

# **GREENPOWER ENERGY LIMITED**

[ABN 22 000 002 111]

## **115<sup>th</sup> ANNUAL REPORT**

**2014**

# **GREENPOWER ENERGY LIMITED**

## **GREENPOWER'S STRATEGIC INTENT**

*Greenpower's strategic intent is to become a significant Australian producer of energy and chemicals from environmentally friendly low emission coal liquifaction.*

### **IMPORTANT INFORMATION**

#### **1. Definitions**

Certain abbreviations and other defined terms are used throughout this Report. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are provided through the Report. All amounts of money are stated in Australian dollars unless otherwise specified.

#### **2. Display on website**

This Annual Report will be posted on the Company's website at

[www.greenpowerenergy.com.au](http://www.greenpowerenergy.com.au)

#### **3. Cautionary Statement**

This Report may contain forward looking statements that are subject to risk factors associated with amongst other things, the economic and business circumstances occurring from time to time in the locations, and business sectors in which Greenpower may operate. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ from those currently projected.

**GREENPOWER ENERGY LIMITED****CORPORATE DIRECTORY**

<b>DIRECTORS:</b>	<b>PRINCIPAL PLACE OF BUSINESS</b>
Alan Flavelle (Chairman) Gerard King Ronald McCullough (Non-Executive) Takanao (Tony) Mitsui (Non-Executive)	1 <sup>st</sup> Floor, 46 Ord Street West Perth WA 6005
<b>COMPANY SECRETARY:</b>	<b>AUDITORS:</b>
Matthew Suttling P.O. Box 1061 Newport Beach NSW 2106 Australia Phone: +61425215349 E-mail: <a href="mailto:matt@greenpower.com.au">matt@greenpower.com.au</a>	BDO Audit (WA) Pty Ltd 128 Hay Street Subiaco WA 6008 Australia Phone: +61893808400
<b>REGISTERED OFFICE:</b>	<b>SHARE REGISTRY:</b>
1 <sup>st</sup> Floor, 46 Ord Street West Perth WA 6005 Phone: +61-2 9286 5555 Fax: +61-2 9286 5599	Computershare Investor Services Pty Limited 452 Johnston Street Yarra Falls VIC 3067 Australia Phone: +61-3-9415 5023 Fax: + 1300 137 341
<b>BANKERS</b>	<b>SOLICITORS:</b>
Commonwealth Bank of Australia 48 Martin Place Sydney NSW 2000	Price Sierakowski Lawyers Level 24, 44 St Georges Terrace Perth WA 6000 Australia  TheunissenTrollip Lawyers Level 31, RBS Tower 88 Phillip Street Sydney 2000
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# **GREENPOWER ENERGY LIMITED**

## **2014 REPORT FROM THE BOARD**

### **MANAGEMENT**

The Company's executive team – Executive Chairman Alan Flavelle, Managing Director Gerry King have managed all of the company's business activity with able support from Non Executive Directors Ron McCullough and Tony Mitsui, CFO/Secretary Matt Suttling together with external consultants John Watts, John Karajas, Gordon Thomson, and Marty Gorbarty.

Our officers' individual backgrounds and qualifications are included elsewhere in the Annual Report.

Altogether, management is represented by four directors, the secretary and four consultants – which includes three geologists, two engineers, a fuel scientist, an accountant and a lawyer – who, in aggregate have, hundreds of years of experience in companies engaged in coal, oil and gas exploration and production.

### **GREENPOWER'S PURPOSE:**

Greenpower was initially incorporated as Gunnedah Colliery Company Limited, mining coal at Gunnedah, NSW, in 1899 (becoming 'Gunnedah Coal Company Ltd' in 1985) and stopped mining coal when it sold the mine in 1997.

Greenpower has, since 2008, as its mission to become a producer of environmentally friendly energy and chemicals, principally by applying environmentally neutral coal liquefaction technology to lignite coal.

### **PRINCIPAL ACTIVITIES**

#### **COAL TO LIQUIDS:**

In the year under review we have consolidated our position in the coal conversion space. Extending back four years we have accumulated considerable experience in evaluating coal conversion technologies-of all sorts. Many of the technologies convert coal to "synthetic hydrocarbons" but at considerable cost to the environment. Most of these processes require additional hydrogen as an input.

We have given serious attention to five processes all currently under development—all in North America. Four of the processes are classified as DCTL [direct coal to liquids]. The fifth does not fit into the "direct" or "indirect" category and for the year under review this process has received most of our attention. This process is called OHD [Oxidative Hydrothermal Dissolution]. Basically OHD, under controlled conditions and with the addition of oxygen oxidises the coal. The process breaks down the material to form an aggregate of water soluble, low molecular weight organic compounds. [see Figure1]

For VBC [Victorian Brown Coal] the process completely uses the carbonaceous material—on a DAF [Dry, Ash-Free] basis the yield is 106%. [the "extra" percentage comes from the added oxygen].

Our development partner has constructed a PDU [process development unit—Figure2] which has a nominal capacity of 10kg/hr. This unit works well and can routinely convert VBC into chemicals [as listed-Figure 3] and now forms the basis for the design of a pilot plant [PP].

Conceptual design work for a 20 tonne/day PP is underway. The work, funded by GPP, is being carried out by Thermaquatica and Impact Technology Development. The PP will comprise:

- A] Automated input systems for VBC slurry and oxygen.
- B] A processing unit which will perform the same function as the PDU but at larger scale.
- C] Reverse Osmosis [RO] units to strip out most of the water from the OHD liquor.
- D] Selective distillation units for product isolation.
- E] The initial separation process will focus on separating out chemicals 6&10 and 14&17 [See figure 3] which are precursor chemicals for making degradable plastic.
- F] The remaining chemicals will be subjected to an esterification process to enable production of fuels.

Much of the above is a “work in progress” and will mature into coherent knowledge areas before the end of 2014.

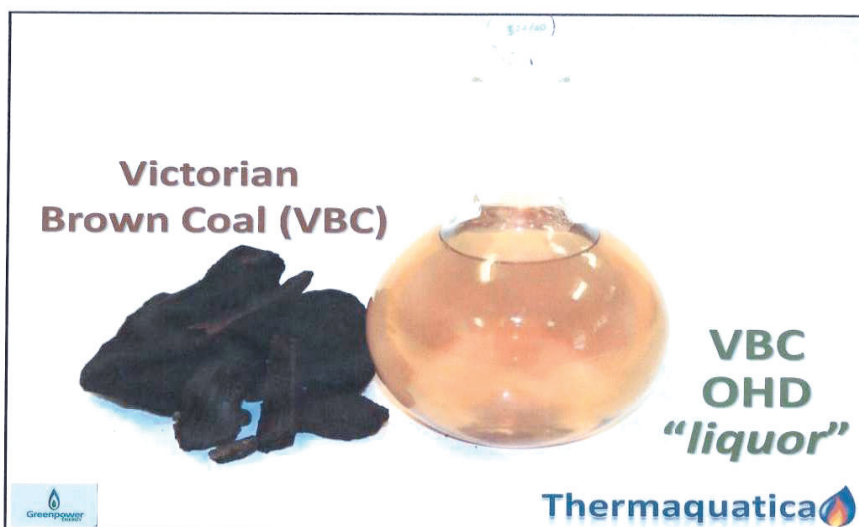
OHD is in our view superior on a number of counts to any of the “next gen” processes which have been evaluated by us.

- 1] Conversion of carbon is complete and very little CO/CO<sub>2</sub> is produced.
- 2] The resultant liquor is benign and in fact we plan to investigate its potential as a soil improver.
- 3] Pre-processing moisture reduction is not necessary and for VBC this is a big operational plus.

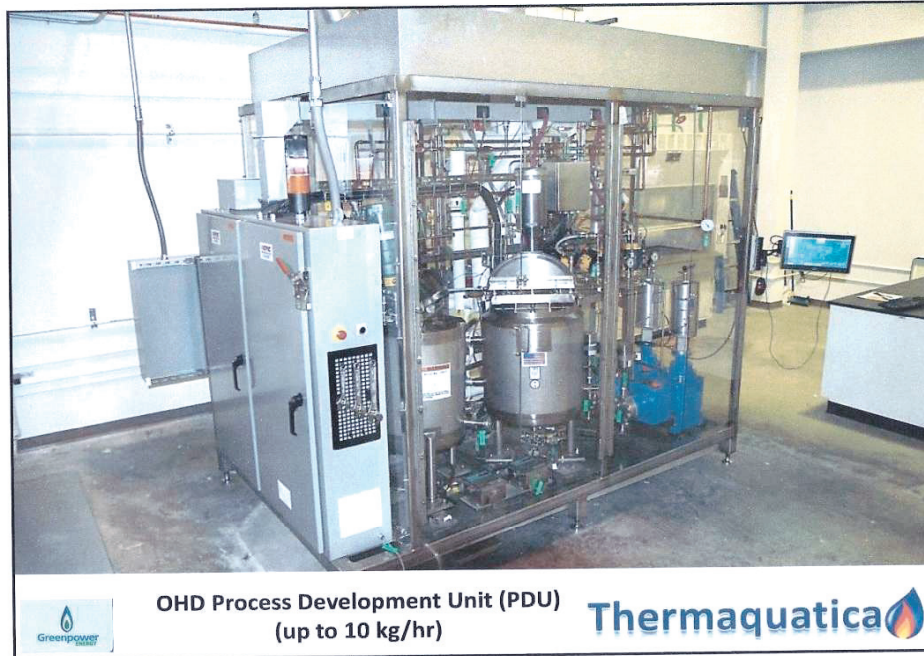
We continue to monitor development progress for two other Greenfield conversion processes.

[For the statistically minded all five of the identified “promising processes” originate from basic research carried out in the United States].

**Figure 1**



**Figure 2**



## **EP447**

### **[Western Australia] GPP50%/UIL50%**

The period under review covers 12 months immediately after the conclusion of the Badgingarra Seismic survey. EP447 is now into its second 5 year exploration programme of which year 1 concluded on 24 August 2014. UIL funded the survey and as a consequence of the Farm In Agreement dated 13 July 2011, now have a 50% working interest in the permit.

The year 1 activities report has now been submitted to the Western Australian Department of Mines and Petroleum describing the work carried out on EP447.

Figure 3

Number	Percentage	Compound
1	1.6	Succinic Acid
2	1.2	Benzoic Acid
3	1.5	Phenol
4	2.7	2 methoxy phenol and/or catechol
5	0.9	4 methoxy phenol or hydroquinone
6	3.6	4 hydroxy benzaldehyde
7	0.8	2,5 dimethoxy phenol
8	1.8	3 methoxy benzoic acid
9	0.8	Heptane dioic acid
10	26.4	4-hydroxy benzoic acid [aka pHB]
11	1.7	4-hydroxy acetophenone
12	0.8	Octane dioic acid
13	2.8	Nonane dioic acid
14	9.2	4-hydroxy, 3-methoxy benzaldehyde-vanillin
15	0.9	Unassigned
16	2.2	3,5-Dimethoxy benzoic acid
17	26.5	Vanillic Acid
18	2.9	3-methoxy,4 hydroxy acetophenone
19	1.6	Dodecane dioic acid
20	1.4	Syringaldehyde
21	1.0	Undecane dioic acid
22	3.0	Syringic acid
23	1.0	Unassigned
24	0.8	Palmitic acid+dodecane dioic acid
25	1.2	
26	1.1	
27	0.6	Tridecane dioic acid

# **Greenpower Energy Limited**

ABN 22 000 002 111

## **Consolidated Annual Report**

For the Year Ended 30 June 2014



# Greenpower Energy Limited

ABN 22 000 002 111

For the Year Ended 30 June 2014

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# Greenpower Energy Limited

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## Directors' Report

30 June 2014

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2014.

### Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Alan Flavelle

Qualifications

BSc, FAIMM, MSPE

Experience

1958-1968: Alan was employed by the Bureau of Mineral Resources [a federal government agency] as a geophysicist and worked in all states of Australia, New Guinea, Canada and the USA.

1969-70: He was employed by West Australian Petroleum, a Perth based affiliate of Chevron as an exploration expert in oil exploration activities in Western Australia.

1971-1980: He became the senior partner in the Layton Group, at that time the largest earth science consulting group based in Australia, and worked on projects in Australia, New Guinea, Philippines, Malaysia, Thailand, Taiwan, Japan, India, USA and Argentina.

1981-present: Alan has worked as an independent consultant, resource developer and adviser to companies at the technical director level including jobs like:

Coalbed Methane: Alan became involved in coal seam natural gas (CSG) development in 1984 when he visited USA on a fact finding mission. From 1985-1990 he worked on CSG developments in Queensland and was instrumental in introducing Mitsubishi Gas and Chemical to CSG technology. The company then took over the Queensland assets. From 1991-2000 he investigated a number of CSG development opportunities in Vietnam, South Korea, South Africa, and Japan as well as Australia. From 2001 to the present he has directed a major investigation for CSG opportunities in Europe and Central Asia. Several projects which have been acquired in France and Italy. A second major project aimed at identifying CSG opportunities in Western Australia was started in 2003 and is ongoing.

Interest in shares and options

3,130,160 Ordinary Shares

Special responsibilities

Chairman - Executive Director

Other directorships in listed entities held in the previous three years

Alan Flavelle was formerly a Director in European Gas Limited appointed in December 1999 and resigning on 2 September 2009

# Greenpower Energy Limited

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## Directors' Report

30 June 2014

### Information on directors continued

Gerard King

Qualifications

LLB

Experience

After graduating in law (LLB) from the University of Western Australia in 1963, Gerard commenced articles with (Sir) John Lavan (Lavan & Walsh) in Perth, being admitted as a solicitor in 1965, into the law firm partnership in 1966, and became its senior partner in 1978. Under Gerard, Lavan & Walsh eventually became Phillips Fox, Perth in 1985.

Throughout his career, Gerard has practised in the legal areas of commercial property, banking/finance, revenue/tax, corporate compliance, and mining law. He taught mortgage and other debt security drafting at UWA law school for 5 years, joined the Taxation Institute of Australia, and the Australian Mining and Petroleum Lawyers Association and gave papers on revenue, strata title, prospectuses, document drafting and other topics. Gerard served on the Law Society of WA Council, and its committees. He was involved in the management of his law firm from 1968 to 1991, and attended two law firm management courses at the University of New England.

Gerard has been a company director of Australasian Shopping Centres Property Trust, 1977 to 1980, Australian Mining Investments Ltd., 1983 to 2002, as well as other public companies, and is currently Chairman of Astron Limited, since 1985. He was Chairman of WA St. John Ambulance Service Board 1987 to 1996, and is currently WA State St. John Council Chairman.

Interest in shares and options

28,977,516 Ordinary Shares

Special responsibilities

Executive Director

Other current directorships in listed entities

Gerard King is a Director of Astron Limited since 5 November 1985

# Greenpower Energy Limited

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## Directors' Report

30 June 2014

### Information on directors continued

Ronald McCullough

Qualifications

M.B.A., B.E. (Hons), FAustIMM

Experience

Ronald Hugh McCullough is an Honours graduate in Engineering from the University of Western Australia. He also completed a Master of Business Administration at UWA.

Subsequently, Ron has been involved in civil engineering design, and the construction of various major engineering works in Western Australia, including water supply dams, major water reticulation and suburban infrastructure projects.

Ron has extensive mining experience, including bauxite and coal mining. Ron has investigated the development of a private power station and the exploitation of coal bed methane deposits in the Gunnedah basin on NSW. While involved with the Maitland Main Collieries, which held an authorisation to develop a large coal deposit at Glennies Creek, near Singleton in the Hunter Valley, NSW Ron managed all necessary environmental impact studies, authority compliance requirements, mine construction and operation feasibility studies and then obtained a mining lease for the deposit.

Ron became involved in the sand mining industry in Western Australia with the development, in 1994, and management until 2005 of a silica sand mining and exporting operation at Albany in Western Australia, on behalf of Japanese corporations.

Interest in shares and options

2,487,741 Ordinary Shares

Special responsibilities

Non Executive Director. There are no special responsibilities

Other current directorships in listed entities

Ronald McCullough is a Director of Astron Limited since 21 August 2006

# Greenpower Energy Limited

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## Directors' Report

30 June 2014

### Information on directors continued

Takanao Mitsui

Qualifications

B.Ec MBA

Experience

In April 1965, Tony joined Tomen Corporation, (then called Toyo Menka Kaisha, one of the large, multi-faceted Japanese Trading Houses) in the Steel Department in the Osaka Head Office. From 1968 to 1971 he worked in the Metals and Minerals Department of Toyo Menka. In 1971 he was posted to Toyo Menka's Sydney office, returning to Tokyo in 1973, to join the Coal Department. In 1977 he was posted to the Vancouver, Canada office of Toyo Menka.

In 1981, Tony returned to Tokyo to head the Thermal Coal Section. In 1985 he was appointed General Manager, Metals and Minerals for Tomen Australia. In 1990, he moved to General Manager Coal and Iron Ore Department, Tokyo Head Office of Tomen Corporation. In 1995 he returned to Australia as Managing Director of Tomen Australia. In 2001 he returned to Tokyo as a Corporate Auditor in the Tomen Head Office.

In April 2006, Tomen Corporation merged with Toyota Tsusho, the trading arm of Toyota. Tony remains an adviser to Toyota Tsusho in Tokyo.

Interest in shares and options

120,000 Ordinary Shares

Special responsibilities

Non Executive Director. There are no special responsibilities

Other current directorships in listed entities

Nil

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

# Greenpower Energy Limited

ABN 22 000 002 111

## Directors' Report

30 June 2014

### Principal Activities

The principal activities of the Group during the financial year related mainly to all of its petroleum, mineral and hydrothermal exploration properties, namely –

#### Victoria:

- three Mineral exploration licenses in the Gippsland Basin (Latrobe Valley), namely EL 4500 “Korumburra” and EL 5227 “Athlone” both held in the name of subsidiary Greenpower Natural Gas Pty Ltd and EL 4877 “Mirboo” held in the name of subsidiary Sawells Pty Ltd.

#### Western Australia:

- one petroleum exploration permit in the Perth Basin (EP 447) held in the name of subsidiary GCC Methane Pty Ltd (50% interest).

#### South Australia:

- one petroleum exploration license in the Willochra Basin (PEL 145), and one application for a petroleum exploration license in the Eromanga Basin (SAPELA 146) both held directly.

The principal activities of the company during the financial year relating to these were:

#### Victoria:

- exploratory drilling and testing for inferred contained lignite (Victorian Brown Coal) in compliance with agreed programmes, which, as reported, had reached the point of disclosing an Inferred JORC resource of 573 million tonnes. A cored drill hole in EL 5227 was completed to provide lignite core samples for liquid hydrocarbon yield evaluation

- Greenpower joined the Brown Coal Innovation Association (Victoria) which invests proactively in the development of technologies and people to broaden the use of brown coal for a sustainable future. GPP anticipates this will provide assistance in developing its assets and in particular its Coal to Liquid technology. [www.bcinnovation.com.au/Home](http://www.bcinnovation.com.au/Home)

- continued the progression of its objective to investigate, identify and secure technologies to convert Latrobe Valley lignite into refinable crude oil and other products, in a environmentally acceptable way i.e. with no or very low carbon dioxide emissions.

- the company has contracted to develop and test and if successful license production under two technologies conforming to those objectives:

- \* In November 2013 the Company had signed an agreement with US-Thermaquatica Inc., to jointly test and develop the Oxidative Hydrothermal Dissolution (OHD) process for the conversion of coals to liquids. The arrangement allows Greenpower to receive an exclusive license to develop and apply the OHD process on a commercial scale within Australia and New Zealand in exchange for contributing USD \$2m towards research on extraction of the products from the OHD liquid. OHD is a novel and environmentally friendly technology for the conversion of coal and other solid organic material into low molecular weight, water soluble products. Many of the initial products are potentially useful for producing polymers as well as other hydrocarbon based products. The process works by taking the initial macromolecular solid material such as coal and causing a reaction with small amounts of oxygen in high temperature, high pressure water. Testing of samples of Victorian Brown Coal shipped to Thermaquatica's laboratory has continued during the year and the Company has made contracted payment of \$US1,050,000 to Thermaquatica towards their research and development programme including the acquisition of capital equipment for output testing.

# Greenpower Energy Limited

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Directors' Report

30 June 2014

## Principal Activities continued

- \* General Electric Microwave Plasma Assisted CTL – GE Global Research provided its report after carrying out a comprehensive series of trials on Victorian Brown Coal using their patented process for direct conversion of coal to hydrocarbon liquids. The results did not appear to be as commercial as initial indications and the Company is hopeful the future refinement and testing by GE Global Research will identify the process issues and re-confirm the process necessary to obtain the outputs anticipated from initial GE trials.

These have been significant developments for Greenpower and with the Victorian Brown Coal ideally suited to the technologies, and in abundance, the company's principal focus will now be to develop each technology to commerciality.

Western Australia:

- The farm-in by UIL Energy Limited ('UIL') to EP 447 was finalised after UIL completed a 2D seismic survey on EP447 to earn a 50% interest in the permit.

On 23 August 2013 EP447 was renewed for a further five years.

During 2013 Greenpower's wholly owned subsidiary GCC Methane Pty Ltd (GCCM) signed a contract to sell its remaining 50% interest in Western Australian Petroleum Exploration Permit 447 (EP447) to UIL Energy Ltd, (UIL) subject to fulfilment of certain conditions. The contract provided that, subject to certain conditions being fulfilled, GCCM would sell its remaining 50% interest in EP447 to UIL for \$875,000 cash and, effectively, \$1,125,000 worth of shares in UIL under a prospectus for the IPO (initial public offering) of its shares for the purposes of listing on ASX. Unfortunately UIL was not able to effect the IPO, and has elected not to continue with the purchase described, nor exercise rights under the pre-existing Farm-In Agreement previously described. UIL and the Company have now agreed to enter into a Joint Operating Agreement in relation to EP447, under which UIL will assume the role of Operator and utilise its carried forward expenditure credits free carrying GPP in relation to the renewed Year One permit work obligations. At year end the Group is holding its interest as non-current assets held for sale.

South Australia:

- PEL 145, PELA 146 - The Company has decided that the South Australian areas do not fit the Company's present business intentions and arrangements will be made for their disposal/surrender.

Corporate:

- In May 2014 the Group received \$1,353,274 being a return of capital on its investment in Astron Limited shares. These funds were utilised for to repay short term debt and meet the Group's Thermoquatica CTL commitments through to November 2014.

### Competent Person Statement

The information in this report that relates to Exploration Results and Inferred Resources based on information compiled by John Watts who is a Fellow of The Australasian Institute of Mining and Metallurgy. John Watts has sufficient experience 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. John Watts consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

No significant change in the nature of these activities occurred during the year.

# Greenpower Energy Limited

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## Directors' Report

30 June 2014

### Matter Subsequent to the end of the Financial Year

Subsequent to year end the Group:

Was advised that UIL would not proceed with its' offer to acquire the remaining 50% interest in the EL under a conditional sale agreement per the September 2013 sale agreement. The contract provided that, subject to certain conditions being fulfilled; GCCM would sell its remaining 50% interest in EP447 to UIL for \$875,000 cash and, effectively, \$1,125,000 worth of shares in UIL. If a future Production License was granted to UIL in respect of any part of EP447, GCCM was to receive a further cash payment of \$500,000 and a further tranche of UIL shares to the value of \$1,000,000 at the time of issue. The sale was conditional on UIL issuing shares under a prospectus for the IPO (initial public offering) of its shares for the purposes of listing on ASX. It was agreed with UIL, that UIL fund the Group's share of Year 1 expenditure commitments on EP 447 and assumed operatorship.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

### Likely Developments and Expected Results from Operations

The Company expects to maintain the present status and level of operations.

### Non-Audit Services

There were no non-audit services during the year (2013: Nil).

### Auditors Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2014 has been received and can be found on page 14 of the financial report. The auditor BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the Corporations Act 2001.

### Environmental Regulations

The Group's operations to date are not regulated by any significant environmental regulation under the law of the Commonwealth or of a state or territory. The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report on annual greenhouse gas emissions and energy use. For the measurement period 1 July 2013 to 30 June 2014 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

### Company Secretary

Mr Matthew Suttling, B.Ec CA was appointed Company Secretary of Greenpower Energy Limited on 1 May 2007. He is a Chartered Accountant. His experience is broad based including clients ranging from multinationals to listed public companies, audit, other business financial and taxation services. He is currently in Public Practice.

### Dividends Paid or Declared

No dividends were paid or declared since the start of the financial year.



# Greenpower Energy Limited

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## Directors' Report

30 June 2014

### Remuneration Report continued (AUDITED)

#### Business Review

#### Operating Results

The loss after providing for income tax amounted to \$1,726,517 (2013: \$1,212,490). The 2014 loss reflects increased expenses incurred in the Coal to Liquid ('CTL') project and the Group's ongoing policy of expensing exploration and initial expenditures. Administration costs were reduced during the year and will continue to be reduced during 2015. The loss was significantly affected by license payments on the CTL projects \$1,137,567 (2013: 376,453) which reflects the Group's strategy to developing a clean and efficient CTL technology that will integrate with the inferred resources held within the Group's Victorian tenements. Development of the CTL projects is ongoing in specifically to identify potential markets and working towards completion of feasibility studies to enable the Group to consider a pilot plant in Victoria. The Group has engaged specialists to provide independent guidance as to the strengths of the CTL processes and technology. The Directors are committed to carefully utilising current resources, reviewing potentially markets for output, partners and other funding initiatives.

#### Meetings of Directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Eligible to attend	Number attended
Mr Alan Flavelle	11	11
Mr Gerard King	11	11
Mr Ronald McCullough	11	11
Mr Takanao Mitsui	11	11

#### Remuneration Report (AUDITED)

The key management personnel of the Group consisted of the following directors and other persons:

- Alan Flavelle - Executive Chairman
- Gerard King - Executive Director
- Ronald McCullough – Non-Executive Director
- Takanao Mitsui – Non-Executive Director
- John Watts – CEO (Resigned 31 March 2014)

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporation Act 2001.

This report details the nature and amount of remuneration for each director of Greenpower Energy Limited, and for the executives of the Group.

#### Service Agreements

Currently Greenpower Energy Limited does not have any service agreements in place with key management personnel.

# Greenpower Energy Limited

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## Directors' Report

30 June 2014

### Remuneration Report continued (AUDITED)

#### Use of Remuneration Consultants

During the year the Directors did not utilise the services of remuneration consultants in determining amount of remuneration for each Director and Executive.

#### Voting and Comments Made at the Company's 2013 Annual General Meeting

The Company received 97.53% of votes (after eliminating excluded votes) approving the 2013 remuneration report and re-introduced an employee share option plan which the Board can utilise to ensure that long term objectives are aligned with key employees. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

#### Share-Based Compensation

No Options over shares in Greenpower Energy Limited were granted during the year in accordance with the Company Employee Share Option Plan ("ESOP"). The ESOP is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options granted under the original ESOP carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the price at grant date. No options were exercised during the year.

No ordinary shares in the company were provided as a result of the exercise of remuneration options to any director of Greenpower Energy Limited or other key management personnel of the group.

#### Additional information

No performance based bonuses have been paid to key management personnel during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

For non executive Directors the aggregate pool limit approved by shareholders as Directors Fees is \$100,000 as approved at the 2009 Annual General Meeting.

#### Details of Remuneration

Details of remuneration of the directors and key management personnel of the group are set out below:

2014	Short-term benefits				Post employment benefits	Share-based payments		Total
	Cash salary	Cash profit share	Cash Bonus	Non-cash Benefits	Superannuation	Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	\$
Alan Flavelle	131,808	-	-	-	12,192	-	-	144,000
Gerard King	60,000	-	-	-	-	-	-	60,000
Ronald McCullough	-	-	-	-	-	-	-	-
Takanao Mitsui	-	-	-	-	-	-	-	-
John Watts #	57,273	-	-	-	-	-	-	57,273
	249,081	-	-	-	12,192	-	-	261,273

# John Watts resigned 31 March 2014

# Greenpower Energy Limited

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## Directors' Report

30 June 2014

### Remuneration Report continued (AUDITED)

2013	Short-term benefits				Post employment benefits	Share-based payments		Total
	Cash salary	Cash profit share	Cash Bonus	Non-cash Benefits	Superannuation	Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	
Alan Flavelle	126,000	-	-	-	-	-	-	126,000
Gerard King	60,000	-	-	-	-	-	-	60,000
Ronald McCullough	-	-	-	-	-	-	-	-
Takanao Mitsui	-	-	-	-	-	-	-	-
John Watts	167,413	-	-	-	-	-	-	167,413
	353,413	-	-	-	-	-	-	353,413

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was fixed and at risk.

	Fixed Remuneration %	At Risk Long Term Remuneration %
<b>Directors</b>		
Alan Flavelle	100	-
Gerard King	100	-
Ronald McCullough	100	-
Takanao Mitsui	100	-
<b>KMP</b>		
John Watts	100	-

### Key Management Personnel Shareholdings

The number of ordinary shares in Greenpower Energy Limited held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year	On exercise of options	Net Change Other *	Balance at end of year
<b>30 June 2014</b>				
<b>Directors</b>				
Alan Flavelle	3,130,160	-	-	3,130,160
Gerard King	28,977,516	-	-	28,977,516
Ronald McCullough	2,487,741	-	-	2,487,741
Takanao Mitsui	120,000	-	-	120,000
<b>Other KMP</b>				
John Watts	278,573	-	(278,573)	-
	34,993,990	-	(278,573)	34,715,417

\* John Watts resigned effective 31 March 2014

# Greenpower Energy Limited

ABN 22 000 002 111

## Directors' Report

30 June 2014

### Remuneration Report continued (AUDITED)

#### Other transactions with Key Management Personnel

During the year a Director Gerard King loaned the Group \$390,000 to meet its short term Coal to Liquid project commitments and working capital. The loan was made on commercial terms and repaid in June 2014. Interest was paid by the Group on repayment at 6.20% being the underlying bank loan rate.

#### Remuneration Policy

As the Group develops it will be implementing the following remuneration guidelines. The remuneration policy of Greenpower Energy Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Greenpower Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for the board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation where applicable. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- Executives will also be entitled to participate in future employee share and option arrangements.
- The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using appropriate methodologies.
- The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No such advice was obtained during the year. Fees for non executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

# Greenpower Energy Limited

ABN 22 000 002 111

## Directors' Report

30 June 2014

### Performance-based Remuneration

The Group currently has no performance based remuneration component built into director and executive remuneration packages due to the stage of the Group's development, no link between remuneration and financial performance currently exists.

The table below sets out summary information about the Group's earnings and movement in share price for the five years to 30 June 2014:

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Revenue	21,982	396,073	181,053	244,963	19,886
Net loss before tax	(1,726,517)	(1,121,806)	(1,296,759)	(5,729,034)	(592,911)
Net loss after tax benefit	(1,726,517)	(1,212,490)	(1,516,481)	(5,433,629)	(592,911)
Share Price at end of year (cents)	2	1	4	7	5
Basic and diluted loss per share	(1.87)	(1.46)	(2.09)	(8.57)	(0.94)

### Long Term Benefits and Termination Benefits

It is the Group's Employee Share and Option Plan aligns remuneration with at risk long term benefits. The Group has no long term benefits payable or termination benefits due.

### End of Audited Remuneration Report

### Indemnifying Officers or Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Group.

### Options

#### Unissued shares under option

At the date of this report, the unissued ordinary shares of Greenpower Energy Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
30 September 2011	30 September 2016	0.050	450,000
10 August 2010	10 August 2015	0.051	250,000
			700,000

No Options issued or expired during the year. No options have been granted to the directors or KMP since the end of the financial year.

# Greenpower Energy Limited

ABN 22 000 002 111

## Directors' Report

30 June 2014

### Proceedings on Behalf of Company

No person has applied for leave of Court under s237 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

### Sign off details

Signed in accordance with a resolution of the Board of Directors:



Director: .....

Gerard King

Dated this 30th day of September 2014

**DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF GREENPOWER ENERGY LIMITED**

As lead auditor of Greenpower Energy Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Greenpower Energy Limited and the entities it controlled during the period.



**Wayne Basford**  
Director

Perth, 30 September 2014

# Greenpower Energy Limited

ABN 22 000 002 111

## Consolidated Income Statement

For the Year Ended 30 June 2014

	Note	2014 \$	2013 \$
Other income	4	8,402	367,830
Interest revenue		13,580	28,243
Occupancy costs		(12,000)	(11,929)
Administrative costs		(403,286)	(442,429)
Exploration and Tenement costs		(1,326,010)	(883,860)
Finance costs		(4,141)	-
Impairment loss of available for sale assets		-	(174,036)
Depreciation and amortisation		(3,062)	(5,625)
<b>Profit (loss) before income tax</b>		<b>(1,726,517)</b>	<b>(1,121,806)</b>
Income tax (expense)/benefit	5	-	(90,684)
<b>Loss after income tax</b>		<b>(1,726,517)</b>	<b>(1,212,490)</b>
<b>Loss attributable to owners of Greenpower Energy Limited</b>		<b>(1,726,517)</b>	<b>(1,212,490)</b>

### Loss per share:

Basic earnings per share (cents)	6	(1.87)	(1.46)
Diluted earnings per share (cents)	6	n/a	n/a

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



# Greenpower Energy Limited

ABN 22 000 002 111

## Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2014

	2014 \$	2013 \$
<b>Net loss for the year</b>	<b>(1,726,517)</b>	<b>(1,212,490)</b>
<b>Other comprehensive income:</b>		
Items that may be reclassified to profit or loss		
Net (loss)/gain on revaluation of financial assets	<b>670,904</b>	<b>(1,077,942)</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>670,904</b>	<b>(1,077,942)</b>
<b>Total comprehensive loss for the year</b>	<b>(1,055,613)</b>	<b>(2,290,432)</b>
Total comprehensive loss attributable to:		
Owners of Greenpower Energy Limited	<b>(1,055,613)</b>	<b>(2,290,432)</b>
	<b>(1,055,613)</b>	<b>(2,290,432)</b>

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

# Greenpower Energy Limited

ABN 22 000 002 111

## Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	384,063	848,050
Trade and other receivables	8	41,594	70,190
Non-current assets held for sale	9	800,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,225,657</b>	<b>918,240</b>
<b>NON-CURRENT ASSETS</b>			
Available for sale assets	10	617,397	1,299,767
Property, plant and equipment	11	2,056	3,103
Intangible assets	12	949	2,963
Exploration and evaluation assets	14	1,325,477	2,125,477
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,945,879</b>	<b>3,431,310</b>
<b>TOTAL ASSETS</b>		<b>3,171,536</b>	<b>4,349,550</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	88,377	210,778
<b>TOTAL CURRENT LIABILITIES</b>		<b>88,377</b>	<b>210,778</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>88,377</b>	<b>210,778</b>
<b>NET ASSETS</b>		<b>3,083,159</b>	<b>4,138,772</b>
<b>EQUITY</b>			
Contributed equity	16	63,398,286	63,398,286
Reserves	17	11,263,297	10,592,393
Accumulated losses	18	(71,578,424)	(69,851,907)
<b>TOTAL EQUITY</b>		<b>3,083,159</b>	<b>4,138,772</b>

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

# Greenpower Energy Limited

ABN 22 000 002 111

## Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

2014

	Contributed Equity \$	Accumulated Losses \$	Capital Profits Reserve \$	Option Reserve \$	Financial Assets Reserve \$	Total \$
<b>Balance at 1 July 2013</b>	<b>63,398,286</b>	<b>(69,851,907)</b>	<b>10,314,793</b>	<b>277,600</b>	<b>-</b>	<b>4,138,772</b>
Loss for the year	-	(1,726,517)	-	-	-	(1,726,517)
Changes in fair value of available for sale financial assets:						
- Transfer to profit and loss	-	-	-	-	-	-
- Revaluation	-	-	-	-	670,904	670,904
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,726,517)</b>	<b>-</b>	<b>-</b>	<b>670,904</b>	<b>(1,055,613)</b>
<b>Transactions with owners in their capacity as owners</b>						
Contribution of equity, net of transaction costs	-	-	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>(1,726,517)</b>	<b>-</b>	<b>-</b>	<b>670,904</b>	<b>(1,055,613)</b>
<b>Balance at 30 June 2014</b>	<b>63,398,286</b>	<b>(71,578,424)</b>	<b>10,314,793</b>	<b>277,600</b>	<b>670,904</b>	<b>3,083,159</b>

2013

	Contributed Equity \$	Accumulated Losses \$	Capital Profits Reserve \$	Option Reserve \$	Financial Assets Reserve \$	Total \$
<b>Balance at 1 July 2012</b>	<b>62,466,764</b>	<b>(68,639,417)</b>	<b>10,314,793</b>	<b>277,600</b>	<b>1,077,942</b>	<b>5,497,682</b>
Loss for the year	-	(1,212,490)	-	-	-	(1,212,490)
Changes in fair value of available for sale financial assets:						
- Transfer to profit and loss	-	-	-	-	(139,739)	(139,739)
- Revaluation	-	-	-	-	(938,203)	(938,203)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,212,490)</b>	<b>-</b>	<b>-</b>	<b>(1,077,942)</b>	<b>(2,290,432)</b>
<b>Transactions with owners in their capacity as owners</b>						
Contribution of equity, net of transaction costs	931,522	-	-	-	-	931,522
<b>Sub-total</b>	<b>931,522</b>	<b>(1,212,490)</b>	<b>-</b>	<b>-</b>	<b>(1,077,942)</b>	<b>(1,358,910)</b>
<b>Balance at 30 June 2013</b>	<b>63,398,286</b>	<b>(69,851,907)</b>	<b>10,314,793</b>	<b>277,600</b>	<b>-</b>	<b>4,138,772</b>

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

# Greenpower Energy Limited

ABN 22 000 002 111

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(1,826,701)	(1,249,284)
Interest received		13,580	28,243
Income taxes received		-	-
Finance costs		(4,141)	-
Net cash provided by (used in) operating activities	19(a)	(1,817,262)	(1,221,041)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		-	-
Acquisition of other non-current assets		-	(3,606)
Proceeds from disposal of available for sale assets		-	891,374
Proceeds from return of capital on available for sale assets		1,353,275	-
Net cash used by investing activities		1,353,275	887,768
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from the issue of shares net of transaction costs		-	611,963
Loan proceeds from related parties	19(b)	-	250,000
Net cash used by financing activities		-	861,963
Net increase (decrease) in cash and cash equivalents held		(463,987)	528,690
Cash and cash equivalents at beginning of year		848,050	319,360
Cash and cash equivalents at end of financial year	7	384,063	848,050

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

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 1 Corporate Information

The financial report of Greenpower Energy Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30 September 2014 and covers Greenpower Energy Limited as an individual entity as well as the consolidated entity consisting of Greenpower Energy Limited and its subsidiaries as required by the Corporations Act 2001.

The financial report is presented in the Australian currency.

Greenpower Energy Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

### 2 Summary of Significant Accounting Policies

#### (a) Basis of Preparation

The financial report is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Greenpower Energy Limited is a for profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. The financial statements and notes comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### (b) Principles of Consolidation

##### Subsidiaries

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Subsidiaries are accounted for in the Parent entity financial statements at cost. A list of subsidiary entities is contained in Note 13 to the financial statements. All subsidiary entities have a 30 June financial year end.

#### (c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Directors. The Directors are responsible for allocating resources and assessing the performance of the operating segments.

#### (d) Revenue and Other Income

Revenue is recognised at the fair value of the consideration received or receivable.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Dividends received are accounted for when received.

All revenue is stated net of the amount of goods and services tax (GST).

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### (e) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Greenpower Energy Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

#### (f) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, recoverable amount is determined for the cash generating unit to which the asset belongs.

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### (g) Cash and Cash Equivalents

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

#### (h) Property, Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

##### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

#### (i) Intangibles

Intangible assets being website development and preliminary expenses are recorded at cost, it has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and three years. It is assessed annually for impairment.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### (j) Exploration and Evaluation Assets

Exploration and evaluation expenditure is generally written off in the year incurred, except for acquisition of exploration properties which is capitalised and carried forward.

When production commences, any accumulated costs for the relevant area of interest which have been capitalised and carried forward will be amortised over the life of the area according to the rate of depletion of the economically recoverable resources.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to the area of interest. The carrying value of any capitalised expenditure is assessed by the Directors each year to determine if any provision should be made for the impairment of the carrying value. The appropriateness of the Group's ability to recover these capitalised costs has been assessed at year end and the Directors are satisfied that the value is recoverable.

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 asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

#### (k) Investments and Available for Sale Assets

All investments and available for sale assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and available for sale assets subsequent to initial recognition are set out below.

##### Available-for-sale Financial Assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Impairment testing is performed annually.

##### Loans and Receivables

Non-current loans and receivables include loans due from related parties repayable within 365 days of reporting date. These are interest bearing using a market rate of interest for a similar instrument with a similar credit rating. They are carried at amortised cost using the effective interest rate method.

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### (l) Fair Values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

#### (m) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-90 day payment terms.

#### (n) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### (o) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares associated with the acquisition of a business are included as part of the purchase consideration.

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### (p) Earnings per Share

##### Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of Greenpower Energy Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

##### Diluted Earnings per Share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

#### (q) Goods and Services Tax (GST)

Revenues and expenses are recognised net of GST except where 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.

Receivables and payables 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, are classified as operating cash flows.

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

#### (r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### (s) New Accounting Standards and Interpretations not yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

\* AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective for annual reporting periods beginning on or after 1 January 2017). AASB 9 addresses the classification, measurement and derecognising of financial assets and financial liabilities. The Group will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed.

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### (t) New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards is presented below.

##### *AASB 10 Consolidated Financial Statements*

AASB 10 supersedes AASB 127 *Consolidated and Separate Financial Statements* (AASB 127) and AASB Interpretation 112 *Consolidation - Special Purpose Entities*. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

##### *AASB 11 Joint Arrangements*

AASB 11 supersedes AASB 131 *Interests in Joint Ventures* (AAS 131) and AASB Interpretation 113 *Jointly Controlled Entities- Non-Monetary-Contributions by Venturers*. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

Management has reviewed AASB 11 and has concluded that there is no effect on the period or comparative periods covered by these financial statements.

##### *AASB 13 Fair Value Measurement*

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 *Financial Instruments: Disclosures*.

The Group has applied AASB 13 for the first time in the current year.

##### *Amendments to AASB 119 Employee Benefits*

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans and employee benefits being 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) where within 12 months after the end of the reporting period they reported as short-term benefits, and are therefore not discounted when calculating leave liabilities while annual leave for all employees not expected to be used wholly within 12 months of the end of reporting period, is included in 'other long-term benefit' and discounted when calculating the leave liability.

Management has reviewed AASB 119 and has concluded that there is no effect on the period or comparative periods covered by these financial.

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### (u) Going Concern

For the year ended 30 June 2014 the Group incurred a net loss of \$1,726,517 (2013: \$1,212,490). At 30 June 2014, the cash balance was \$384,063 (2013: \$848,050). The accounts have been prepared on a going concern basis. The Directors have determined that future capital raisings and/or asset sales will be required in order to continue the exploration and development of the Group's mining tenements to achieve a position where they can prove exploration reserves.

The ability of the Group to continue as a going concern is dependent upon the Group raising further capital or realising funds from the sale of assets sufficient to meet the Group's expenditure commitments.

The Directors have prepared a cash flow forecast for the foreseeable future reflecting the above mentioned expectations and their effect upon the Group. The achievement of the forecast is dependent upon the future capital raising and/or sale of assets, the outcome of which is uncertain.

In the event that sufficient capital raising and/or asset sales at an amount and timing necessary to meet the future budgeted operational and investing activities of the Group is unfavourable the Directors believe that they will be able to contain the operating and investment activities sufficiently to ensure that the Group can meet its debts as and when they become due and payable.

In the event that the events referred to above results in a negative outcome, then the going concern basis of accounting may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities other than in the normal course of business and in amounts different from that stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

#### (v) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and from within the Group.

##### *Key estimates - income taxes*

The Group has not recognised deferred tax assets relating to carried forward tax losses as utilisation of the tax losses also depends on the ability of the group to satisfy certain tests at the time the losses are recouped. Due to the recent capital raising of the parent entity, there are some concerns that the entity may fail to satisfy the continuity of ownership test and therefore has to rely on the same business test.

# Greenpower Energy Limited

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 2 Summary of Significant Accounting Policies continued

#### *Key judgments - exploration and evaluation assets*

The Group has not capitalised expenditure relating to exploration and evaluation during the year however has carried forward the initial cost of certain Exploration Licenses where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$1,325,477.

#### *Key judgments - available-for-sale investments*

The Group maintains a portfolio of securities with a carrying value of \$617,397 at the end of the reporting period. Certain individual investments have declined in value and impairment adjustments have been brought to account.

### 3 Auditors' Remuneration

	2014 \$	2013 \$
Remuneration of the auditor of the parent entity for:		
- Audit or review	36,303	37,467
- Total remuneration for audit services	36,303	37,467

### 4 Other Income

	2014 \$	2013 \$
- Gain on disposal of available for sale assets	-	334,222
- Grants received	8,402	33,608
	8,402	367,830

# Greenpower Energy Limited

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 5 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2014 \$	2013 \$
<b>Deferred tax expense</b>		
Other deferred tax	-	90,684
	<u>-</u>	<u>90,684</u>

(b) The prima facie tax benefit/(expense) from the loss before income tax is reconciled to the income tax as follows:

	2014 \$	2013 \$
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)		
- the Group	(517,955)	(363,747)
	<u>(517,955)</u>	<u>(363,747)</u>
Add/Less tax effect of:		
- losses not brought to account	517,955	273,063
	<u>517,955</u>	<u>273,063</u>
Income tax attributable to parent entity	-	(90,684)

(c) Unrecognised temporary differences

	2014 \$	2013 \$
Deferred Tax Assets (at 30%)	8,144	247,517
Losses not brought to account	1,260,154	1,176,562

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Availability of losses is subject to passing the required tests under the ITAA 1997/1936.

### 6 Earnings per Share

(a) Reconciliation of Earnings used to calculate Earnings per share

	2014 \$	2013 \$
Loss	1,726,517	1,212,490
Loss used to calculate basic EPS	<u>1,726,517</u>	<u>1,212,490</u>

(b) Weighted average number of ordinary shares (diluted):

	2014	2013
Weighted average number of ordinary shares outstanding during the year		
number used in calculating basic EPS and dilutive EPS	92,465,787	92,465,787
	<u>92,465,787</u>	<u>92,465,787</u>

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 7 Cash and Cash Equivalents

	Note	2014 \$	2013 \$
Cash at bank		223,760	693,052
Short-term bank deposits	7(a)	160,303	154,998
		<b>384,063</b>	848,050

#### Reconciliation of Cash

	2014 \$	2013 \$
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	384,063	848,050
	<b>384,063</b>	848,050

The effective interest rate on short-term bank deposits was 2.4% (2013: 2.3%); these deposits are at call.

#### (a) Short term deposit

Short term deposits are held as a security for various bank guarantees.

### 8 Trade and Other Receivables

	Note	2014 \$	2013 \$
<b>CURRENT</b>			
Other receivables	8(a)	41,594	70,190
		<b>41,594</b>	70,190

#### (a) Other Receivables

Other receivable represent receivables due from the Australian Taxation Office, WA Department of Mines and Petroleum and other amounts which are not impaired and will be receivable.

#### (b) Past due but not impaired

As at 30 June 2014, no other receivables were past due but not impaired. Other receivables are GST receivables and other debtor balances which will be received subsequent to year end.



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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 9 Non-Current Assets – Held for Sale

	Note	2014 \$	2013 \$
<b>CURRENT</b>			
Exploration permits	9(a)	800,000	-
		<b>800,000</b>	-

#### (a) Exploration permits

The carrying value of \$800,000 capitalised for EP 447 was transferred from Exploration and Evaluation Assets and is held as available for sale. The Group has received a number of expressions of interest in EP 447 and as such the EP has been classified as held for sale.

### 10 Available-for-Sale Financial Assets

#### Available-for-Sale Financial Assets Comprise:

	2014 \$	2013 \$
Listed investments		
shares in listed corporations	617,397	1,299,767
	<b>617,397</b>	<b>1,299,767</b>
<b>Total available for sale assets at fair value</b>	<b>617,397</b>	<b>1,299,767</b>

Available for sale assets comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments. The impairment loss for this year was \$Nil (2013: \$174,036).

#### Fair Value

Listed investments have been valued at the quoted market bid price at the end of the reporting period.

At 30 June 2014 and 30 June 2013, the aggregate fair values and carrying amounts of financial assets and financial liabilities approximate their carrying amounts.

Available-for-sale financial instruments are recognised in the statement of financial position of the Group according to the hierarchy stipulated in IFRS7.

	2014 \$	2013 \$
Available-for-sale financial assets		
ASX Listed equity shares – Level 1	617,397	1,299,767
	<b>617,397</b>	<b>1,299,767</b>

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 10 Available-for-Sale Financial Assets continued

#### Impairment

Available for sale financial assets represent shares listed on the ASX, the impairment represents the reduction in market valuation of the financial assets as at 30 June 2014 where fair value is lower than cost.

#### (a) Reconciliation of Available-for-Sale Financial Assets

	2014 \$	2013 \$
Opening Balance	1,299,767	3,194,855
Impairment	-	(174,036)
Disposal	-	(891,374)
Return of capital	(1,343,274)	-
Net (loss)/gain on revaluation of financial assets	670,904	(829,678)
	<b>617,397</b>	<b>1,299,767</b>

### 11 Property, Plant and Equipment

	2014 \$	2013 \$
<b>PLANT AND EQUIPMENT</b>		
Office equipment		
At cost	5,796	5,796
Accumulated depreciation	(3,740)	(2,693)
Total office equipment	2,056	3,103
Total plant and equipment	2,056	3,103
<b>Total property, plant and equipment</b>	<b>2,056</b>	<b>3,103</b>

#### (a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Equipment \$
<b>Balance at 30 June 2014</b>	
Balance at the beginning of year	3,103
Additions	-
Depreciation expense	(1,047)
Balance at 30 June 2014	<b>2,056</b>
<b>Balance at 30 June 2013</b>	
Balance at the beginning of year	4,448
Additions	-
Depreciation expense	(1,345)
Balance at 30 June 2013	3,103

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 12 Intangible Assets

	Note	2014 \$	2013 \$
Other intangible assets			
Cost	12(b)	13,249	13,249
Accumulated amortisation and impairment		(12,300)	(10,286)
<b>Net carrying value</b>		<b>949</b>	<b>2,963</b>
<b>Total Intangibles</b>		<b>949</b>	<b>2,963</b>

#### (a) Movements in Carrying Amounts

	Other intangible assets - Website \$
<b>Year ended 30 June 2014</b>	
Opening balance	2,963
Additions	-
Amortisation	(2,014)
<b>Closing value at 30 June 2014</b>	<b>949</b>
<b>Year ended 30 June 2013</b>	
Opening balance	4,804
Additions	2,440
Amortisation	(4,281)
<b>Closing value at 30 June 2013</b>	<b>2,963</b>

#### (b) Intangible Assets

Intangible assets are represented by capitalised costs of the Group's website development.

### 13 Controlled Entities

	Country of incorporation	Percentage Owned 2014	Percentage Owned 2013
<b>Subsidiaries of parent entity:</b>			
GCC Asset Holdings Pty Ltd	Australia	100	100
GCC Methane Pty Ltd	Australia	100	100
Greenpower Natural Gas Pty Ltd	Australia	100	100
Sawells Pty Ltd	Australia	100	100
Chimney Springs Pty Ltd	Australia	100	100
Greenpower Latrobe CTL Pty Ltd	Australia	100	100

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 14 Exploration and Evaluation Assets

	Note	2014 \$	2013 \$
NON-CURRENT			
Exploration permits		1,325,477	2,125,477

#### Movements in Other Assets

		Exploration permits \$	Total \$
<b>Year ended 30 June 2014</b>			
Opening balance		2,125,477	2,125,477
Deposit on Tenement			
Transfer to held for sale	9	(800,000)	-
Relinquishment of Tenements		-	-
<b>Balance at 30 June 2014</b>		1,325,477	2,125,477
<b>Year ended 30 June 2013</b>			
Opening balance		2,125,477	2,125,477
Deposit on Tenement		-	-
Relinquishment of Tenements		-	-
<b>Balance at 30 June 2013</b>		2,125,477	2,125,477

#### Exploration permits

Current permits as at 30 June 2014:

- Victoria - EL4500, EL 4877 and EL 5227
- South Australia - SAP145 and SAPELA146
- Western Australia - EP 447

Ultimate realisation of the value of the above tenements is dependent upon successful exploitation or sale.

The Group has decided that the South Australian areas do not fit the Company's present business intentions and arrangements will be made for their disposal/surrender. They are currently held at nil value.

### 15 Trade and Other Payables

	2014 \$	2013 \$
CURRENT		
Trade payables	45,029	121,791
Other payables	43,348	88,988
	88,377	210,779

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 16 Issued Capital

	2014 \$	2013 \$
92,465,787 (2013: 92,465,787) Ordinary Shares	63,398,286	63,398,286
	<b>63,398,286</b>	<b>63,398,286</b>

The Company has no authorised share capital amounting to no par value.

#### Movements in ordinary share capital

	No. of shares	\$
<b>Year ended 30 June 2014</b>		
At the beginning of year	92,465,787	63,398,286
Shares issued during the year	-	-
Cost of listing shares	-	-
Balance at 30 June 2014	92,465,787	63,398,286
<b>Year ended 30 June 2013</b>		
At the beginning of year	72,933,138	62,466,764
Shares issued during the year	19,532,649	976,632
Cost of listing shares	-	(45,110)
Balance at 30 June 2013	92,465,787	63,398,286

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

#### Capital Risk Management

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

In order to maintain or adjust the capital structure, the Group may pay dividends to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including minority interest) plus net debt.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain nil borrowings outside of trade and other payables. During the year a short term loan on commercial terms from a Director was received and repaid.

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 16 Issued Capital continued

	2014 \$	2013 \$
Total payables	88,377	210,779
Less: cash and cash equivalents	(384,063)	(848,050)
<b>Net debt</b>	<b>(295,686)</b>	<b>(637,271)</b>
Total equity	3,083,160	4,138,772
<b>Total capital</b>	<b>2,787,474</b>	<b>3,501,501</b>

### 17 Reserves

	2014 \$	2013 \$
Capital Realisation Reserve	10,314,793	10,314,793
Share Based Payments Reserve	277,600	277,600
Available For Sale Asset Reserve	670,904	-
	<b>11,263,297</b>	<b>10,592,393</b>
	2014 \$	2013 \$
<b>Capital Realisation Reserve</b>		
Opening balance	10,314,793	10,314,793
	<b>10,314,793</b>	<b>10,314,793</b>
<b>Share Based Payments Reserve</b>		
Opening balance	277,600	277,600
	<b>277,600</b>	<b>277,600</b>
<b>Available For Sale Asset Reserve</b>		
Opening balance	-	1,077,942
Fair value adjustment	670,904	(826,234)
Income statement	-	(342,392)
Deferred tax in income statement	-	36,011
Deferred tax in statement of financial position	-	54,673
	<b>670,904</b>	<b>-</b>
<b>Total reserves</b>	<b>11,263,297</b>	<b>10,592,393</b>

#### Capital Realisation Reserve

The capital realisation reserve records revaluation of capital.

#### Share Based Payments Reserve

The share based payments reserve records items recognised as expenses on valuation of employee share options.

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 17 Reserves continued

#### Available For Sale Asset Reserve

The financial assets reserve recognises movements in fair value of available for sale financial assets.

### 18 Accumulated Losses

	2014 \$	2013 \$
<b>Accumulated losses</b>		
Opening balance	(69,851,907)	(68,639,417)
Net loss for the period	(1,726,517)	(1,212,490)
<b>Total</b>	<b>(71,578,424)</b>	<b>(69,851,907)</b>

### 19 Cash Flow Information

#### (a) Reconciliation of Cash Flow from Operations with Loss after Income Tax

	2014 \$	2013 \$
Net loss for the year	(1,726,517)	(1,212,490)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Amortisation	2,014	4,281
Depreciation	1,047	1,345
Impairment of available for sale assets	-	174,036
Loss on relinquishment of tenement	-	-
Net (gain)/loss on disposal of available for sale assets	-	(334,222)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in receivables	28,594	(29,759)
Increase/(Decrease) in trade payables and accruals	(122,400)	85,086
Increase/(Decrease) in deferred taxes	-	90,682
<b>Net cash (outflow) from operating activities</b>	<b>(1,817,262)</b>	<b>(1,221,041)</b>

#### (b) Non Cash Movement

During the year a loan of Nil (2013: \$250,000) was extinguished as part of the rights subscription.

### 20 Capital Commitments

#### Operating Leases

	2014 \$	2013 \$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	-	3,000
	-	3,000

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 20 Capital Commitments continued

#### Capital Expenditure Commitments

	2014 \$	2013 \$
Capital expenditure commitments contracted for:		
Exploration Permits	474,250	1,391,250
CTL	901,379	2,073,842
	<b>1,375,629</b>	<b>3,465,092</b>
Payable:		
- not later than 12 months	1,211,679	1,671,401
- between 12 months and 5 years	163,950	1,793,691
	<b>1,375,629</b>	<b>3,465,092</b>

### 21 Related Party Transactions

#### (a) Parent entity

The ultimate parent entity within the Group is Greenpower Energy Limited.

#### (b) Subsidiaries

Interests in subsidiaries are set out in note 13.

#### (c) Compensation

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

	2014 \$	2013 \$
Short-term employee benefits	249,081	353,413
Post-employment benefits	12,192	-
Long-term benefits	-	-
Share-based payments	-	-
	<b>261,273</b>	<b>353,413</b>

#### (d) Transactions and balances with related parties

All transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year a Director Gerard King loaned the Group \$390,000 to meet its short term CTL and working capital commitments. The loan was made on commercial terms and repaid in June 2014. Interest was paid by the Group on repayment at 6.20% being the underlying bank loan rate.

#### (e) Beneficial Holdings

The direct, indirect and beneficial holding of directors and their director-related entities in the share and share options of the company as at 30 June 2014 was:

Shares: 34,715,417 (2013: 34,715,417) Ordinary



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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 22 Financial Risk Management

#### (a) Financial Risks

The main risks the Group is exposed to through its financial instruments are interest rate risk and liquidity risk.

The Group manages liquidity risk by prudent monitoring of expenditure in line with available funds.

#### (b) Net Fair Values

##### Fair Value Measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following table details the consolidated entity's fair values of financial instruments categorised by the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013:

	2014 Level 1 \$	2013 Level 1 \$
<b>Assets</b>		
Available-for-sale financial assets:		
- equity securities	617,397	1,299,767
<b>Total assets</b>	<b>617,397</b>	<b>1,299,767</b>

There have been no transfers between levels during the financial year.

#### (c) Foreign Currency Risk

The group is not exposed to fluctuations in foreign currencies.

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 22 Financial Risk Management continued

#### (d) Credit Risk

The Group has no significant concentrations of credit risk other than cash at bank which is held with the Commonwealth Bank of Australia and Westpac Bank both AA- rated Australian banks. The maximum exposure to credit risk at reporting date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

#### (e) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments (e.g. borrowing repayments). The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

##### Maturity analysis

	Carrying Amount \$	Contractual Cash flows \$	< 6 mths \$
<b>Year ended 30 June 2014</b>			
Trade and other payables	88,377	88,377	88,377
	88,377	88,377	88,377
<b>Year ended 30 June 2013</b>			
Trade and other payables	210,779	210,779	210,779
	210,779	210,779	210,779

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Notes to the Consolidated Financial Statements  
For the Year Ended 30 June 2014

## 22 Financial Risk Management continued

### (f) Interest Rate Risk

The Group manages its interest rate risk by monitoring available interest rates while maintaining an overriding position of security whereby the majority of cash and cash equivalents are held in AA-rated bank accounts.

The Groups' exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the tables below:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Non-interest Bearing		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>										
Cash and cash equivalents	2.4	2.3	223,760	693,052	160,303	154,998	-	-	384,063	848,050
Receivables	-	-	-	-	-	-	41,594	70,190	41,594	70,190
<b>Total Financial Assets</b>			<b>223,760</b>	<b>693,052</b>	<b>160,303</b>	<b>154,998</b>	<b>41,594</b>	<b>70,190</b>	<b>425,657</b>	<b>918,240</b>
<b>Financial Liabilities:</b>										
Trade and sundry payables	-	-	-	-	-	-	88,377	210,779	88,377	210,779
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,377</b>	<b>210,779</b>	<b>88,377</b>	<b>210,779</b>

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 22 Financial Risk Management continued

#### Sensitivity analysis

The following tables show the movements in profit due to higher/lower interest costs from variable interest rate cash balances.

	+ .5% (50 basis points)		- .5% (50 basis points)	
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash at bank	1,920	4,240	(1,920)	(4,240)
	1,920	4,240	(1,920)	(4,240)

#### (g) Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position as available-for-sale. Neither the Group nor the parent entity is exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group regularly reviews the holdings and maintains a portfolio which the Directors believe has strong core values. The Group's equity investments are publicly traded and are listed on the ASX.

The maximum exposure to price risk from an income statement perspective at reporting date is the carrying amount of the investments.

	+ 20%		- 20%	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets	123,479	259,953	(123,479)	(259,953)
	123,479	259,953	(123,479)	(259,953)

# Greenpower Energy Limited

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## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 23 Segment Reporting

Segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the Directors who monitor the segment performance based on the operating profit and loss and cash flows which is measured in accordance with the Group's accounting policies.

For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves from the Group's mineral assets in Australia.

Segment performance is evaluated based on the operating profit and loss and cashflows and is measured in accordance with the Group's accounting policies.

	2014 \$	2013 \$
<b>Exploration Segment</b>		
Segment revenue	8,402	33,608
<b>Reconciliation of segment revenue to total revenue before tax:</b>		
Interest received	13,580	28,243
Other	-	334,222
<b>Total revenue</b>	<b>21,982</b>	<b>396,073</b>
<b>Exploration Segment</b>		
Segment results (loss)	(1,326,010)	(883,860)
<b>Reconciliation of segment results to net loss before tax:</b>		
Other corporate and administration	(422,489)	(634,019)
Income tax (expense)/benefit	-	(90,684)
<b>Net loss after tax</b>	<b>(1,726,517)</b>	<b>(1,212,490)</b>
<b>Exploration Segment</b>		
Segment operating assets	2,125,477	2,125,477
<b>Reconciliation of segment assets:</b>		
Other corporate and administration assets	1,046,060	2,224,074
<b>Total assets</b>	<b>3,171,537</b>	<b>4,349,551</b>
<b>Exploration Segment</b>		
Segment operating liabilities	43,980	93,094
<b>Reconciliation of segment liabilities:</b>		
Other corporate and administration liabilities	44,397	117,685
<b>Total liabilities</b>	<b>88,377</b>	<b>210,779</b>

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 24 Events After the Reporting Date

Subsequent to year end the Group:

Was advised that UIL would not proceed with its' offer to acquire the remaining 50% interest in the EL under a conditional sale agreement per the September 2013 sale agreement. The contract provided that, subject to certain conditions being fulfilled; GCCM would sell its remaining 50% interest in EP447 to UIL for \$875,000 cash and, effectively, \$1,125,000 worth of shares in UIL. If a future Production License was granted to UIL in respect of any part of EP447, GCCM was to receive a further cash payment of \$500,000 and a further tranche of UIL shares to the value of \$1,000,000 at the time of issue. The sale was conditional on UIL issuing shares under a prospectus for the IPO (initial public offering) of its shares for the purposes of listing on ASX. It was agreed with UIL, that UIL fund the Group's share of Year 1 expenditure commitments on EP 447 and assumed operatorship.

Other than this no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial year.

### 25 Parent entity

The following information has been extracted from the books and records of the parent, Greenpower Energy Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Greenpower Energy Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

#### *Investments in subsidiaries, associates and joint ventures*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

# Greenpower Energy Limited

ABN 22 000 002 111

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

### 25 Parent entity continued

#### *Tax consolidation legislation*

Greenpower Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

	2014 \$	2013 \$
<b>Consolidated Statement of Financial Position</b>		
Assets		
Current assets	331,932	830,374
Non-current assets	2,927,982	4,454,964
<b>Total Assets</b>	<b>3,259,914</b>	<b>5,285,338</b>
Liabilities		
Current liabilities	88,377	210,779
<b>Total Liabilities</b>	<b>88,377</b>	<b>210,779</b>
Equity		
Issued capital	63,398,286	63,398,286
Accumulated losses	(70,819,142)	(68,916,120)
Capital Realisation Reserve	10,314,793	10,314,793
Share Based Payments Reserve	277,600	277,600
<b>Total Equity</b>	<b>3,171,537</b>	<b>5,074,559</b>
<b>Consolidated Income Statement</b>		
Total loss for the year	(1,903,022)	(1,064,473)
<b>Total comprehensive loss</b>	<b>(1,903,022)</b>	<b>(1,064,473)</b>

# Greenpower Energy Limited

ABN 22 000 002 111

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2014

## 26 Contingent Liabilities

The Directors are not aware of any contingent liabilities at reporting date.

## 27 Company Details

### Registered office

The registered office of the company is:

Greenpower Energy Limited  
1st Floor, 46 Ord Street  
West Perth WA 6005

### Principal place of business

The principal place of business is:

Greenpower Energy Limited  
1st Floor, 46 Ord Street  
West Perth WA 6005



# Greenpower Energy Limited

ABN 22 000 002 111

## Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 15 to 47, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Corporations Act 2001 and other mandatory professional reporting requirements, Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group.
2. the Chief Executive Officer and Chief Finance Officer have each declared that as required by Section 295A:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director .....

Dated 30 September 2014

## INDEPENDENT AUDITOR'S REPORT

To the members of Greenpower Energy Limited

### Report on the Financial Report

We have audited the accompanying financial report of Greenpower Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In 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 judgement, 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 control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Greenpower Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of Greenpower Energy Limited 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 modifying our opinion, we draw attention to Note 2(u) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding. These conditions, along with other matters as set out in Note 2(u), 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 in 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 Greenpower Energy Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Wayne Basford  
Director

Perth, 30 September 2014

# Greenpower Energy Limited

## ASX Additional Information

For the Year Ended 30 June 2014

### ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 19 September 2014.

### Voting Rights

#### Ordinary Shares

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

#### Options

No voting rights.

### Distribution of Equity Security Holders

Holding	Holders	Number of Shares
1 - 1,000	882	176,039
1,001 - 5,000	301	898,919
5,001 - 10,000	197	1,680,453
10,001 - 100,000	264	8,473,638
100,000 and over	55	81,236,738
	1,699	92,465,787

There were 1,534 holders of less than a marketable parcel of ordinary shares.

### 20 Largest Optionholders

	Options	
	Number held	% of issued options
Mr Matthew Suttling	300,000	42.86
Mr John Watts	200,000	28.57
Mr Stephen Menzies	200,000	28.57
	700,000	100.00

### Unissued Equity Securities

Options issued 700,000.

# Greenpower Energy Limited

## ASX Additional Information

For the Year Ended 30 June 2014

### 20 Largest Shareholders

	Ordinary shares	
	Number held	% of issued shares
Lodestar Investments Limited	21,623,216	23.39
C N Mcdonald Pty Ltd <C N Mcdonald Family A/C>	10,000,000	10.81
Astron Limited	9,513,018	10.29
Pandora Nominees Pty Ltd	7,354,300	7.95
Narlack Pty Ltd <Piperoglou Pension A/C>	5,921,340	6.40
Mr Frederic Bernd Rappaport	4,100,000	4.43
Mr Alan John Flavelle	3,060,160	3.31
Leibler Superannuation Nominees Pty Ltd <Leibler Super Fund A/C>	1,972,947	2.13
Ms Jane Marian Walker	1,750,000	1.89
Yalloak Pty Ltd	1,732,030	1.87
Mr Ronald Mccullough & Mrs Shirley Mccullough <Demeter Super Fund A/C>	1,340,000	1.45
Manasota Pty Ltd	1,000,000	1.08
Mr Michael Bruce Smith + Mrs Kay Smith <M & K Smith S/F A/C>	1,000,000	1.08
Greenearth Energy Limited	785,100	0.85
Mr Christopher Hosking + Mrs Marcia Hosking <Hosking Super Fund A/C>	750,000	0.81
JP Morgan Nominees Australia Limited <Cash Income A/C>	720,000	0.78
Mr Simon Andrew Peters + Mrs Emma Frances Vogel <Perseus S/F A/C>	628,614	0.68
Mt Geok Khim Goh	500,000	0.54
HSBC Custody Nominees Australia Limited	425,000	0.46
Mr Israel Goldberg + Mrs Yael Goldberg <I & Y Goldberg S/F A/C>	400,000	0.43
	74,575,725	80.63

### Securities exchange

The Company is listed on the Australian Securities Exchange.

## **CORPORATE GOVERNANCE**

### **CORPORATE GOVERNANCE POLICY**

The Board of Directors oversees and monitors the business and affairs of the Group. To assist the Board in discharging its responsibilities, the Board has adopted the following principles of corporate governance that are considered, having regards to cost effectiveness, appropriate for the present size and scope of operations of the Group and that unless otherwise explained, follows the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council which is chaired by the ASX Group (ASX).

#### **Principle 1: Lay solid foundations for management and oversight.**

##### **Board Charter**

The Board is responsible for:

- i) developing, approving and monitoring implementation by management of corporate policy, strategy and performance objectives;
- ii) developing and monitoring adoption of appropriate principles of corporate governance;
- iii) reviewing, ratifying and monitoring systems of accountability, risk management and internal control, codes of conduct and legal compliance;
- iv) approving and monitoring management implementation of financial and other reporting;
- v) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments delegated to management for implementation;
- vi) reviewing and approving business plans, operating and capital budgets developed by and for implementation by management;
- vii) reviewing, ratifying and monitoring systems implemented by management for health, safety and environment management and controls;
- viii) appointing, removal and evaluating the performance of the chief executive officer and senior executives; and
- ix) selecting and appointing new Directors to the Board, and evaluating the performance of all members of the Board.

The Board delegates responsibility for the day to day operations and administration of the Group to the Managing Director.

## **Principle 2: Structure the Board to add value**

### **Composition of the Board**

The composition of the Board is determined in accordance with the following principles and guidelines:

- i) the Board shall comprise at least three Directors, increasing where additional expertise is considered necessary in certain areas to a maximum of seven Directors;
- ii) Directors are initially appointed by the Board and are subject to re-election at the annual general meeting by shareholders at three-yearly intervals, or at the next annual general meeting after their initial appointment;
- iii) to the extent practicable and having regards to the stage of development of the Company and cost, the Board shall comprise a majority of non-executive and independent Directors with the Chairman being a non-executive and independent person; and
- iv) The Board shall comprise of Directors with a range of skills and experience that are appropriate and can assist the Directors in performing their duties within the scope of the Group's operations.

The Board reviews its composition regularly to ensure that it has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills and expertise, the Board selects that new Director from appropriate candidates with relevant qualifications, skills, expertise and experience.

The Board presently is composed of two Non-Executive Directors, Mr Ronald McCullough and Mr Takanao Mitsui and two Executive Directors, Managing Director, Mr Gerard King and Mr Alan Flavelle (Chairman). Mr Gerard King is a substantial shareholder under the ASX Corporate Governance Council guidance is considered to be not independent. Consequently, the Company is not complying with Principles 2.1 and 2.2 of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council at this early stage of development to contain costs. With each Director shareholders and having significant industry experience, the Board has the experience and interest to add value for the benefit of all shareholders.

### **Nomination**

Given the present size of the Group, the existing Board structure is able to meet the needs of the Group in the examination of selection and appointment practices without the establishment of a nomination committee of the Board as recommended under Principle 2.4 of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

### **Independent Professional Advice**

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Group's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

### **Performance Assessment**

The Board undertakes annual self- assessment of its collective performance and the performance of the Chairman.

The Chairman undertakes an annual assessment of the performance of individual directors. Any deficiency identified in a Director's performance is addressed directly with the relevant Director.

### **Principle 3: Promote ethical and responsible decision-making**

#### **Code of Conduct**

#### **Ethical Standards**

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards in addition to compliance with their legal obligations and having regard to the reasonable expectations of the Group's stakeholders. All Directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

In particular, Directors and employees must at all times:

- manage situations where their personal interests may conflict with the interests of the Group;
- not take advantage of property, information or position for personal gain;
- not compete with the Group;
- not use non-public information except where disclosure is authorised or legally mandated;
- deal fairly with customers, suppliers, competitors and employees;
- protect and make proper use of the Group's assets;
- comply with laws and regulations, and actively promote compliance; and
- report any unlawful or unethical behaviour knowing that they will have proper protection by the Board when making such reports in good faith.



## **Securities Trading**

The Board has set a policy on dealing with securities of the Company. Directors and employees, and their family members and close associates, may not buy, sell or subscribe for any securities of the Company, whether on their own account or on behalf of another person while in possession of price sensitive information which is not generally available to the public. They may not deal in the securities of the Company during a two week period before the release to ASX of the quarterly report, the half year or full year financial results, the half year report or the annual report of the Group until one day after the release of those reports or results to ASX. They may not also deal in securities of the Company during the period when a material transaction is being negotiated by the Group or drilling is being carried out until one day after an announcement has been made to ASX on the results.

## **Diversity Policy**

The Board has established a policy concerning diversity recognising the benefits that it can bring to the Group. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Group encourages an environment conducive to the appointment of well qualified employee, consultants, senior management and Board candidates so that there is appropriate diversity to maximise the achievement of corporate goals.

The Board has set the following objectives for achieving diversity in the next few years as the Group's business develops from its current early stage of operations:

- i) 30% female participants in operations and support positions;
- ii) 20% female in senior executive positions;
- iii) 20% female in Board positions.

## **Principal 4: Safeguard integrity in financial reporting**

### **Audit Committee**

The Board has not established an Audit Committee and as such Group is not in compliance with Principle 4.1 of the ASX Corporate Governance Council. The Board considers that the Group is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. The Board considers that the experience and qualifications of the Board will assure the integrity of the financial statements of the Group and the independence of the external auditor.

### **Audit Committee (cont)**

The Board ensures that the auditor is invited to attend all general meetings of shareholders.

The Board in lieu of an Audit Committee is responsible for:

- i) reviewing the quality and integrity of the Group's financial reporting to shareholders, ASX and the Australian Securities and Investments Commission;
- ii) reviewing the accounting policies, internal controls, practices and disclosures to assist the Board in making informed decisions, with direct access to management;
- iii) reviewing the scope and outcome of external audits, with direct access to external auditors;
- iv) nominating external auditors and reviewing the adequacy of existing external audit arrangements;
- v) ensuring the independence of external auditors and reviewing any other services provided by them;
- vi) reviewing the Group's risk management systems; and
- vii) reporting to the Board on its meetings and the results of any assessments and reviews.

The Board has ratified an Audit Policy which states the services that may or may not normally be conducted by the Group's external auditing firm under the following guiding principles:

### **Acceptable Services**

The auditing firm may provide audit and audit-related services that are consistent with the role of auditor, although outside the scope of the audit required under the Corporations Act 2001. These include audit-related services and reviews required by third parties. Examples include:

- financial audits;
- audits of regulatory returns;
- reviews undertaken for trustees of convertible notes, bankers, joint venture partners and owners of royalty and net profit interests; and
- reviews of the adequacy of controls and recommendations for improvements.

## **Unacceptable Services**

The auditing firm should not provide services that are perceived to be materially in conflict with the role of auditor. These include investigations and consulting advice and subcontracting of operational activities normally undertaken by management, and where the auditor may ultimately be required to express an opinion on its own work. Examples include:

- due diligence on potential acquisitions or investments/divestments;
- advice on deal structuring and assistance in deal documentation;
- tax planning and strategy;
- designing or implementing new IT systems or financial controls;
- advice on sales and purchasing contracts;
- book-keeping;
- valuations;
- executive recruitment and appointments;
- senior management secondments; and
- internal audit activities.

## **Services Subject to Specific Approval**

The auditing firm may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the express approval of the Audit Committee. Examples include:

- advice on appropriate accounting standards; and
- review of legislation and advice on its application to the Group.

## **Exception**

An exception can be made to the above policy where the variation is in the interests of the Group and arrangements are put in place to preserve the integrity of the audit of the Group's financial statements. Any such exception requires the approval of the Board.

## **Principle 5: Make timely and balanced disclosure**

The Board's policy is for all investors to have equal and timely access to material information concerning the Group, including its financial position, performance, ownership and governance.

The Board has delegated the function of continuous disclosure under ASX's Listing Rules and the Corporations Act 2001 to the Managing Director to assess the type of information that needs to be disclosed and to ensure that Group's announcements are made in a timely manner with the assistance of the Company Secretary, are factual, do not omit material information and are in compliance with the Listing Rules and Corporations Act 2001. Information which is considered to be price sensitive is approved by the Board before its release.

## **Principle 6: Respect the rights of shareholders**

The Board shall establish practices to facilitate communication with the Company's shareholders. The Managing Director and the Company Secretary oversee this process through the Group's website and direct mailing by email and/or post. Regular briefings are held with professional investors. Prior to such briefings, information to be given is first released to ASX and later broadcast to shareholders/investors who have registered their email address with the Group.

## **Principle 7: Recognise and manage risk**

### **Business Risk**

The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies.

Specific areas of risk that are identified are regularly considered by the Board. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.

### **Environment, Health and Safety Management**

The Board recognises the importance of environmental, occupational health and safety issues, and is committed to the highest standards of performance. All Directors and employees are required to comply with all relevant legislation, continually assess and improve the impact of the Group's operations on the environment, and encourage the adoption of similar standards by the Group's principal suppliers, contractors and joint venture partners.

The Board regularly reviews risk management with the Managing Director who is required to report on its effectiveness.

### **Financial Report**

To assist the Board in approving the Group's financial report, the Managing Director and Financial Controller are required to present a statement with regard to the integrity of the financial statements of the Group to confirm to the Board that the Group's financial statements present a true and fair view in all material respects of the Group's financial position and that operational results are in accordance with applicable accounting standards and the Corporations Act 2001.

## **Principle 8: Remunerate fairly and responsibly**

The Board has not established a Remuneration Committee. The Board reviews the remuneration packages and policies applicable to all Directors and senior executives on an annual basis. The policy is for remuneration levels to be competitively set to retain and/or attract qualified and experienced Directors and senior executives. Where necessary, the Board obtains independent advice on the appropriateness of remuneration packages.