineering studies	\$175,000
4. October 2020 – October 2021	Independent engineering assessment	\$100,000
5. October 2021 – October 2022	Feasibility study and assessment	\$100,000



**Note 8. Commitments (continued)**

*Vic/P47*

The consolidated entity holds 100% interest in Vic/P47 and is the operator. The company completed 3D seismic reprocessing and mapping in August 2017. The seismic interpretation and mapping together with Quantitative Inversion outputs from the newly reprocessed 3D seismic data indicates the presence of additional potential in the Judith Block with significant upside in the Judith North Block located up-dip from Judith-1. The presence of gas in the Emperor reservoir sandstones across the prospective blocks is supported by the Quantitative Inversion results.

Input reservoir parameters used by GCA have been used as the basis for calculation of the new Gas-in-Place assessment by 3D-GEO as shown in Table 1.

Block	Gas-In-Place (Bcf)			Gas Recoverable (Bcf) <sup>1</sup>		
	P90	P50	P10	P90	P50	P10
Judith	300	420	550	165	273	413
North	1200	1380	1550	660	897	1163
Total	1500	1800	2100	825	1170	1575

[1] Gas recovery factors from Gaffney Cline & Associates (2008 & 2013)

**Table 1:** Summary of Gas-in-Place for the Judith and Judith North Blocks- Unrisked, probabilistic conservative case (3D-GEO evaluation, 2017)

The company lodged its renewal application with NOPTA on 14 August 2017, the permit was renewed for a period of five years on 21 February 2018 and approved the following work program:

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 farm in partner before permit year 2 to fund all the planned activities above.

**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Notes to the financial statements**  
**31 December 2017**

**Note 9. 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	
		31 December 2017 %	30 June 2017 %
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 10. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2017 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.

**Note 11. Earnings per share**

	Consolidated	
	31 December 2017 \$	31 December 2016 \$
Loss after income tax attributable to the owners of Emperor Energy Limited	<u>(761,287)</u>	<u>(1,299,220)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>741,141,613</u>	<u>221,664,578</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>741,141,613</u>	<u>221,664,578</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.10)	(0.59)
Diluted earnings per share	(0.10)	(0.59)

**Emperor Energy Limited**  
**(Formerly known as Oil Basins Limited)**  
**Directors' declaration**  
**31 December 2017**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Carl Dumbrell  
Non-Executive Director

15 March 2018

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

We have reviewed the accompanying half-year financial report of Emperor Energy Limited, which comprises the condensed statement of financial position as at 31 December 2017, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 18.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Emperor Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Emperor Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of \$761,287 and had net cash outflows from operating and exploration activities of \$408,549 during the half year ended 31 December 2017. These conditions, along with other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern. Our conclusion is not modified in respect of this matter.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Craig Bryan  
Partner

Chartered Accountants  
Melbourne, 15 March 2018