FORTE ENERGY

ABN 59 009 087 852

ANNUAL FINANCIAL REPORT

30 JUNE 2014

Forte Energy NL
Suite 3, Level 3
1292 Hay Street
West Perth WA 6005

FORTE ENERGY NL
(ABN 59 009 087 852)

CONTENTS TO FINANCIAL REPORT

CORPORATE INFORMATION

ABN: 59 009 087 852

The Directors of Forte Energy NL present their report on the Consolidated Entity consisting of Forte Energy NL ("the Company" or "Forte Energy") and the entities it controlled at the end of, or during, the financial year ended 30 June 2014 ("Consolidated Entity" or "Group").

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' report on pages 3 to 11.

Directors

G R Featherby
M D Reilly
C D Grannell
J G Leahy

Company Secretary

M R Wylie

Principal and Registered Offices

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Solicitors

Hardy Bowen Lawyers
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UNITED KINGDOM

Auditors

Ernst & Young
11 Mounts Bay Road
Perth Western Australia 6000
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UNITED KINGDOM

Stock Exchanges

Australian Stock Exchange ASX – FTE
London Stock Exchange AIM – FTE

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Your Directors submit their report for the year ended 30 June 2014. The financial report of Forte Energy NL for the year ended 30 June 2014 has been authorised for issue in accordance with a resolution of the directors on 30 September 2014.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Glenn Robert Featherby, B.Com., A.C.A. (Non-Executive Chairman)

Mr. Featherby joined the Board on 2 August 2004. Mr Featherby has over 26 years' experience in corporate advisory work and has worked extensively in the resources sector. He worked with KPMG in Perth, Western Australia and London before establishing his own accounting practice in Perth in 1997. Mr Featherby was also a non-executive director of Canadian & AIM listed European Goldfields Limited from November 2003 until December 2005, and served as finance director of Regal Petroleum Plc prior to that.

During the past three years he has held the following listed company directorships:

Hawkley Oil & Gas Limited * – appointed 24 February 2012.
Patagonia Gold plc * – appointed 8 April 2013.
Ochre Group Holdings Limited * – appointed 24 March 2014

** Denotes current directorship*

Mark David Reilly, B.Bus, A.C.A. (Managing Director)

Mr. Reilly joined the Board on 2 August 2004. Mr Reilly has over 20 years' experience in advisory work with extensive experience in the mining, banking and finance industries. He worked with Pricewaterhouse Coopers in Perth before establishing a practice with Glenn Featherby.

During the past three years he has held the following listed company directorship:

Ochre Group Holdings Limited * – appointed 28 January 2014.
Triumph Tin Limited * - appointed 4 July 2014.
Black Star Petroleum Limited * - appointed 2 July 2014.

** Denotes current directorship*

Christopher David Grannell, (Non-Executive Director)

Mr Grannell joined the Board on 4 April 2005. Mr Grannell has significant London capital markets experience focused in the natural resources sector. From August 2003 until March 2006 Mr Grannell served as an Executive Director and Chief Financial Officer of European Goldfields Limited, a company listed on the Toronto Stock Exchange and the AIM market of the London Stock Exchange. Since 2006 Mr Grannell has been involved in the set up, capital raising and public listing of numerous resource companies.

Mr. Grannell has not been a Director of any other listed companies in the past three years to 30 June 2014.

James Gerald Leahy, (Non-Executive Director)

Mr Leahy joined the Board on 26 April 2012. Mr Leahy has more than 29 years' experience in the mining sector as a senior mining analyst and specialist corporate broker with expertise in international institutional and hedge funds, foreign capital and private equity markets. He held positions at Rudolf Wolff, James Capel, Laing & Cruickshank and Canaccord before joining Mirabaud Securities, as a founding partner of the natural resources team, offering specialised stockbroking to corporate and institutional clients. Mr. Leahy has advised a number of natural resource focused funds in the UK, raised more than US$2 billion in equity for resource companies and participated in many IPO's over his career.

During the past three years he has held the following listed company directorships:

Continental Coal Ltd – appointed 27 May 2011, resigned 31 July 2013.
Bacanora Minerals Limited * – appointed 29 June 2011.
African Power Corp – appointed June 2011, resigned 19 May 2014.
OPI International – appointed 9 September 2011, resigned 31 July 2012.
Mineral Commodities Limited * – appointed January 2013.
Geiger Counter Ltd * – appointed 28 July 2014

** Denotes current directorship*

COMPANY SECRETARY

Murray R Wylie, B Com (Hon), GradDipAppCorpGov, ACIS (Company Secretary)

Mr Wylie was appointed Company Secretary on 5 November 2008. He has more than 30 years experience in administrative and accounting roles in both the public and private sectors. He also holds Company Secretary positions with two other listed companies.

Interests in the shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
G.R. Featherby	16,380,286	-
M.D. Reilly	29,916,333	-
C.D. Grannell	7,700,000	-
J.G. Leahy	1,600,000	-

DIVIDENDS

No dividend has been paid since the end of the previous financial year. The Directors recommend that no dividend be paid in respect of the current financial year.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial year was the exploration for minerals.

OPERATING AND FINANCIAL REVIEW

Company Overview

During the year and up to the date of this report, the Consolidated Entity continues to investigate resource opportunities. In addition to the Consolidated Entity's exploration licences in West Africa in the Republic of Guinea and the Islamic Republic of Mauritania, it has also actively pursued acquisition opportunities to capitalise on the strong long term fundamentals of the uranium market whilst maintaining a focus on reducing costs to conserve capital.

On 15 August 2013, Forte Energy announced the proposed acquisition of Leo Mining and Exploration ("Leominex") which held interests in uranium and rare earth projects in Africa. However the deal did not proceed because the parties could not agree on certain proposed material amendments to the agreed terms, including the withdrawal by Leominex of some of their assets. Further acquisition opportunities were investigated, culminating in the announcement on 16 June 2014 of the execution of a binding Letter of Intent to enter into a Participation Interest Purchase Agreement ("the Joint Venture agreement") and a Partnership Agreement with European Uranium Resources Ltd ("European Uranium"), in relation to its Slovakian uranium projects.

Joint Venture agreement with European Uranium – Slovak Republic

On 4 April 2014, the Consolidated Entity announced that it had entered into a binding term sheet for the acquisition of the Slovakian uranium assets of European Uranium, a company listed on the Ventures Exchange of the Toronto Stock Exchange (as well as on the OTCQX and Frankfurt exchanges). A Share Purchase Agreement was subsequently executed, subject to shareholder and regulatory approvals. The Share Purchase Agreement was terminated on 14 June 2014 for failure to satisfy one of the conditions when the special resolution of European Uranium shareholders was not approved by the required majority.

On 16 June 2014 Forte Energy and European Uranium announced the execution of a binding Letter of Intent ("LOI"), whereby Forte Energy may earn a 50% interest in the Slovak uranium projects of European Uranium for a total expenditure of CAD$4,000,000 over 10 years. The interest will be held through ownership of 50% of European Uranium's currently wholly-owned Slovak subsidiaries, Ludovika Energy and Ludovika Mining, which hold the mineral licenses comprising the Kuriskova and Novoveska Huta uranium projects.

The principal terms of the earn-in agreement are:

- European Uranium will transfer 50% of the shares of each of the two Slovak companies to Forte Energy, the ownership of which will be governed by a shareholder's agreement and subject to forfeiture whereby if Forte Energy does not meet the required expenditures on the Kuriskova and Novoveska Huta uranium projects, it must transfer the shares of the Slovak companies back to European Uranium.

OPERATING AND FINANCIAL REVIEW (Continued)

- To acquire its 50% interest in the projects, Forte Energy must expend a total of CAD$4 million over ten years. This consists of:
  - payment of CAD$500,000 to European Uranium to acquire its 50% interest in the Slovak companies;
  - CAD$350,000 minimum expenditure in Year 1 (firm obligation); and
  - CAD$3,150,000 for Years 2 – 10 to meet minimum annual expenditure requirements.
- The expenditures can be accelerated by Forte at Forte's election. If the parties each agree to sell their 50% interest to a third party then Forte will pay European Uranium the difference between CAD$3,500,000 and expenditures made to date.
- Definitive Joint Venture Agreement and Partnership Agreement were executed by both parties on 31 July 2014.
- Forte can forfeit its 50% interest to European Uranium with no further obligation any time after it has paid European Uranium CAD$500,000 and funded the first year minimum work commitment of CAD$350,000.
- Prior to Forte completing the earn-in of its 50% interest, exploration and development activities on the projects will be governed by a Management Committee on which European Uranium will have the casting vote until Forte has funded the full CAD$4,000,000. Forte will be the operator during this period.

In addition, on 23 April 2014, Forte Energy announced the completion of a private subscription for CAD$100,000 in the capital of European Uranium comprising 1,111,111 shares (based on a price of CAD$0.09 each) and 555,555 attaching warrants with a two year term and exercise price of CAD$0.15.

About European Uranium's assets

European Uranium has two project areas in Slovakia, namely Kuriskova and Novoveska Huta, of which Kuriskova is the most advanced. The projects are held in two wholly owned subsidiaries of European Uranium that are registered in the Slovak Republic.

The Kuriskova project consists of 32 square kilometres of mineral licenses situated approximately 10 km northwest of the city of Kosice, a regional industrial centre in East-Central Slovakia.

The summary results of a preliminary feasibility study prepared for Kuriskova released in January 2012 are as follows:

- IRR 30.8%
- 1.9 year payback on CAPEX of $US 225m
- NPV $US 276m at 8% discount
- Base case price $US 68/lb U_3O_8
- First 4 year operating costs $US 16.68/lb U_3O_8
- Life of Mine operating costs $US 22.98/lb U_3O_8

The Novoveska Huta uranium deposit is located at the western end of the Carpathian uranium belt, about 50 kilometres northwest of Kuriskova and near the town of Spisska Nova Ves. The deposit consists of a mining license over one square kilometre and a surrounding fifteen square kilometre exploration license.

OPERATING AND FINANCIAL REVIEW (Continued)

European Uranium Slovakian U_3O_8 NI 43-101 mineral resource estimates (100%) ***

Project	Resource Category	M tonnes	ppm U_3O_8	Contained U_3O_8 Mlbs
Kuriskova **	Indicated	2.3	5,550	28.5
	Inferred	3.1	1,850	12.7
Novoveska Huta **	Measured	0.8	1,080	2.0
	Indicated	0.8	970	1.7
	Inferred	4.7	1,230	12.7
Total	Measured	0.8	1,080	2.0
	Indicated	3.1	4,352	30.2
	Inferred	7.8	1,477	25.4
	Total	**11.7**	**2,141**	**57.6**

** *Kuriskova calculated at 500ppmU cut-off, Novoveska Huta at 600ppmU cut-off*

*** *These mineral resource estimates are reported in this announcement as "foreign estimates" under ASX Listing Rule 5.10*

- *The foreign estimates are not reported in accordance with the JORC Code.*
- *A competent person has not yet undertaken sufficient work to classify the foreign estimates as mineral resources or ore reserves in accordance with the JORC Code.*
- *It is uncertain that, following evaluation and/or further exploration work, it will be possible to report these estimates as mineral resources or ore reserves in accordance with the JORC Code.*

ASX Listing Rule 5.12 specifies that additional information must be provided to the market in any announcement containing foreign estimates. Forte has previously provided that information in the Accompanying Notes in its announcement of 4 April 2014.

Forte Energy looks forward to working closely with European Uranium in a long term relationship to advance these exciting Slovakian uranium assets. Forte Energy's expanded portfolio of uranium interests upon the completion of the European Uranium Joint Venture Agreement, will enhance the Company's prospects to capitalise on the strong long term fundamentals of the uranium market.

Uranium Exploration - West Africa

Forte is one of the largest uranium exploration licence holders in Mauritania, with ten 100%-owned licences, covering over 7,000 km² in the vicinity of Bir Moghrein in the North West, close to the border with Western Sahara. A number of uranium prospects have been identified within its licences, including the A238 prospect (23.4Mlbs U_3O_8) and the Bir En Nar prospect (2.06Mlbs U_3O_8).

Forte also holds two 100%-owned uranium exploration licences in Guinea, West Africa, comprising the Firawa project. This project consists of two licences, totalling 286km^2, which are located approximately 25km to the east of Kissidougou. The Firawa project has an inferred resource of 19.5Mlbs U_3O_8 (30.3M tonnes @ 295ppm U_3O_8, 100ppm cut-off).

Limited exploration expenditure was incurred during the financial year, with the focus on low cost exploration and scoping related activities in relation to its Mauritanian and Guinean projects, including consolidation of the exploration results to date and high level consideration of priority areas to target for increasing its resource bases.

Following a review of its exploration priorities and objectives, Forte Energy elected to relinquish the Bohoduo project in Guinea, which comprised two licences, covering an area of 294km^2, situated approximated 120km north east of Firawa. As a result an impairment expense of $1,239,572 was recognised during the financial year. Exploration conducted at Bohoduo had not been sufficient for a resource estimate to be defined.

OPERATING AND FINANCIAL REVIEW (Continued)

Uranium Resources

Forte Energy now has a total of 44.9 Mlbs of contained U_3O_8 resources in West Africa:

Project	Resource Category	Tonnage (Mt)	Grade (ppm U_3O_8)	Contained U_3O_8 Mlbs
A238*	Inferred	45.2	235	23.4
Bir En Nar	Indicated	0.5	886	1.0
	Inferred	0.8	575	1.0
Firawa	Inferred	30.3	295	19.5
Total	**Indicated**	**0.5**	**886**	**1.0**
	Inferred	**76.3**	**262**	**43.9**
	Total	**76.8**	**266**	**44.9**

** A238NW Anomaly included in the A238 Inferred Resources*

Corporate

In an effort to minimise expenditure and optimise its working capital, the Consolidated Entity implemented a number of measures to reduce its ongoing costs this year. These include the significant reduction in overheads by rationalising Forte Energy's London presence through the closure of its corporate head office in the United Kingdom and the relocation of Management to Australia.

In line with the Company's cost reduction efforts, Forte Energy's Chairman and Managing Director both agreed to substantial reductions in their fees: a 40% reduction for the Chairman and a 50% reduction for the Managing Director, with effect from 1 July 2013. Furthermore all payments for non-executive directors' fees have been deferred from 1 October 2013.

Following a review of Forte Energy's Management team to ensure that its expertise is best suited to the Company's current requirements, Mr. Scott Yelland, the Chief Operating Officer, left the organisation on 22 October 2013 to pursue other opportunities. Together with other staff reductions, the expected annualised savings from all these cost reduction initiatives is approximately $750,000.

In September 2013 the Company announced an agreement with Elementos Ltd (ASX: ELT) to vary the terms of an Option To Purchase agreement in relation to its Millenium mining leases in Queensland. Under the revised agreement, Forte Energy would receive $100,000 cash instead of the previous consideration of $160,000 in cash or scrip. The terms were renegotiated partly in an effort to achieve settlement, which occurred in December 2013.

During the September quarter, a US$1,000,000 convertible loan facility with Dutchess Capital was closed, with the US$600,000 initial drawdown amount satisfied through the issue of 113,752,047 ordinary shares.

Shareholder approval was obtained at a general meeting held on 31 October 2013 for a placement undertaken in two tranches. A total of £907,500 (approximately A$1,825,000) was raised before costs which at 0.4 pence (approximately 0.7 cents) per share.

In April 2014 the Company entered into a short-term loan agreement with Darwin Strategic Limited. Under the agreement Forte Energy issued a Loan Note for £437,500. See Note 18 for further details.

OPERATING AND FINANCIAL REVIEW (Continued)

The Company announced on 10 March 2014 that it had entered into a share exchange agreement with Global Resources Investment Trust ("GRIT"), a company listed on the London Stock Exchange. Under the agreement, Forte Energy issued 170,000,000 shares to GRIT at 0.4 pence (approximately 0.75 cents) per share in return for 680,000 shares in GRIT at a price of £1 each. Forte Energy is in the process of selling its GRIT shares in order to raise additional working capital.

Operating Results for the year and financial position

The loss after income tax for the financial year was $4,290,081 (2013: $3,183,622). The result for this financial year includes an impairment expense of $1,239,572 (2013: nil) following the relinquishing of the Bohoduo uranium prospect in Guinea. At 30 June 2014 the Group had cash and cash equivalents of $92,467 and net assets of $29,139,261.

Shareholder Returns

Shareholder returns are anticipated to be achieved via capital growth of the listed share price. The Company's Australian closing share price as at 30 June 2014 was 0.6 cents compared to 1.1 cents as at the close of business on 30 June 2013. The share price at the date of this report is 0.5 cents. The Company has continued to operate in an economic environment that remains difficult for junior explorers, particularly so for uranium explorers since the Fukushima nuclear incident in 2011.

Share issues during the year

During the September quarter, 113,752,047 ordinary shares were issued to Dutchess Capital upon conversion of a US$600,000 initial drawdown under a loan facility which has now closed.

A total of 226,875,000 ordinary shares were issued at 0.4 pence (approximately 0.7 cents) per share under a placement carried out in two tranches that was approved at a general meeting held on 31 October 2013. A total of £907,500 (approximately A$1,825,000) was raised before costs.

On 5 March 2014, the Company issued 170,000,000 shares at 0.4 pence (approximately 0.75 cents) to GRIT under a share exchange agreement.

OPERATING AND FINANCIAL REVIEW (Continued)

Risk management

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

- Entering into the joint venture agreement with European Uranium to acquire a 50% interest in the Kuriskova and Novoveska Huta uranium projects in the Slovak Republic.
- Implementing cost reduction strategies including staff reductions and closure of the corporate head office in the United Kingdom.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years except for the following:

- On 30 July 2014, shareholders approved a placement of up to 600 million shares and 300 million warrants and a Share Purchase Plan for up to 200 million shares to raise additional working capital. Shareholders also ratified the issue of 170 million shares to GRIT under the share exchange agreement and approved the grant of 164,062,500 warrants to Darwin Strategic Capital.
- On 31 July 2014 the Company executed a definitive Joint Venture agreement with European Uranium.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operations of the Group and the expected results of those operations in future financial years is dependant on the continued exploration for uranium in West Africa and the Slovak Republic.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of environmental requirements as they apply to the Company.

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 9,000,000 unissued ordinary shares under options, all of which were outstanding at 30 June 2014. Refer to note 25 of the financial statements for further details of the options outstanding at 30 June 2014.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

During the year and up to the date of this report, no shares were issued as a result of the exercise of options (2013: nil).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not entered into any insurance contracts for the indemnification of Directors and Officers of the Company.

INDEMNIFICATION OF AUDITORS

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

REMUNERATION REPORT (Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, and includes all directors of the Company.

Details of Key Management Personnel

G R Featherby	Chairman appointed 2 August 2004
M D Reilly	Managing Director appointed 2 August 2004
C D Grannell	Director (non-executive) appointed 4 April 2005
J G Leahy	Director (non-executive) appointed 26 April 2012
S Yelland	Chief Operating Officer appointed 1 September 2011, ceased 22 October 2013
M R Wylie	Company Secretary appointed 5 November 2008

There were no changes to the Executives or KMP between the reporting date and the date the Financial Report was authorised for issue.

Remuneration committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board and executive team.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives. To this end, the Company provides competitive rewards to attract high calibre executives. At the Board's discretion the nature and amount of executive and directors' emoluments may be linked to the Company's financial and operational performance.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

REMUNERATION REPORT (Audited) (Continued)

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General meeting held on 26 November 2009 when shareholders agreed an aggregate remuneration of $750,000 per year.

The amount of aggregate remuneration sought to be approved by Shareholders and the fee structure is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process and may seek advice from external consultants if required. During the financial year and to the date of this report, the Board has not sought advice from any external consultants.

Each Non-Executive Director receives a fee for being a Director of the Company.

Non-Executive Directors are encouraged by the Board to hold shares in the Company purchased by the Director. The Non-Executive Directors of the Company are not eligible to participate in the Employee Share Option Plan. Nevertheless, share options may be granted to Non-Executive Directors to enable the Company to provide competitive remuneration at low cost in order to attract and retain high calibre directors while also aligning their remuneration with the creation of shareholder wealth.

The remuneration of Non-Executive Directors for the years ending 30 June 2014 and 30 June 2013 are detailed in Tables 1 and 2 on pages 15 and 16 of this report.

Executive remuneration

Objective

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Align the interests of Executives with those of Shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed Remuneration;
- Variable Remuneration – Short Term Incentives (STI); and
- Variable Remuneration – Long Term Incentives (LTI).

REMUNERATION REPORT (Audited) (Continued)

Fixed Remuneration

Objective
The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of business and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Remuneration Committee has access to external advice independent of management.

Structure
Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration – Short Term Incentive (STI)

Objective
The objective of any short term incentive is to link the remuneration received by the executives with the creation of shareholder wealth.

Structure
STI grants to Executives are delivered in the form of cash bonuses at the discretion of the Board after considering the recommendations of the Remuneration Committee based on contribution towards achievement of the Company's overall objectives. There were no cash bonuses granted during 2014 (2013: nil).

Variable Remuneration – Long Term Incentive (LTI)

Objective
The objective of the LTI plan is to reward Executives in a manner that aligns remuneration with the creation of Shareholder wealth. As such, LTI grants are only made to Executives who are able to influence the generation of Shareholder wealth and thus have an impact on the Company's performance against the relevant long-term performance.

Structure
LTI grants to Executives are delivered in the form of share options. At the discretion of the Board, the terms of the options may include performance, service or other conditions. Options granted to executives during the year are detailed on page 15.

Key Management Personnel are not permitted to enter into agreements at any time that provide lenders with rights over their interests in the Company's securities.

REMUNERATION REPORT (Audited) (Continued)

Company performance

In terms of the impact on the company's performance over the past 5 years, this is best reflected by the movement in the company's earnings, EPS and share price as outlined in the following table:

	2014	2013	2012	2011	2010
Net profit/ (loss) attributable to equity holders	(4,290,081)	(3,183,622)	(2,656,016)	(2,412,981)	(2,338,112)
Basic earnings/(loss) per share (cents)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Share price at 30 June (cents)	0.6	1.1	1.8	5.7	12.0
Share price movement over previous year (cents)	(0.5)	(0.7)	(3.9)	(6.3)	(4.0)

Employment contracts

The Managing Director, Mr Mark D Reilly, is employed under contract. The current employment contract commenced on 1 January 2005. Under the terms of the present contract:

- Mr Reilly may resign from his position and thus terminate this contract by giving 6 months written notice. On resignation by notice, any LTI options granted will have vested, or will vest during the notice period.
- The Company may terminate this employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Reilly's remuneration). On termination on notice by the Company, any LTI options granted will have vested, or will vest during the notice period.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Managing Director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Other executives: All executives have rolling contracts.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 1: Remuneration for the year ended 30 June 2014.

	Short Term Benefits				**Post employment**				
	Salary & Fees (i)	**Cash Bonus (ii)**	**Non-Monetary Benefits (iii)**	**Long Term Benefits**	**Super-annuation**	**Retirement benefits**	**Share-based Payment Options**	**Total**	**% of remuneration consisting of options**
Directors	$				$	$	**$**	**$**	
G. R. Featherby	54,000	-	-	-	1,249	-	-	55,249	-
M. D. Reilly	220,102	-	19,356	-	27,527	-	-	266,985	-
C. D. Grannell	60,000	-	-	-	-	-	-	60,000	-
J. G. Leahy	71,578	-	-	-	-	-	-	71,578	-
Executives									
S. Yelland (iv)	172,377	-	6,259	-	22,708	-	1,841 (v)	203,185	1%
M. R. Wylie	115,925	-	-	6,414	10,599	-	-	132,938	-
Total	693,982	-	25,615	6,414	62,083	-	1,841	789,935	-

(i) Salary & Fees includes a total of $149,600 that has been accrued but not yet paid
(ii) None of the remuneration was performance related.
(iii) Non-monetary benefits relates to the provision of rental accommodation and salary sacrifice payments.
(iv) Mr Yelland resigned on 22 October 2013.
(v) 1,000,000 options granted to Mr Yelland at commencement on 1 September 2011 vested over 2 years. These were granted as an incentive for Mr Yelland to join the Group, hence no performance conditions were attached.

REMUNERATION REPORT (Audited) (Continued)

There is no relationship between the remuneration for key management personnel and the Company's financial performance.

Table 2: Remuneration for the year ended 30 June 2013.

	Short Term Benefits				**Post employment**			
	Salary & Fees	**Cash Bonus (i)**	**Non-Monetary Benefits (ii)**	**Long Term Benefits (v)**	**Super-annuation**	**Retirement benefits**	**Share-based Payment Options**	**Total**
Directors	$				$	$	**$**	**$**
G. R. Featherby	90,000	-	-	-	8,100	-	-	98,100
B. T. Judge	-	-	-	-	-	-		
M. D. Reilly	189,122	-	239,031	-	23,740	-	-	451,893
C. D. Grannell	60,000	-	-	-	-	-	-	60,000
J. G. Leahy	61,477	-	-	-	-	-	-	61,477
B. Gustafsson	-	-	-	-	-	-	-	-
Executives								
S. Yelland (iv)	239,666	-	54,199	-	33,235	-	14,833 (iii)	341,933
M. R. Wylie	129,134	-	-	6,414	11,250	-	-	146,798
Total	769,399	-	293,230	6,414	76,325	-	14,833	1,160,201

(i) None of the remuneration was performance related.
(ii) Non-monetary benefits relates to the provision of rental accommodation and salary sacrifice payments.
(iii) 1,000,000 options granted to Mr Yelland at commencement on 1 September 2011 vest over 2 years. These were granted as an incentive for Mr Yelland to join the Group, hence no performance conditions were attached.
(iv) Mr Yelland was appointed on 1 September 2011, appointment and resignation of directors is detailed in the Directors' Report.
(v) Annual leave and long service leave reclassified from short term to long term due to the application of AASB 119(R).

Table 3: Compensation options and rights granted and vested during the year

During the year ended 30 June 2014, there were nil (2013: nil) options and rights granted as equity compensation benefits to Directors and KMP. No options were exercised during the year ended 30 June 2014. 500,000 options granted to Mr Yelland on 1.09.11 vested during the year ended 30 June 2014. All options granted to Mr Yelland expired on 22.04.14, six months after he ceased employment with the Company.

	Granted		**Terms & Conditions for each Grant**					**Vested**	
Year ended 30 June 2014	**Number**	**Grant date**	**Fair Value per option/right at grant date ($)**	**Exercise price per option ($) (i)**	**Expiry Date**	**Vested during the year**	**Expired during the year (iii)**	**Vesting date**	**%**
S Yelland	1,000,000	1.09.11	$0.048	$0.092	22.04.14	500,000	1,000,000	1.09.13	100

(i) Exercise price is 6 pence per share.
(ii) On 1 September 2011, Mr. Yelland was also granted rights to 2,000,000 options exercisable at 10 pence within 5 years however these options were not issued as service conditions and achievement of exploration performance targets were not met.
(iii) $48,000 options expired during the year.

REMUNERATION REPORT (Audited) (Continued)

Option holdings of Key Management Personnel

Year ended 30 June 2014	Balance at beginning of period 1 July 2013	Granted as Compens-ation	Options Exercis ed	Net Change Other (i)	Balance at end of period 30 June 2014	At 30 June 2014 Total	Not Vested	Vested
G R Featherby	800,000	-	-	(800,000)	-	-	-	-
M D Reilly	2,000,000	-	-	(2,000,000)	-	-	-	-
C D Grannell	2,600,000	-	-	(2,600,000	-	-	-	-
J G Leahy	800,000	-	-	(800,000)	-	-	-	-
S Yelland	1,000,000	-		(1,000,000)	-	-	-	-
M R Wylie	-	-	-	-	-	-	-	-
Total	7,200,000	-	-	(7,200,000)	-	-	-	-

(i) Options for Mr Yelland were forfeited six months after he ceased employment on 22 October 2013. Options for each of Mr Featherby, Mr Reilly, Mr Grannell and Mr Leahy expired during the year

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Shareholdings of Key Management Personnel

Shares held in Forte Energy Ltd (number) 30 June 2014	Balance 1 July 2013 Fully Paid Ordinary Shares	Granted as Remuneration Fully Paid Ordinary Shares	On Exercise of Options Fully Paid Ordinary Shares	Net Change Other (ii) Fully Paid Ordinary Shares	Balance 30 June 2014 Fully Paid Ordinary Shares
G R Featherby	16,380,286	-	-	-	16,380,286
M D Reilly	17,416,333	-	-	12,500,000	29,916,333
C D Grannell	7,700,000	-	-	-	7,700,000
J G Leahy	1,600,000	-	-	-	1,600,000
S Yelland (i)	-	-	-	-	-
M R Wylie	101,000	-	-	-	101,000
Total	43,197,619	-	-	12,500,000	55,697,619

(i) Mr Yelland ceased employment on 22 October 2013
(ii) Mr Reilly purchased shares under a placement in accordance with shareholder approval.

Other key management personnel did not hold shares in the Company.

No shares were issued on exercise of compensation options during the year (2013: nil).

Voting and comment made on the Group's 2013 Annual General Meeting

The Group received approximately 98% (2013: 84%) of "yes" votes on its remuneration report for the year ended 30 June 2014.

Other transactions and balances with Key Management Personnel and their related parties

From 1 September 2011, the Company began renting an office at normal market prices from an entity associated with G R Featherby. During the year rental payments of $30,423 (2013: $122,891) were made to the entity. At 30 June 2014 there was an outstanding balance of $27,982.

During the financial year amounts totalling $291,485 were loaned to the Company by M D Reilly. The loans are interest free with no contracted repayment date.

(End of audited remuneration report)

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS' MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

	Directors' Meetings[1]	Remuneration Committee[2]	Audit Committee[3]
G R Featherby	3	0	2
M D Reilly	3	N/A	N/A
C D Grannell	3	0	2
J G Leahy	3	0	2

1. 3 meetings held
2. 0 meeting held
3. 2 meetings held

COMMITTEE MEMBERSHIP

Details of the composition of the Board Committees are provided in the Corporate Governance Statement.

The Directors of the Company consider that due to the level of current operations, a separate Nomination Committee is not necessary.

COMPETENT PERSONS STATEMENT

The information in this report that relates to the reporting of Mineral Resources is based on information compiled or reviewed by Mr. Galen White, who is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM). Mr White is the Principal Geologist of CSA Global (UK) Ltd. CSA Global have an on-going role as geological consultants to Forte Energy NL. Mr. White has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. White consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the reporting of foreign mineral resource estimates is provided under ASX listing rule 5.12 and is an accurate representation of the available data and studies for the Kuriskova and Novoveska Huta uranium deposits and is based on information reviewed by Mr Dorian (Dusty) Nicol. Mr Nicol is President and CEO of European Uranium Resources Ltd. Mr Nicol is a Fellow of the AusIMM, a Registered Member of the SME, a Certified Professional Geologist, a Registered Geologist in the state of Wyoming, USA and is a Qualified Person under NI 43-101.

AUDITOR'S INDEPENDENCE

The Directors received the following declaration from the auditor of Forte Energy NL.

EY
Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Forte Energy NL

In relation to our audit of the financial report of Forte Energy NL for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
30 September 2014

NON-AUDIT SERVICES

Ernst & Young received or are due to receive no amounts for the provision of non-audit services.

Signed in accordance with a resolution of the Directors.

....
M D Reilly
MANAGING DIRECTOR

30 September 2014

FORTE ENERGY NL
(ABN 59 009 087 852)

SCHEDULE OF INTERESTS IN MINING TENEMENTS
CURRENT AT 30 JUNE 2014

COUNTRY	TENEMENT NAME/LOCATION	TENEMENT NUMBER	INTEREST	COMMENTS
Republic of Guinea	Kissidougou (Firawa)	XP 110	100%	
	Kissidougou (Firawa)	XP 130	100%	
Republic of Mauritania	Steilet Zednes	XP 281	100%	
	D' Adem Essder	XP 282	100%	
	Rhall Amane	XP 283	100%	
	Tisram	XP 284	100%	
	Gleibat Ten Ebdar	XP 285	100%	
	Legleya	XP 286	100%	
	Hassi Baida	XP 948	100%	
	Ouissuat	XP 949	100%	
	Bir Ould Ben Nassar	XP 1173	100%	
	Nord Tmeimichat Rhall Amane	XP 1588	100%	

NOTE: **XP** = Exploration Permit

FORTE ENERGY NL
(ABN 59 009 087 852)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
Revenue	6	1,987	5,590
Other income	7	145,091	312,268
Exploration expenses		(51,394)	(68,114)
Impairment expenses		(1,239,572)	-
Administrative expenses	8	(3,128,040)	(3,405,792)
Loss before income tax		**(4,271,928)**	**(3,156,048)**
Income tax expense	9	(18,153)	(27,574)
Loss after income tax		**(4,290,081)**	**(3,183,622)**
Net loss for the year		**(4,290,081)**	**(3,183,622)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(224,645)	(60,309)
Other comprehensive loss for the year net of tax		**(224,645)**	**(60,309)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF FORTE ENERGY NL		**(4,514,726)**	**(3,243,931)**
Loss per share (cents per share) attributable to ordinary equity holders of the Company			
- basic loss for the year	10	(0.35)	(0.36)
- diluted loss for the year	10	(0.35)	(0.36)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

FORTE ENERGY NL
(ABN 59 009 087 852)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	Consolidated As at 30 June 2014 $	Consolidated As at 30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	11	92,467	146,013
Trade and other receivables	12	286,155	406,475
Prepayments		52,296	57,684
Held for trading	13	707,671	-
		1,138,589	610,172
Non-current assets classified as held for sale		-	126,081
Total Current Assets		**1,138,589**	736,253
Non-Current Assets			
Available-for-sale investments	13	40,139	1,697
Exploration and evaluation expenditure	14	31,060,057	30,748,247
Plant and equipment	15	63,256	175,264
Total Non-Current Assets		**31,163,452**	30,925,208
TOTAL ASSETS		**32,302,041**	31,661,461
LIABILITIES			
Current Liabilities			
Trade and other payables	16	1,968,074	550,745
Income tax payable		47,298	28,495
Provisions	17	46,264	46,853
		2,061,636	626,093
Liabilities associated with assets held for sale		-	2,760
Total Current Liabilities		**2,061,636**	628,853
Non-Current Liabilities			
Loan to related party	24(d)	291,485	-
Convertible loan note	18	783,520	-
Convertible loan	19	-	1,172,992
Provisions	17	26,139	38,416
Total Non-Current Liabilities		**1,101,144**	1,211,408
TOTAL LIABILITIES		**3,162,780**	1,840,261
NET ASSETS		**29,139,261**	29,821,200
EQUITY			
Issued capital	20	89,160,792	85,329,846
Reserves	21	2,166,391	2,389,195
Accumulated losses	21	(62,187,922)	(57,897,841)
TOTAL EQUITY		**29,139,261**	29,821,200

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

FORTE ENERGY NL
(ABN 59 009 087 852)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity $	Accumulated losses $	Equity benefits reserve $	Foreign currency translation $	Total equity $
Consolidated					
At 1 July 2013	85,329,846	(57,897,841)	2,519,765	(130,570)	29,821,200
Loss for the period	-	(4,290,081)	-	-	(4,290,081)
Other comprehensive income	-	-	-	(224,645)	(224,645)
Total comprehensive income for the year net of tax	-	(4,290,081)	-	(224,645)	(4,514,726)
Equity transactions:					
Share-based payment	-	-	1,841	-	1,841
Issue of ordinary shares	3,965,035	-	-	-	3,965,035
Transaction costs	(134,089)	-	-	-	(134,089)
Balance at 30 June 2014	**89,160,792**	**(62,187,922)**	**2,521,606**	**(355,215)**	**29,139,261**

	Contributed equity $	Accumulated losses $	Equity benefits reserve $	Foreign currency translation $	Total equity $
Consolidated					
At 1 July 2012	83,076,849	(54,714,219)	2,456,399	(70,261)	30,748,768
Loss for the period	-	(3,183,622)	-	-	(3,183,622)
Other comprehensive income	-	-	-	(60,309)	(60,309)
Total comprehensive income for the year net of tax	-	(3,183,622)	-	(60,309)	(3,243,931)
Equity transactions:					
Share-based payment	-	-	63,366	-	63,366
Issue of ordinary shares	2,410,386	-	-	-	2,410,386
Transaction costs	(157,389)	-	-	-	(157,389)
Balance at 30 June 2013	**85,329,846**	**(57,897,841)**	**2,519,765**	**(130,570)**	**29,821,200**

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

FORTE ENERGY NL
(ABN 59 009 087 852)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,409,014)	(2,815,058)
Income tax paid		(1,773)	(5,245)
Interest and other income received		157,010	199,972
Net cash flows used in operating activities	22	**(1,253,777)**	**(2,620,331)**
Cash flows from investing activities			
Payments for purchase of equipment		-	(27,494)
Payment for exploration and evaluation expenditure		(1,287,652)	(1,744,094)
Purchase of equity investment		(98,350)	-
Proceeds from sale of prospect		100,000	-
Net cash flows used in investing activities		**(1,286,002)**	**(1,771,588)**
Cash flows from financing activities			
Proceeds from issue of shares		1,507,647	2,303,254
Transaction costs relating to issue of shares		(107,141)	(151,996)
Proceeds from borrowings		1,079,592	620,820
Net cash from financing activities		**2,480,098**	**2,772,078**
Net decrease in cash and cash equivalents		(59,681)	(1,619,841)
Cash and cash equivalents at the beginning of the financial year		146,013	1,763,431
Effects of exchange rate changes on cash and cash equivalents		6,135	2,423
Cash and cash equivalents at the end of financial year	11	**92,467**	**146,013**

The above cash flow statement should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The financial report of Forte Energy NL for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30 September 2014.

Forte Energy NL is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange, and on the AIM Board of the London Stock Exchange.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investments and derivative financial instruments, which have been measured at fair value.

The financial report is presented in Australian dollars. The Consolidated Entity is a for profit entity primarily involved in mineral exploration.

(b) Going Concern

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2014 of $4,290,081 (30 June 2013: $3,183,622) and has a deficiency of net current assets at 30 June 2014 of $923,047 (surplus net current assets at 30 June 2013: $107,400). The Consolidated Entity's cash flow forecast shows that it does not have sufficient funds to meet its minimum committed administrative and exploration expenditure for at least twelve months from the date of signing these financial statements. The Consolidated Entity will require additional funding within the next 12 months in order to continue as a going concern. The Directors believe that the Consolidated Entity has a number of options available to raise those funds, including equity placements to sophisticated investors, share purchase plans, rights issues, debt to equity conversion and convertible loan facilities and will pursue these further as and when appropriate. The Company currently has a three-year equity financing facility of £10,000,000 and is in discussions with other parties in relation to an additional funding facility. The Company has also announced a placement and a Share Purchase Plan to raise additional funds and reduce current liabilities.

The Directors are satisfied that, at the date of the signing of the financial statements, there are reasonable grounds to believe that the Consolidated Entity will be able to meet its obligations as and when they fall due and continue to proceed with the Consolidated Entity's strategic objectives.

Should the directors not achieve the matters set out above, there is significant uncertainty whether the Consolidated Entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Statement of compliance

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

(d) New accounting standards and interpretations

The Company has adopted all new and amended Australian Accounting Standards and AASB interpretations as at 1 July 2013, including:

Reference	Title
AASB 10	**Consolidated Financial Statements** AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The application of AASB 10 did not have a material impact on the Group as the subsidiary is wholly owned.
AASB 11	**Joint Arrangements** AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities - Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. The Group does not have any joint arrangements and therefore the application of AASB 11 did not have any material impact.
AASB 12	**Disclosure of Interests in Other Entities** AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The application of AASB 12 resulted in additional disclosures for interests in other entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New accounting standards and interpretations (continued)

Reference	Title
AASB 13	**Fair Value Measurement** AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The application of AASB 13 had no material impact on the fair value measurements or disclosures of the Group's assets or liabilities.
AASB 119 (Revised 2011)	**Employee Benefits** The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The Group's liability for annual leave has been measured and disclosed as a long-term benefit accordingly and has resulted in a reclassification of $6,414 (2013: $6,414) from short term to long term benefits in the key management personnel disclosures.
AASB 2012-2	**Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities** AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met. Application of AASB 2012-2 had no impact on the Group.
AASB 2011-4	**Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]** This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. The application of AASB 2011-4 resulted in a change to the disclosures in the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New accounting standards and interpretations (continued)

The following standards and interpretations have been issued but are not yet effective for the year ending 30 June 2014.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
AASB 9/IFRS 9	Financial Instruments	On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment	1 January 2018	1 July 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.		
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB	1 July 2014	1 July 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.		
AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: ► AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ► AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 July 2014
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the F*ramework (*issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	1 January 2014	1 July 2014
Amendments to AASB 116 and	Clarification of Acceptable Methods	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being	1 January 2016	1 July 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 138	of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	the expected pattern of consumption of the future economic benefits of an asset. The AASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The AASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.		
IFRS 15 *	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services) The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 January 2017	1 July 2017

* This IFRS standard has not yet been adopted by the AASB.

The Group has yet to assess the impact of these new and amended standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Forte Energy NL and its subsidiaries as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss and;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Segment reporting

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

(g) Foreign currency translation

(i) Functional and presentation currency
Both the functional and presentation currency of Forte Energy NL is Australian Dollars (A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of Forte Energy UK Limited is Great British Pounds (GBP).

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences arising from the above procedures are taken to the profit and loss.

(iii) Foreign operations
As at the reporting date, the assets and liabilities of the overseas subsidiary are translated at the rate of exchange ruling at the reporting date and the statement of comprehensive income is translated at the average exchange rates for the period. The exchange differences arising on the translation are taken through OCI and disclosed separately as a component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade receivables, which generally are security deposits held on 30-90 day terms, are recognised and carried at the original amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(j) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification is determined on initial recognition and depends on the purpose for which the investments were acquired. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Impairment
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Investments and other financial assets (continued)

(ii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date.

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit and loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit.

(k) Derivative financial instruments

Derivative financial instruments are initially stated at their fair value on the date a derivate contract is executed and are subsequently carried at fair value at each reporting date. The resulting gain or loss is recognised in profit or loss during each reporting period.

The fair value of derivative financial instruments not traded in an active market is determined using valuation techniques based on option pricing models.

(l) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the ‘area of interest’ method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest are current and either:

- The exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Exploration and evaluation expenditure (continued)

Impairment
The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

(m) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific asset as follows:

Plant and equipment – over 3 to 10 years.
Motor vehicles – over 5 years.

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(n) Leases

The determination or whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases (continued)

Group as a lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(o) Impairment of other non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(p) Trade and other payables

Trade payables and other payables are carried at amortised cost. Due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions and employee benefits (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for leave not expected to be settled within 12 months of the reporting date is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Share-based payment transactions

The Group provides benefits to its employees (including key management personnel) and to non-employees in the form of share-based payments, whereby services are rendered partly or wholly in exchange for shares or rights over shares (equity-settled transactions).

The Forte Energy NL Employee Share Option Plan currently in place, was approved by Shareholders on 10 February 1996. The employee share option plan has been established where Forte Energy NL may, at the discretion of the Board, grant options over the ordinary shares of Forte Energy NL to Directors and certain members of staff of the Group. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the Directors of Forte Energy NL, although the Board of Forte Energy NL retains the final discretion on the issue of the options. The options are issued for a term of 5 years and are exercisable beginning on the first anniversary of the date of grant. The options cannot be transferred and will not be quoted on the ASX.

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black & Scholes or Binomial option modelling technique as appropriate, further details of which are given in note 25.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Forte Energy NL (market conditions) if applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant recipient becomes fully entitled to the award.

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 10).

(s) Contributed equity

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.

(t) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition (continued)

(i) Interest Revenue

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.

(ii) Dividends

Revenue is recognised when the Company's right to receive payment is established.

(u) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax and other taxes (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(v) Loss per share

Basic loss per share is calculated as net loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net profit attributable to members of the Company adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

(x) Convertible loan

The component of the convertible loan that exhibits characteristics of a liability is recognised as a liability in the statement of financial position net of transaction costs. The liability component is initially recognised at fair value and subsequently carried at amortised cost until extinguished on conversion or redemption. Interest on the liability component of the instrument is recognised as an expense. The fair value of any derivative feature embedded in the convertible note other than any equity component is included with the liability component.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, short-term deposits, investments, borrowings, convertible notes and warrants.

The main purpose of these financial instruments is to finance the company's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk, cash flow interest rate risk, foreign currency risk and equity price risk. Other risks are also summarised below. The Board reviews and agrees policies for managing each of these risks.

Cash flow interest rate risk
The Group's exposure to the risks of changes in market interest rates relate primarily to the Group's cash, short-term deposits, security deposits with floating interest rates. These financial assets with variable rates expose the Group to cash flow interest rate risk. The Group's policy is to manage this risk by comparing the interest rates received with advertised available rates to ensure competitiveness, whilst considering other matters such as security and operational efficiencies. The convertible note has a fixed interest rate. All other financial assets and liabilities in the form of receivables, payables and available-for-sale investments are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the Company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 1% higher or lower with all other variables held constant as a sensitivity analysis. The choice of plus or minus 1% for the sensitivity analysis reflects that, while recent movements in Australian interest rates has been downward and continued economic pressures may result in further falls, the external pressure from continuing uncertainty in European and United States economies has caused the rate to remain steady for several months and may lead to downward pressure on Australian interest rates.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	Floating Interest Rate		Interest Rate Risk Sensitivity **2014**				Interest Rate Risk Sensitivity **2013**			
			-1%		+1%		-1%		+1%	
	$		$		$		$		$	
	2014	**2013**	Loss (higher)/ lower	Equity higher/ (lower)	Loss (higher)/ lower)	Equity higher/ (lower)	Loss (higher)/ lower	Equity higher/ (lower)	Loss (higher)/ lower	Equity higher/ (lower)
Financial assets:										
Cash at Bank	92,467	146,013	(925)	(925)	925	925	(1,460)	(1,460)	1,460	1,460
Total	92,467	146,013	(925)	(925)	925	925	(1,460)	(1,460)	1,460	1,460
Weighted average interest rate	0.90%	0.69%								
Financial liabilities:										
Trade & other payables	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Weighted average interest rate	-	-								
Net financial assets (liabilities)	92,467	146,013	(925)	(925)	925	925	(1,460)	(1,460)	1,460	1,460

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall loss.

Price risk
The Group is exposed to changes in quoted prices of its investments in listed entities due to general market forces or to factors specific to those entities. The Group's policy is to regularly monitor market trading performance of these investments and any public announcements issued, to identify any concerns with long-term performance expectations.

	Investments in Listed Entities		Price Risk Sensitivity **2014**				Price Risk Sensitivity **2013**			
			-20%		+10%		-20%		+10%	
	$		$		$		$		$	
	2014	**2013**	Loss (higher)/ lower	Equity higher/ (lower)	Loss (higher)/ lower)	Equity higher/ (lower)	Loss (higher)/ lower	Equity higher/ (lower)	Loss (higher)/ lower	Equity higher/ (lower)
Investments	747,810	1,697	(149,562)	(149,562)	74,781	74,781	(339)	(339)	170	170
Total	747,810	1,697	(149,562)	(149,562)	74,781	74,781	(339)	(339)	170	170

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk arises from the financial assets of the Group, which primarily comprises cash and cash equivalents, security deposits. The Group's exposure to credit risk arises from potential default by the counter party, with a maximum exposure equal to the carrying amount of these instruments as indicated in the statement of financial position. Exposure at balance date is addressed in each applicable note. The Group manages this risk by investing with recognised credit worthy third parties. Financial instruments held by the Group are usually spread amongst a number of financial institutions all of which have credit ratings of AA or better, to minimise the risk of counterparty default. At statement of financial position date the majority of cash and cash equivalents are held by two financial institutions with an S&P credit rating of AA.

The significant concentration of credit risk is in relation to security deposits, refer note 12.

Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through ensuring the Group has sufficient working capital (refer note 2(b)) and preserving the 15% share issue limit available to the Group under the ASX Listing Rules.

Contractual maturities of financial liabilities for the years ended 30 June:

	2014	**2013**
	$	$
Payable		
- less than 6 months	1,968,074	550,745
- later than 6 months	1,075,005	1,362,355
Total	3,043,079	1,913,100

Currency risk

The Group has exploration projects in the Republics of Guinea and Mauritania, has established a UK subsidiary and is listed on the London Stock Exchange AIM. The Company has transactional currency exposures. Such exposure arises from expenditure for exploration and evaluation which can be affected significantly by movements in the US$/A$ and Euro/A$ exchange rates and UK management and regulatory costs which can be affected significantly by movements in the GBP/A$. The Group has investments with Canadian company, European Uranium Resources Ltd which can be affected by movements in the CAD$/A$ exchange rate.

The Group has not entered into any derivative financial instruments to hedge such transactions.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 30 June, the Group had the following exposure to foreign currency:

			2014 AUD		
	USD	CAD	GBP	EUR	Total
Financial assets:					
Cash and cash equivalents	232	-	-	-	232
Investments	-	38,726	709,084	-	747,810
Financial liabilities:					
Trade and other payables	-	-	(152,968)	(1,092,514)	(1,245,482)
Convertible loan note	-	-	(783,519)	-	(783,519)
Net exposure	232	38,726	(227,403)	(1,092,514)	(1,280,959)

			2013 AUD		
	USD	CAD	GBP	EUR	Total
Financial assets:					
Cash and cash equivalents	106,139	-	-	-	106,139
Investments	-	-	1,697	-	1,697
Financial liabilities:					
Trade and other payables	(4,928)	-	(71,485)	(3,202)	(79,615)
Convertible loan	(1,172,992)	-	-	-	(1,172,992)
Net exposure	(1,071,781)	-	(69,788)	(3,202)	(1,144,771)

The following sensitivity is based on the foreign currency risk exposures in existence at the statement of financial position date:

At 30 June 2014 and 2013 respectively, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, pre tax profit and equity would have been affected as follows:

	Post Tax Profit		Equity	
	2014 $	**2013** $	**2014** $	**2013** $
AUD/USD + 10%	(23)	107,178	(23)	107,178
AUD/USD – 10%	23	(107,178)	23	(107,178)
AUD/CAD + 10%	(3,873)	-	(3,873)	-
AUD/CAD – 10%	3,873	-	3,873	-
AUD/GBP + 10%	22,740	6,979	22,740	6,979
AUD/GBP – 10%	(22,740)	(6,979)	(22,740)	(6,979)
AUD/EUR + 10%	109,251	320	109,251	320
AUD/EUR – 10%	(109,251)	(320)	(109,251)	(320)
Total AUD + 10%	131,968	114,477	131,968	114,477
Total AUD – 10%	(131,968)	(114,477)	(131,968)	(114,477)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair values

All assets and liabilities recognised in the statement of financial position, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes. Apart from the available-for-sale investments, for which the fair value is determined using quoted market prices (level 1), and the embedded derivatives within the convertible loan, which have been valued using an option pricing model (level 2) there are no financial assets or liabilities carried at fair value.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements in applying accounting policies and estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its assumptions and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its assumptions and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Judgements made in applying accounting policies

Management applied judgement in applying the going concern basis of preparation, refer Note 2(b).

Estimations and assumptions

Management has identified the following significant estimates and assumptions made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees or other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Binomial option pricing model, with the assumptions detailed in note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

5. SEGMENT INFORMATION

Identification of reportable segments:

For management purposes, the Consolidated Entity is organised into two operating segments based on geographical exploration regions.

Management monitors the operating results of operating segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on exploration costs and results obtained. Finance costs, finance income and income taxes are managed on a group basis.

The reportable segments of the Consolidated Entity are as follows:

- Mineral exploration in Mauritania.
- Mineral exploration in Guinea.

Accounting policies and inter-segment transactions:

The accounting policies used by the Group in reporting segments are the same as those contained in note 2 to the accounts and in the prior year.

It is the Consolidated Entity’s policy that if items of revenue and expenses are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:
- Interest income and cash balances
- Net gains and losses on disposal of available-for-sale investments
- Non-current assets classified as held for sale, and
- Corporate and administrative income and expenses other than the depreciation of fixed assets.

5. SEGMENT INFORMATION (Continued)

Operating segments – 30 June 2014

	Mauritania uranium exploration $	**Guinea uranium exploration $**	**Total $**
Year ended 30 June 2014			
Revenues			
Other Revenue from external customers	-	-	-
Total Segment revenue	-	-	-
Unallocated items			
Interest Income			1,987
Total revenue per statement of comprehensive income (i)			**1,987**
Other unallocated income			145,091
Results			
Segment (loss)	(27,398)	(1,291,435)	(1,318,833)
Unallocated items			
Other unallocated revenue			1,987
Other unallocated income			145,091
Administrative expenses			(3,100,173)
Net loss before tax			(4,271,928)
Segment assets as at 30 June 2014	**23,984,068**	**7,125,963**	**31,110,031**
Cash and cash equivalents			92,467
Other Corporate assets			1,099,543
Total assets per statement of financial position as at 30 June 2014			**32,302,041**
Segment liabilities	**(996,905)**	**-**	**(996,905)**
Unallocated liabilities			(2,165,875)
Total liabilities			**(3,162,780)**

5. SEGMENT INFORMATION (Continued)

Operating segments – 30 June 2013

	Mauritania uranium exploration $	Guinea uranium exploration $	Total $
Year ended 30 June 2013			
Revenues			
Other Revenue from external customers	-	-	-
Total Segment revenue	-	-	-
Unallocated items			
Interest Income			5,590
Total revenue per statement of comprehensive income			**5,590**
Other unallocated income			312,268
Results			
Segment (loss)	(19,785)	(55,164)	(74,949)
Unallocated items			
Other unallocated revenue			5,590
Other unallocated income			312,268
Administrative expenses			(3,398,957)
Net loss before tax			(3,156,048)
Segment assets as at 30 June 2013	**22,497,443**	**8,330,227**	**30,827,670**
Cash and cash equivalents			146,013
Non-current assets classified as held for sale			126,081
Other Corporate assets			561,697
Total assets per statement of financial position as at 30 June 2013			**31,661,461**
Segment liabilities	**(138,214)**	**(3,876)**	**(142,090)**
Unallocated liabilities			(1,698,171)
Total liabilities			**(1,840,261)**

5. SEGMENT INFORMATION (Continued)

Geographic information

	2014 $	2013 $
Revenue (by location of assets)		
Australia	552	4,519
United Kingdom	1,435	1,071
	1,987	5,590
Non-current assets		
Australia	7,490	10,480
Mauritania	23,984,068	22,497,443
Guinea	7,125,963	8,330,227
United Kingdom	5,792	85,361
	31,123,313	30,923,511

Non-current assets for this purpose consist of plant and equipment, exploration and evaluation assets.

6. REVENUE

Interest income	1,987	5,590
Total revenue	1,987	5,590

7. OTHER INCOME

Office sub-lease rent	145,091	184,608
Gain on derivative financial instruments	-	127,660
Total other income	145,091	312,268

8. ADMINISTRATIVE AND OTHER EXPENSES

	2014 $	2013 $
Accounting and audit fees	153,825	194,593
Consulting fees	223,545	48,314
Depreciation of plant and equipment	95,210	89,887
Employee benefits expense (i)	789,241	1,030,987
Other employment expenses	5,477	13,490
Foreign exchange differences	1,628	3,434
Impairment loss on investments	607,516	28
Legal fees	201,089	78,868
Loan fees and costs	61,268	49,279
Loss on convertible loan	-	548,428
Media and public relations	67,497	154,662
Nominated advisor and broker fees	122,354	106,750
Promotions, roadshows and conferences	706	18,823
Reporting and listing costs	101,788	96,592
Share based payments - other	-	189,727
Telecommunication and computing	80,270	84,389
Travel and accommodation	124,797	137,172
Operating lease	247,321	413,610
Other	244,508	146,759
Total administrative and other expenses	3,128,040	3,405,792

(i) Employee benefits expense is comprised of:

	2014 $	2013 $
Salaries and wages	776,776	785,555
Employee provisions	(15,527)	(17,416)
Share based payments	1,841	14,833
Other employee benefits expense	26,151	248,015
Total	789,241	1,030,987

9. TAXATION

The major components of income tax expense are:

	2014 $	2013 $
Income Statement		
Current income tax		
Current income tax charge	18,153	27,574
Income tax expense reported in the income statement	18,153	27,574

Current tax expense relates to assessable income in Forte Energy UK Limited.

9. TAXATION (Continued)

A reconciliation from accounting loss to tax expense is as follows:

	2014 $	2013 $
Accounting loss before income tax	(4,271,928)	(3,156,048)
At Company's statutory income tax rate of 30% (2013:30%)	(1,281,578)	(946,814)
Expenditure not allowable for income tax purposes	552	225,896
Deferred tax benefits not brought to account	1,299,179	748,492
Income tax expense reported in the Income Statement	18,153	27,574

Deferred income tax

Deferred income tax at 30 June relates to the following:

	2014 $	2013 $
Deferred tax liabilities		
Exploration & evaluation costs	9,318,017	9,224,474
Set-off of deferred tax assets	(9,318,017)	(9,224,474)
Net deferred tax liabilities	-	-
Deferred tax assets		
Carried forward losses recognised to the extent of deferred tax liabilities	9,318,017	9,224,474
Set-off of deferred tax liabilities	(9,318,017)	(9,224,474)
Deferred tax income/(expense)	-	-

The Company has other losses of $29,378,840 (2013: $25,954,703) for which no deferred tax asset has been recognised. These losses are available indefinitely for offset against future taxable profits of the Company in which the losses arose subject to meeting certain statutory requirements.

At 30 June 2014, the Company has other deductible temporary differences of $1,002,246 (2013: $572,671) for which no deferred tax asset has been recognised. None of these deductible temporary differences relate to investments in subsidiaries, associates or joint ventures.

10. LOSS PER SHARE

The following reflects the loss used in the basic and diluted loss per share computations:

	2014 $	2013 $
Net loss attributable to ordinary equity holders of the Company	(4,290,081)	(3,183,622)
Weighted average number of ordinary shares for basic earnings per share	1,218,161,175	874,116,124
Weighted average number of ordinary shares adjusted for the effect of dilution	1,218,161,175	874,116,124

At the balance sheet date the Company had 9,000,000 options (2013: 98,652,500) and 2,250,000 partly paid shares (2013: 2,250,000) on issue which could have a dilutive effect on basic earnings per share in future periods.

11. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	84,517	146,013
Short term deposits	7,950	-
	92,467	146,013

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short term deposits are held with banks with maturities of three months.

	2014 **$**	**2013** **$**

12. TRADE AND OTHER RECEIVABLES

Environmental security deposit – Millenium project	-	7,950
Exploration bank guarantee deposits - Mauritania	225,492	229,788
Rent security deposit	-	100,296
VAT receivable – United Kingdom	60,663	68,441
	286,155	406,475

Exploration bank guarantee deposits are non-interest bearing. These deposits are required under the terms of the Mauritanian exploration licences as guarantee that minimum expenditure commitments will be achieved. The guarantee deposits are for the term of the exploration permit renewals (three years) or until minimum expenditure has been demonstrated. The deposits are held with Banque Nationale de Mauritanie, one of the three largest commercial banks in Mauritania.

13. INVESTMENTS

	$	$
At fair value		
Held for Trading		
Shares - listed	707,671	-
	707,671	-
Available-for-sale Investments		
Shares - listed	40,139	1,697
	40,139	1,697

Investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. The fair value at 30 June 2014 included unrealised losses during the financial year of $607,516 (2013: loss of $28) due to movement in equity prices and currency exchange rates.

Listed shares
The fair value of listed investments has been determined directly by reference to published price quotations in an active market. There are no individually material investments.

On 10 March 2014 the Company received 680,000 shares in Global Resources Investment Trust Plc (“GRIT”) at a price of £1.00 per GRIT Share, a company listed on the main market of the London Stock Exchange. The shares were received under a share exchange agreement whereby Forte Energy issued 170,000,000 fully paid ordinary shares to GRIT at 0.4 pence per share. It is expected that the GRIT shares will be disposed of within 12 months to raise working capital. Accordingly the GRIT shares are recognised as ‘Held for trading’.

On 23 April 2014, the Company completed a private subscription for CAD$100,000 to acquire 1,111,111 shares and 555,555 warrants. The warrants were granted with a two-year expiry period to purchase shares in European Uranium at CAD$0.15 per share.

14. EXPLORATION AND EVALUATION EXPENDITURE

	2014 $	2013 $
Carrying amount at beginning of year	30,748,247	28,463,555
Additions	1,551,382	2,284,692
Impairment	(1,239,572)	-
Carrying amount at end of year net of impairment	31,060,057	30,748,247

Exploration and evaluation costs have been capitalised at cost. An impairment expense of $1,239,572 (2013: Nil) was recognised when the Company decided to relinquish its exploration interests at its Bohoduo project in Guinea after forming the view that the low prospectivity and economics of the project did not warrant further expenditure. This impairment expense represents the whole amount of exploration and evaluation relating to the Bohoduo project and is included in the Guinea's segment results as presented in Note 5. No other impairment loss was recognised in the 2014 financial year because either:

- The exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or

- Exploration and evaluation activities in each area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relevant to, the area of interest are continuing.

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

On 16 June 2014, the Company announced a binding letter of intent had been executed to enter into a joint venture agreement with EUU whereby Forte Energy may earn a 50% interest in the Slovak uranium projects of European Uranium for a total expenditure of CAD$4,000,000 over 10 years. Under the terms of the agreement Forte Energy is required to pay CAD$500,000 to European Uranium and fund work commitments of CAD$350,000 during the first year. To maintain its interest in the joint venture agreement, Forte Energy is required to meet minimum annual expenditure of CAD$350,000 per year for years 2 to 10. An initial deposit of CAD$25,000 was paid to European Uranium on 16 June 2014.

Subsequent to the end of the reporting period, a definitive Joint Venture agreement was executed on 31 July 2014. A further CAD$250,000 has been paid to European Uranium since the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Plant and equipment		
Carrying amount at beginning of year net of accumulated depreciation and impairment	175,264	240,058
Additions	-	16,238
Disposals	(24,165)	-
Exchange differences	7,367	8,855
Depreciation	(95,210)	(89,887)
Carrying amount at end of year net of accumulated depreciation and impairment	63,256	175,264
Plant and equipment		
Cost	436,032	547,188
Accumulated depreciation and impairment	(372,776)	(371,924)
Net carrying amount at end of year	63,256	175,264

No impairment loss was recognised in the 2014 or 2013 financial years.

16. TRADE AND OTHER PAYABLES

Trade payables	496,945	382,959
Accruals	1,471,129	167,786
Trade and other payables	1,968,074	550,745

Trade payables and accruals are non-interest bearing and are normally settled on 30 day terms.

17. PROVISIONS

	Employee Benefits $
At 1 July 2013	85,269
Movement during the year	(12,866)
At 30 June 2014	**72,403**
Current	46,264
Non-current	26,139
	72,403
At 1 July 2012	99,817
Movement during the year	14,548
At 30 June 2013	**85,269**
Current	46,853
Non-current	38,416
	85,269

18. CONVERTIBLE LOAN NOTE

On 30 April 2014 the Company entered into a short-term loan agreement to Darwin Strategic Limited ("Darwin"). Under the agreement Forte has issued a Loan Note for £437,500 to Darwin, repayable by 10 August 2014. As the loan was not repaid by this date, then the loan amount increased to £481,250 and the repayment period was extended until January 2016. Darwin may elect to convert all or part of the loan at the lower of 0.4 pence per share or 80% of an average market price calculated during the twenty days prior to conversion. Subsequent to the end of the reporting period, shareholder approval was obtained on 30 July 2014 to issue 164,062,500 warrants to Darwin with a 5-year expiry and an exercise price of 0.4 pence per share and to ratify the issue of the convertible loan note. Adjustments can be made to the price of the Loan Note Warrants for certain prescribed customary events in accordance with the Warrant Deed.

19. CONVERTIBLE LOAN

	2014 $	2013 $
Convertible Loan	-	1,172,992
	-	1,172,992

On 6th June 2013, the Company announced that it had entered into a two year convertible loan facility for up to US$1,000,000 with Dutchess Opportunity Cayman Fund, Ltd ("Dutchess") and that it had received an initial drawdown of US$600,000.

Under the terms of the loan facility, Dutchess may elect to convert the face amount of the convertible loan (defined as 133% of the draw down amount) plus the accrued interest into fully paid ordinary shares at 75% of the volume-weighted average market price for the 15 trading days immediately preceding the conversion date. Interest shall accrue on all drawdown amounts at a rate of eight per cent per annum, capitalised annually.

Forte Energy has the right at any time prior to the maturity date to repay all drawdown amounts together with interest accrued thereon at a price equal to 107% of the outstanding drawdown amounts and accrued interest. All drawdown amounts together with interest accrued shall be due and payable on the maturity date at the aforementioned price if not repaid by the Company on or before the maturity date.

Between July and September 2013 the Company issued 113,752,047 ordinary shares to Dutchess Capital in satisfaction of the initial drawdown amount of US$600,000. There have been no further drawdowns under the facility between the end of the financial year and the date of this report.

20. CONTRIBUTED EQUITY

	2014 $	2013 $
Issued And Paid Up Capital		
1,416,495,311 (2013: 905,868,264) ordinary shares, fully paid	89,138,292	85,307,346
2,250,000 (2013: 2,250,000) of 25 cent value ordinary shares, paid to 1 cent	22,500	22,500
	89,160,792	85,329,846

Effective 1 July 1998, the Corporations legislation abolished the concept of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued capital.

Partly paid shares have been issued at 25 cents, accordingly 24 cents remains uncalled.

(a) Movement in Ordinary shares on issue

	2014 $	2013 $
Balance at beginning of the year	85,329,846	83,076,849
Shares issued:		
- 78,980,000 shares issued from placement at 1.25 pence (1.95 cents) per share	-	1,478,328
- 29,250,000 shares issued under equity financing facility at 2.01 pence (2.98 cents) per share	-	869,961
- Issue of 1,000 shares under short-form prospectus	-	30
- Issue of 3,722,953 shares at 1.67 cents per share for Dutchess Capital facility fee	-	62,067
- Issue of 113,752,047 shares under convertible loan facility at 1.03 cents per share	1,173,777	-
- 226,875,000 shares issued from placement at 0.4 pence (0.68 cents) per share	1,536,522	-
- 170,000,000 shares issued to GRIT under share exchange agreement at 0.4 pence (0.74 cents) per share	1,254,736	-
- Transaction costs arising from issue of shares	(134,089)	(157,389)
Balance at end of year	89,160,792	85,329,846

(b) Share Options

Options over ordinary shares:

During the financial year no options (2013: 93,652,500) were issued over ordinary shares in the Company. (2013: 88,652,500 options exercisable at 3 pence on or before 2 August 2013 and 5,000,000 options exercisable at 3 pence on or before 14 February 2015).

20. CONTRIBUTED EQUITY (Continued)

At the end of the year, there were 9,000,000 (2013: 98,652,500) unissued ordinary shares in respect of which options were outstanding. The options outstanding include

- 4,000,000 options with an exercise price of $0.125 and a weighted average remaining contractual life of 0.4 years, and
- 5,000,000 options with an exercise price of 3 pence and a weighted average remaining contractual life of 0.3 years.

(c) Terms and conditions of contributed equity

Ordinary Shares
Holders of ordinary shares are entitled to receive dividends as declared from time to time and at a meeting, on a show of hands, every member present in person or by proxy shall have one vote and upon a poll each shall have one vote per ordinary share.

In the event of the winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Partly Paid Shares
Holders of partly paid shares are entitled to receive dividends as declared from time to time in the proportion that the amount paid up on the share bears to the total amount payable. At a meeting, on a show of hands, every member present in person or by proxy shall have one vote and such shares shall upon a poll confer only that fraction of one vote which the amount paid up on that share bears to the total par value. If calculation results in a fraction of a vote, that fraction shall be disregarded.

In the event of the winding up of the Company, partly paid shareholders rank equally with other ordinary shareholders to the extent that they are paid up, but after creditors, and are fully entitled to any proceeds of liquidation.

(d) Capital risk management

When managing capital (being equity of $29,139,261 as at 30 June 2014), management's objective is to ensure the Consolidated Entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Consolidated Entity. Refer Note 2(b) further.

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, enter into "joint venture agreements" or sell assets.

20. CONTRIBUTED EQUITY (Continued)

The Company does not have a defined share buy-back plan.

No dividends were paid in the year ending 30 June 2014 and no dividends are expected to be paid in the year ending 30 June 2015.

There is no current intention to incur debt funding on behalf of the company as on-going exploration expenditure will be funded via convertible debt, equity, asset sales or "joint venture agreements" with other companies.

The Consolidated Entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditures against budget on a quarterly basis.

21. ACCUMULATED LOSSES AND RESERVES

a) Movements in accumulated losses were as follows:

	2014 $	2013 $
Accumulated losses at 1 July	(57,897,841)	(54,714,219)
Net loss attributable to members of the Company	(4,290,081)	(3,183,622)
Accumulated losses at the end of the year	(62,187,922)	(57,897,841)

b) Other reserves:

	Equity benefits reserve $	Foreign currency translation $	Total $
At 1 July 2012	2,456,399	(70,261)	2,386,138
Foreign currency translation	-	(60,309)	(60,309)
Share based payment	63,366	-	63,366
At 30 June 2013	2,519,765	(130,570)	2,389,195
Foreign currency translation	-	(224,645)	(224,645)
Share based payment	1,841	-	1,841
At 30 June 2014	2,521,606	(355,215)	2,166,391

The Equity Benefits Reserve is used to record the value of share based payments provided to key management personnel, directors and consultants as part of remuneration.

The Foreign Currency Translation Reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

22. CASH FLOW STATEMENT RECONCILIATION

	2014 $	2013 $
a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(4,290,081)	(3,183,622)
Adjustments for:		
Depreciation	95,210	89,887
(Gain)/ loss on foreign exchange	1,628	3,434
Impairment loss on non-current assets held for sale	-	44,355
Impairment loss on investments	607,516	28
Impairment loss on exploration assets	1,239,572	-
Share based payments	1,841	204,560
(Gain) on derivative financial instruments	-	(127,660)
Loss on convertible loan	-	548,428
Other	156,704	-
Changes in assets and liabilities		
Decrease in receivables	116,024	142,937
Decrease in prepayments	14,544	74,648
Increase in current tax liability	18,803	22,329
Increase/(Decrease) in trade payables	797,328	(425,107)
Decrease in provisions	(12,866)	(14,548)
Net cash from operating activities	(1,253,777)	(2,620,331)

b) Non-cash financing and investing activities

During 2013 the Company issued 170,000,000 shares at 0.4 pence (0.74 cents) per share to GRIT under a Share Exchange agreement in exchange for 680,000 shares in GRIT. The Company did not undertake any other non-cash financing and investing activities (2013: Nil).

23. RELATED PARTIES

a) Subsidiaries

The consolidated financial statements include the financial statements of Forte Energy NL and the following subsidiary:

Name	Country of Incorporation	% Equity Interest 2014	% Equity Interest 2013
Forte Energy UK Limited	United Kingdom	100	100

b) Ultimate parent

Forte Energy NL is the ultimate parent company.

Forte Energy NL has undertaken to provide Forte Energy UK Limited with sufficient financial support to enable Forte Energy UK Limited to continue trading as a going concern, and discharge its debts and liabilities as they fall due.

c) Key management personnel

Details relating to key management personnel, including remuneration paid and other transactions, are included in note 24.

d) Transactions with related parties

Transactions between Forte Energy NL and its subsidiary

Inter-company Account

Forte Energy UK Limited provides management services in the United Kingdom on behalf of Forte Energy NL for which it receives a fee. Forte Energy NL provides working capital to Forte Energy UK Limited and recognises payment of the management fees through inter-company loan accounts. Transactions between Forte Energy NL and Forte Energy UK Limited during the year ended 30 June 2014 consisted of:

(i) Working capital advanced by Forte Energy NL; and

(ii) Management fees charged by Forte Energy UK Limited

The above transactions were made interest free with no fixed terms for the repayment of outstanding balances.

At balance date the amount payable by Forte Energy NL to its controlled entity was $444,770 (30 June 2013: $37,597).

There were no other related party transactions apart from those with Key Management Personnel (note 24).

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

G R Featherby	Chairman appointed 2 August 2004
M D Reilly	Managing Director appointed 2 August 2004
C D Grannell	Director (non-executive) appointed 4 April 2005
J G Leahy	Director (non-executive) appointed 26 April 2012
S Yelland	Chief Operating Officer appointed 1 September 2011, ceased 22 October 2013
M R Wylie	Company Secretary appointed 5 November 2008

There were no changes of the Executives or key management personnel between the reporting date and the date the Financial Report was authorised for issue.

(b) Compensation of Key Management Personnel

	2014 $	2013 $
Short-term employee benefits	719,597 (i)	1,062,629
Post-employment benefits	62,083	76,325
Other long-term benefits	6,414	6,414
Termination benefits	-	-
Share based payments	1,841	14,833
	789,935	1,160,201

(i) In 2014, short-term employee benefits includes $149,600 accrued benefits

(c) Options held by Key Management Personnel

Share options held by Key Management Personnel have the following expiry dates and exercise prices

Issue date	Expiry date	Exercise price	2014 Number outstanding	2013 Number outstanding
2009	2012	$0.20	-	4,500,000
2011	2014	6 pence	-	1,000,000
2012	2013	3 pence	-	1,700,000
			-	7,200,000

There were no partly paid shares held by Key Management Personnel in 2014 (2013: nil).

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm’s length.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(d) Other transactions and balances with Key Management Personnel and their related parties.

From 1 September 2011, the Company began renting an office at normal market prices from an entity associated with G R Featherby. During the year rental payments of $30,423 (2013: $122,891) were made to the entity. At 30 June 2014 there was an outstanding balance of $27,982.

During the financial year amounts totalling $291,485 were loaned to the Company by M D Reilly. The loans are interest free with no contracted repayment date.

25. SHARE-BASED PAYMENT PLANS

(a) Share Options issued as Remuneration

During the year there were no unlisted options (2013: nil) issued as remuneration to Directors of the Company. During the year there were no unlisted options (2013: nil) issued to other Key Management Personnel.

(b) Summary of options:

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at the beginning of the year	98,652,500	0.053	19,000,000	0.139
Granted during the year	-	-	93,652,500	0.050
Forfeited during the year	(1,000,000)	0.100	-	-
Exercised during the year	-		-	-
Expired during the year	(88,652,500)	0.045	(14,000,000)	0.146
Outstanding at the end of the year	9,000,000	0.086	98,652,500	0.053
Exercisable at the end of the year	9,000,000	0.086	98,152,500	0.053

	2014 $	2013 $
Expense arising from equity-settled share-based payment transactions	1,841	204,560

25. SHARE-BASED PAYMENT PLANS (Continued)

Compensation options granted and option pricing model inputs:

5,000,000 unlisted warrants expiring on 14 February 2015 were issued on 27 February 2013 to Darwin Strategic Limited, under the terms of a GBP 10 million discretionary equity financing facility. The warrants are exercisable at GBP 3 pence each and entitle the holder to one fully paid ordinary share in the Company once exercised.

The fair value of the warrants is calculated based on the below option pricing model as the fair value of the service rendered could not be reliably measured.

The Binomial model inputs for unlisted warrants issued on 27 February 2013 included:
(a) 5,000,000 warrants were granted for no consideration. Entitlements to the warrants vested at grant date
(b) Exercise price of options: 3 pence.
(c) Time to maturity: 1.96 years
(d) Underlying security spot price at date of options grant: 1.96 pence
(e) Risk of underlying share/Annualised standard deviation: 87%
(f) Expected Dividend yield: Nil
(g) Expected life: 1.96 years
(h) Risk-free interest rate: 0.39%.

The Binomial model inputs for 88,625,000 unlisted warrants issued on 3 August 2012 included:
(a) 88,625,000 warrants were granted for no consideration. Entitlements to the warrants vested at grant date
(b) Exercise price of options: 3 pence.
(c) Time to maturity: 1 year
(d) Underlying security spot price at date of options grant: $0.02
(e) Risk of underlying share/Annualised standard deviation: 80%
(f) Expected Dividend yield: Nil
(g) Expected life: 1 year
(h) Risk-free interest rate: 0.21%.

The Binomial model inputs for unlisted options issued on 13 July 2011 included:
(a) 1,000,000 options were granted for no consideration. Entitlements to the options vest 50% at 1 September 2012 and 50% at 1 September 2013
(b) Exercise price of options: 6 pence.
(c) Time to maturity: 5.14 years
(d) Underlying share price range at date of options grant: $0.072
(e) Risk of underlying share/Annualised standard deviation: 95%
(f) Expected Dividend yield: Nil
(g) Expected life: 5 years
(h) Risk-free interest rate: 4.675%.

25. SHARE-BASED PAYMENT PLANS (Continued)

The Binomial model inputs for unlisted options issued on 27 September 2011 included:

(a) 4,000,000 options were granted for no consideration. 2,000,000 options vested at 1 February 2012 and 2,000,000 options vested at 6 February 2012
(b) Exercise price of options: 12.5 cents.
(c) Time to maturity: 3.35 years and 3.36 years
(d) Underlying share price range at date of options grant: $0.043
(e) Risk of underlying share/Annualised standard deviation: 95%
(f) Expected Dividend yield: Nil
(g) Expected life: 3 years
(h) Risk-free interest rate: 3.66%.

Weighted average fair value:

There were no options granted during 2014. The weighted average fair value of options granted during 2013 was $0.0019 per option.

Range of exercise price:

The range of exercise prices for options outstanding at the end of the year was $0.054 - $0.125 (2013: $0.050 - $0.125).

Weighted average remaining contractual life:

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 0.7 years (2013: 0.27 years).

26. COMMITMENTS AND CONTINGENCIES

(a) Exploration Commitments
In order to maintain current rights of tenure to exploration tenements, the Group is required to meet minimum expenditure requirements of the relevant regulatory bodies. Minimum expenditure requirements including permit rentals are $641,232 (2013: $583,578). These commitments are subject to renewal of the permits, renegotiation upon expiry of the exploration permit or when application for a mining permit is made. These commitments are not provided for in the financial statements.

Exploration commitments contracted for at reporting date but not recognised as liabilities are as follows:

	2014 **$**	**2013** **$**
Exploration commitments		
Within one year	641,232	583,578
After one year but no more than five years	-	-
	641,232	583,578

(b) Operating Lease Commitments – Group as lessee
The commercial lease for rental of the Group’s head office in Perth reverted to a monthly basis from 31 August 2013.The Group terminated its lease for its office in London in January 2014.

Future minimum rental payable under the operating leases at 30 June are as follows:

	2014 **$**	**2013** **$**
Within one year	1,650	173,766
After one year but no more than five years	-	39,187
After more than 5 years	-	-
Total minimum lease payments	1,650	212,953

(c) Contingent Asset
There are no contingent assets.

(d) Contingent Liabilities
There are no contingent liabilities.

27. EVENTS AFTER THE REPORTING DATE

- On 30 July 2014, shareholders approved a placement of up to 600 million shares and 300 million warrants and a Share Purchase Plan for up to 200 million shares to raise additional working capital. Shareholders also ratified the issue of 170 million shares to GRIT under the share exchange agreement and approved the grant of 164,062,500 warrants to Darwin Strategic Capital.
- On 31 July 2014 the Company executed a definitive Joint Venture agreement with European Uranium.

28. AUDITORS' REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by Ernst & Young for audit services – being an audit or review of the financial report of the Consolidated Entity	54,637	49,440
Amounts received or due and receivable by Crowe Clark Whitehill LLP for audit services – being an audit or review of the financial report of Forte Energy UK Ltd	12,669	12,118
	67,306	61,558

29. PARENT ENTITY INFORMATION

Current assets	950,531	277,545
Total assets	31,715,721	31,263,563
Current liabilities	1,735,281	390,091
Total liabilities	2,538,800	1,563,082
Net assets	29,176,921	29,700,481
Issued capital	89,160,792	85,329,846
Retained losses	(62,505,477)	(58,149,130)
Share-based payments reserve	2,521,606	2,519,765
Total shareholders' equity	29,176,921	29,700,481
Loss of the parent entity	(4,356,347)	(3,279,925)
Total comprehensive income of the parent entity	(4,358,188)	(3,486,443)

The parent entity does not have any contingent liabilities.

The parent entity has no contractual commitments in relation to the acquisition of property, plant or equipment.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Forte Energy NL, I state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

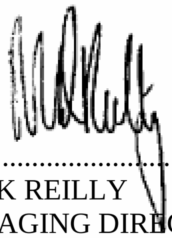
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) subject to the matters described in Note 2, Going Concern, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

2. The financial statements and the notes also comply with International Financial Reporting Standards as disclosed in note 2.

3. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.

On behalf of the Board



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MARK REILLY
MANAGING DIRECTOR

30 September 2014

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Independent auditor's report to the members of Forte Energy NL

Report on the financial report

We have audited the accompanying financial report of Forte Energy NL, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Building a better working world

Opinion

In our opinion:

a. the financial report of Forte Energy NL is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial report. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Forte Energy NL for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth
30 September 2014

FD:KW:Forte:007