# TRIANGLE ENERGY (GLOBAL) LIMITED

ABN 52 110 411 428

# ANNUAL REPORT 2018

## For the year ended 30 June 2018

## CORPORATE DIRECTORY

***DIRECTORS***

Edward (Ted) Farrell (Non-Executive Chairman)
Robert Towner (Executive Director)
Darren Bromley (Executive Director)
Jason Peacock (Non-Executive Director)
Wai-lid Wong (Non-Executive Director)
Timothy Monckton (Non-Executive Director)

***COMPANY SECRETARY***

Lucy Rowe

***REGISTERED OFFICE***

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Tel: +61 (0)8 9219 7111
Email: admin@triangleenergy.com.au
Web: www.triangleenergy.com.au

***PRINCIPAL PLACES OF BUSINESS***
***Australia (Head Office):***
Suite 2, Ground Floor, 100 Havelock Street, WEST PERTH, WA 6005, Australia

***BANKERS***
Westpac Banking Corporation
275 Kent Street Sydney NSW 2000, Australia

***SECURITIES EXCHANGE LISTING***
ASX Limited
20 Bridge Street Sydney NSW 2000, Australia
ASX Code: TEG

***SHARE REGISTRY***
Automic
Level 2, 267 St Georges Terrace, Perth WA 6000, Australia
Tel: 1300 288 664 (within Australia)
Tel: +61 (8) 9324 2099 (outside Australia)
Email: hello@automic.com.au
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***AUDITORS***
HLB Mann Judd (WA) Partnership
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***SOLICITORS***
Bellanhouse Corporate Law Firm
Level 19, Alluvion, 58 Mounts Bay Rd, Perth WA 6000, Australia

TriangleEnergy

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**CHAIRMAN'S LETTER**

Dear Fellow Shareholder,

On behalf of the board of directors of Triangle Energy (Global) Limited (**Triangle**, **The Company**, **Consolidated entity** or **The Group**) it is my pleasure to present the 2018 Annual Report.

The past twelve months has seen your Company strengthen its position in the Perth Basin and focus on extending the life of the Cliff Head Oil Field (**Cliff Head**) asset, including both its infrastructure and Reserves.

Triangle committed $4.0 million to an Asset Life Extension Program which includes remodelling the subsurface Cliff Head reservoir to identify previously undrained sections, identifying potential new sources of crude within the licence area, upgrading the Cliff Head onshore and offshore infrastructure and providing a Reserves review upgrade.

The investment in infrastructure supports future expected increases in field production and enables the handling of regional oil through the Company's Arrowsmith Stabilisation Plant, which is the only operating onshore processing facility in the Perth Basin and is essential infrastructure for expediting current and new crude to market.

Mature fields like Cliff Head often deliver additional reserves through technological advances which can identify and extract trapped oil. Subsequent to the end of the financial year, your Company reported that its static remodelling of Cliff Head showed additional potential resources and potential oil initially in place for both its already discovered reservoirs and near-field targets respectively.

Dynamic Modelling is currently underway to confirm these potential additional resources and once complete a development program to extract the additional oil, potentially extending the life of field out to 2030 and beyond, can be planned. We look forward to reporting this in the 2019 financial year.

The September 2017 quarter was an outstanding period for Triangle and its shareholders with the oil discovery at the Xanadu prospect confirmed. Xanadu is the first oil discovery in the Perth Basin since Cliff Head over 15 years ago and based on the current appraisal of the well we have confidence there are significant quantities of oil within the field. It also became apparent that the oil is of a similar structure to Cliff Head and it would therefore potentially be processed through the Arrowsmith plant seamlessly. Processing any crude through Arrowsmith would fast-track produced crude from Xanadu to market. A 3D Seismic Survey is currently pending, and we look forward to updating shareholders on further outcomes from this exciting joint venture.

In addition to these assets and projects in the Perth Basin, Triangle has a 35.47% interest in State Gas Limited (**State Gas**, ASX:**GAS**) which is the holder of a 60% interest in PL 231 Reids Dome, based in Queensland. State Gas listed on ASX Limited in October 2017 and Triangle shareholders will benefit from the success of this company through our meaningful equity stake.

The Board continues to assess acquisitions that it sees as complimentary to business activities and is confident it can drive forward further growth opportunities at a corporate level.

Growing and strengthening your Company is a Board priority and we appointed three new Non-Executive Board members during the year: Mr Jason Peacock, Mr Wai-Lid Wong and Mr Tim Monckton. Their expertise complements and expands the Board's skill set and will be invaluable during the next period of asset growth and development.

As we enter a new chapter of growth, I would like to take this opportunity to thank all our employees, contractors, suppliers and partners for their professionalism and hard work throughout the year. I'd also like to thank my fellow Board members for their advice and direction and welcome our new ones. Managing Director Rob Towner and Director and Chief Financial & Operating Officer Darren Bromley have worked tirelessly throughout the year and have positioned the Company well for future growth, development and expansion within the Perth Basin. It is a very exciting time to be part of a Company which has such excellent assets, prospects and potential to build further shareholder wealth.

Finally, I'd like to thank all my fellow shareholders for your continued support. We have a clear and strong growth strategy based on our remodelling programs and believe we will be able to extend field life to 2030 and beyond. We look forward to delivering our dynamic modelling results and development plans during the coming year as we build upon our success.

There are many opportunities in the highly prospective and underexplored Perth Basin region and we are in a perfect position to take advantage of them as they arise. We continue to assess joint venture and acquisition options and will make sound decisions with the aim of benefiting all shareholders.

We look forward to keeping you informed of progress and further success in the coming year.

Ted Farrell

Edward (Ted) Farrell

Non-Executive Chairman

**DIRECTORS' REPORT**

Your directors submit the annual report of the consolidated entity consisting of Triangle Energy (Global) Limited (the **Company, Group, Consolidated entity or TEG**) and the entities it controlled during the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors' report is as follows:

**Directors**

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Edward ('Ted') Farrell**

**Non-executive Chairman - Appointed 26 May 2014**

**Length of Service:** 4 years and 4 months

Mr Farrell's career includes over 25 years' experience owning and managing a private client share broking and financial advisory practise. He currently provides corporate consultancy services and international consultancy services with relation to Financial Services Industry and Trade, and Economic development projects, between Asia and Australia.

He has been substantially involved with capital raisings, initial public offerings, and company reconstructions over the past 25 years. Mr Farrell brings to the Company extensive experience from the financial services, corporate financing and capital management sectors.

Mr Farrell has held various directorships with private and public companies. He is a Fellow of the National Institute of Accountants, a member of the Australian Institute of Management and a Justice of the Peace.

Mr Farrell currently or in the last 3 years does not have any listed company directorships.

Mr Farrell is a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.

**Robert Towner**

**Executive Director - Appointed 9 July 2014**

**Length of Service:** 4 years and 2 months

Rob has over 20 years' experience in the corporate advisory and finance sectors. He was appointed Managing Director & CEO of Triangle Energy (Global) Limited in July 2014 and managed the Company's transition from operating Indonesian based assets to establishing a portfolio of Australian oil and gas projects, including the producing Cliff Head Oil Field and associated infrastructure in the Perth Basin, Western Australia.

Rob has extensive experience in the oil and gas sector and has been involved in a number of capital raisings for projects throughout Australia, Canada, Asia and the USA since the early 1990's.

Rob represents Triangle's 35.47% interest on the board of State Gas Limited as a non-executive Director and is also currently a non-executive director of Botanix Pharmaceuticals Limited and a non-executive director of the unlisted Telethon Type 1 Diabetes Family Centre.

**Darren Bromley**

**Executive Director - Appointed 9 July 2014**

**Chief Financial Officer - Appointed 12 April 2010, Chief Operating Officer - Appointed 18 December 2017, Company Secretary - 29 June 2012 - 20 November 2017**

**Length of Service:** 4 years and 2 months (8 years and 5 months as CFO)

Mr Bromley has over 26 years' experience in business management and the corporate sector. He was appointed Executive Director of Triangle Energy (Global) Limited in July 2014, and also holds the positions of Chief Financial Officer (April 2010) and Chief Operations Officer (January 2018). He was Company Secretary from June 2012 to November 2017.

Mr Bromley was integral in managing the divestment of Triangle's Indonesian interests and acquisition of Cliff Head in the Perth Basin, Australia. His executive capacity at Triangle includes operational management and corporate governance functions.

His experience includes corporate transactions, mergers and acquisitions, business start-ups capital raisings, financial modelling, business development, operational management and company administration.

Darren previously held CFO positions at ASX listed entities Prairie Downs Metals Limited and QRSciences Holdings Limited as well as numerous company directorships and secretary positions. He is currently a non-executive director at Appwell Pty Ltd (Openn Negotiation), a technology start-up company.

He holds a Bachelor of Business Degree in Finance, a Master of e-Business and has a great depth of business management and financial experience.

Mr Bromley does not currently, nor has he held, in the last 3 years any other listed company directorships.

Mr Bromley is a member of the Audit and Risk Management Committee.

**Mr Jason Peacock**

**Non - Executive Director appointed 11 April 2018**

**Length of Service:** 5 months

Jason has 18 years of oil and gas experience across production operations, reservoir engineering and petroleum development, and was appointed a Non-Executive Director of Triangle Energy (Global) Limited in April 2018.

Jason has extensive leadership and management experience with both onshore and offshore exploration and development projects with Chevron in the North Sea, Shell in Asia and more recently with AWE in NZ, where he provided technical support and assurance across many of AWE's assets, including Cliff Head.

Jason assumed the role of Asset Manager for the Tui Field in 2009, was promoted to the role of General Manager NZ for AWE in 2015 and in early 2017 commenced the role as NZ Country Manager for Tamarind Resources Pte Ltd (**Tamarind**).

He holds a Bachelor of Science in Geology from the University of Canterbury, NZ and a Master of Science (Honours) in Petroleum Engineering from Heriot-Watt University, Scotland. Jason is currently a Director of Tamarind's four unlisted NZ companies.

Mr Peacock does not currently, nor has he held, in the last 3 years, any other listed company directorships.

**Mr Wai-Lid Wong**

**Non -Executive Director appointed 11 April 2018**

**Length of Service:** 5 months

Wai-Lid has over 17 years oil and gas experience in process engineering, operations and asset management roles. He was appointed a Non-Executive Director of Triangle Energy (Global) Limited in April 2018.

Currently, Wai-Lid holds the position of Chief Operating Officer for Tamarind. In this role, he is responsible for the delivery of all aspects of Tamarind's operated business, working closely with Tamarind's Regional leadership.

Prior to this, Wai-Lid was the Asset Manager for two PSCs and headed all Asset Development and CAPEX Project activity for Talisman / Repsol in Malaysia. Wai-Lid has also spent a period of time within Schlumberger's strategic advisory arm (Asia and Australia) where he assisted a number of Regional E&P Players drive major strategic transformation and performance improvement programs.

Wai-Lid has a PhD and Masters of Engineering (M.Eng.) in chemical engineering from Imperial College, London.

Mr Wong does not currently, nor has he held, in the last 3 years, any other listed company directorships.

Mr Wong is the Chair of the Audit and Risk Management Committee.

**The Honourable Timothy Monckton**

**Non - Executive Director appointed 17 July 2018**

**Length of Service:** 2 months

Tim has been in the Stockbroking Industry for over 25 years starting his career as an analyst before moving into sales. Tim is currently an Equity Partner with Baillieu Holst and is the Relationship Manager for the resources sector.

Tim spent eleven years with ABN AMRO/ Royal Bank of Scotland where he was Head of Domestic Sales for six years before being promoted to Managing Director Corporate Broking.

Prior to moving his family to Australia Tim worked for the Albert Abela Corporation. He was employed as Head of Local Human Resources and sat as Chairman of the Albert Abela Group UK.

Tim currently sits on the Sydney Norths Rugby Referee Committee and is still an active referee which he has done for 14 years.

Tim was educated at Harrow Public School in the UK and attended the Royal Agriculture College of Cirencester.

Mr Monckton does not currently, nor has he held, in the 3 last years, any other listed company directorships.

Mr Monckton is the Chair of the Remuneration and Nomination Committee.

**Company Secretary**

**Mrs Lucy Rowe – Appointed 20 November 2017**

Lucy was appointed Company Secretary of Triangle Energy (Global) Limited in November 2017.

Lucy is an experienced compliance professional, with 18 years' experience in the financial services, oil and gas, and IT industries.

Lucy held the position of Company Secretary of New Guinea Energy Limited for 6 years and has also been the Company Secretary of a number of other listed and unlisted public companies. Lucy gained her PS 146 securities adviser accreditation in 2002 and holds a Graduate Diploma in Legal Studies majoring in financial services law.

**Interests in the shares and options of the company and related bodies corporate**

The following relevant interests in shares and rights of the Company or a related body corporate held as at the date of this report.

| Directors | Number of performance rights | Number of fully paid ordinary shares |
|---|---|---|
| Edward Farrell | 400,000 | 2,700,000 |
| Robert Towner | - | 12,172,686 |
| Darren Bromley | - | 10,786,273 |
| Jason Peacock | - | 913,794 |
| Wai-Lid Wong | - | - |
| Timothy Monckton | - | - |

**REVIEW OF OPERATIONS**

**Company Overview**

Triangle is an experienced and successful oil production and exploration company based in Perth, Western Australia. The Company currently has a 78.75% interest in, and is Registered Operator of, the producing Cliff Head Oil Field, which includes the onshore Arrowsmith Stabilisation Plant and offshore Alpha Platform, located in the Perth Basin. Triangle has a 30% joint venture interest in the Xanadu-1 Joint Venture oil discovery, also in the Perth Basin, and a substantial equity interest in State Gas Limited which has an operating interest in the Reids Dome production licence PL 231 in Queensland. The Company continues to assess acquisition and joint venture prospects to expand its portfolio of assets.

Triangle has nine years of operational experience in the oil and gas sector in Australia and Indonesia. The Company has a track record of performing ahead of industry averages in safety performance and will continue to pursue the highest standards in HSE.

**Cliff Head, Perth Basin, Western Australia**

The Cliff Head Oil Field (**Cliff Head**) is located approximately 300 kilometres north of Perth and 12 kilometres off the coastal town of Dongara in Western Australia at a water depth of 15-20 metres. The Production Licence WA-31-L covers 72km² and the oil field covers 6km². It was the first commercial oil discovery developed in the offshore Perth Basin and the development cost of the field was A$327m with first oil production commencing in May 2006.

**Ownership/Operatorship**

Triangle has a majority 78.75% interest in, and is Registered Operator of, the producing Cliff Head Oil Field. The 2017/2018 financial year saw Triangle commit further investment in the Perth Basin with a $4.0 million Asset Life Extension Program announced in the March 2018 Quarter.

**Cliff Head, Perth Basin, Western Australia (cont'd)**

The program includes remodelling the subsurface Cliff Head reservoir to identify previously undrained sections of the field and identifying near-field opportunities, upgrading the Cliff Head onshore and offshore infrastructure and providing a reserves upgrade.

The investment in infrastructure supports future expected increases in field production and enables the handling of regional oil through the Arrowsmith Stabilisation Plant (**Arrowsmith; ASP**).

Subsequent to the end of the financial year, on 17 July 2018, Triangle announced that its operating associate Triangle Energy (Operations) Pty Ltd (**TEO**) became the Registered Operator of the Cliff Head Joint Venture (Cliff Head) onshore and offshore facilities. When Triangle became the majority (78.75%) owner and operator of Cliff Head in May 2017, a third - party contractor was the Registered Operator of the facilities on behalf of the Joint Venture. To become the Registered Operator, TEO successfully developed two Safety Cases for the Cliff Head facilities which were accepted and approved by the relevant Regulatory Authorities: the Western Australian Department of Mines, Industry Regulation and Safety (**DMIRS**) for the onshore ASP, and the National Offshore Petroleum Safety and Environmental Management Authority (**NOPSEMA**) for the offshore Cliff Head Alpha Platform.

Approval of the Safety Cases demonstrated that TEO, as the new Operator of Cliff Head, has properly identified hazards and risks, can describe how the risks are controlled, and has defined the safety management system in place to ensure these controls are effectively and consistently applied.

To strengthen the Company's accountability as the Registered Operator, Triangle commissioned a full and independent Operational Readiness Review. This successful review ensures that TEO has the capabilities to not only comply with the approved Safety Cases but also has the full suite of processes, systems and competent people to seamlessly and safely execute production operations upon operatorship handover.

Approval of the two Safety Cases by the Regulators was a major milestone and becoming the Registered Operator of Cliff Head provides Triangle with more control to manage infrastructure in a manner consistent with the Company's operational philosophy.

***Production***

Production is from five electric submersible pump production wells and produced water is reinjected into three injection wells. Produced crude oil is trucked to the BP refinery in Kwinana, 42kms south of Perth.

To 30 June 2018, the field has produced 15.823 mmbbls and continues to produce at above originally forecast rates.

Cliff Head Joint Venture (CHJV) production 12 months to 30 June 2018: 320,324 bbls.

CHJV oil sales revenue 1 July 2017 - 30 June 2018 was $23.65 million at an annual production rate 878 bopd.

***Facilities and Infrastructure***

The Cliff Head facilities are the only offshore and operational onshore infrastructure in the highly prospective and under-explored Perth Basin, and are therefore important for any exploration success or development in the surrounding area. An unmanned platform in 15m to 20m of water with a 14km pipeline, carries the crude oil to a dedicated stabilisation processing plant at Arrowsmith with a production capacity of 15,000bopd. The crude oil is trucked 350km to the BP refinery in Kwinana. The Arrowsmith stabilisation processing plant has the capacity to process third party crude.

The remotely operated unmanned offshore platform has 5 production wells and 3 water injection wells. The two 14km, 250mm diameter pipelines connect the offshore platform to the onshore crude stabilisation plant. The facility operates on a closed loop water re-injection system.

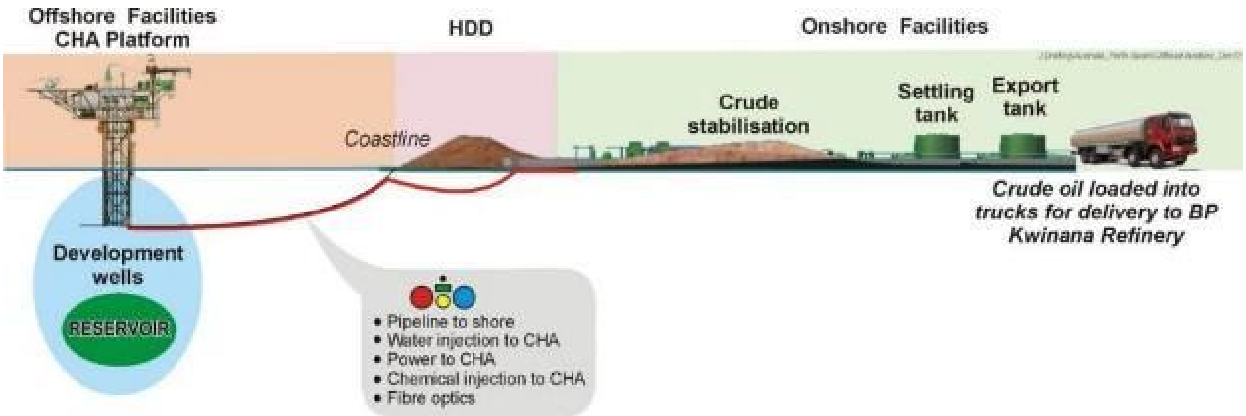
The Asset Life Extension Program announced on 6 March 2018 provides investment into the ongoing upgrade of the onshore and offshore infrastructure to support future expected increases in oil production.

Triangle continues to work with stakeholders to deliver further operational efficiencies in the facility.

DIRECTORS' REPORT (continued)

**REVIEW OF OPERATIONS (cont'd)**

**Cliff Head, Perth Basin, Western Australia (cont'd)**




***Exploration Upside***

Triangle had a strong focus on exploration throughout the year and invested significant time and resources to undertake an integrated program of full field remodelling and subsurface re-interpretation as part of its $4.0 million Asset Life Extension Program, which was announced on 6 March 2018. This Program confirmed Triangle's commitment to the Perth Basin and Cliff Head and the Company made significant progress with the Static Modelling to identify undrained sections within the current field production areas as well as near field prospects. The modelling work aims to increase the field life by many years.

Subsequent to the year end, on 2nd July 2018, Triangle announced that static modelling had been completed and results indicated there was potential to recover further resources and reserves from the Company's discovered, already producing reservoirs (Main Horst, West, South and South East Fault Blocks).

The static modelling work included, among other analyses: (a) reinterpretation of the seismic static model, which has refined Triangle's understanding of the size and shape of the reservoirs; and (b) petrophysical reinterpretation, which updates and revises water saturation, reservoir rock quality and other parameters across the reservoir.

A total of 15.8 million barrels of oil has already been produced from the Cliff Head reservoirs equating to a current oil recovery of 28%, and Static modelling indicates this could potentially be increased to a recovery factor of 35% to 40%.

Dynamic modelling is underway to confirm and quantify any additional contingent resource and reserve volumes. The dynamic modelling will then feed into a more holistic development study which will aim to select the best development concept to extract maximum reserves. The dynamic model is expected to be completed in 2018.

In addition to the potential in the already producing reservoirs mentioned above, the static modelling also indicated potential in near field targets (see announcement 10 July 2018).

The Static Modelling revealed up to 29 million barrels (unrisked, best estimate, evaluation date 2 July 2018) of prospective oil initially-in-place (OIIP), representing 10.2 million barrels of prospective resource in near field exploration targets within the Cliff Head licence area.

These near field prospects are located in close proximity to Cliff Head's discovered, producing reservoirs. The development of these volumes would therefore likely take advantage of existing pipelines and infrastructure with specific tie in pipelines being the main development commitment. Prospective OIIP volumes are in addition to OIIP in the discovered, already producing Cliff Head reservoirs. It is intended that OIIP in these discovered reservoirs, along with associated reserve and contingent resource values, will be reported once dynamic modelling is complete later in 2018.

Triangle's full field re-modelling and subsurface reinterpretation included remapping and geological modelling extended to cover four recognised near field exploration areas: the NFE West (A1), South (A2), South East (A3) and CH5 (A4) areas (see Figure 1).

**Cliff Head, Perth Basin, Western Australia (cont'd)**

**Cautionary statement**

The disclosure of prospective oil initially-in-place in this announcement is solely based on the Company's prospective resource estimate detailed below. It is not based on any estimate of petroleum reserves or contingent resources. The prospective resources have not been adjusted for risk.

| Reservoir | Area | Low Estimate | Best Estimate | High Estimate |
|---|---|---|---|---|
| Dongara Sandstone | A1: NFE West | 0.5 | 0.6 | 0.7 |
| Irwin River Coal Measures | A1: NFE West | 1.1 | 1.6 | 2.2 |
| | A2: NFE South | 1.6 | 2.2 | 2.9 |
| | A3: NFE South East | 3.2 | 4.2 | 5.8 |
| | A4: NFE CH5 | 1.2 | 1.6 | 1.9 |
| | **TOTAL** | **7.6** | **10.2** | **13.5** |

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

***Exploration Upside***

The static model shows that, in addition to OIIP volumes and potential to recover further resources and reserves from already discovered and producing reservoirs there is prospective OIIP of up to 29 million barrels in seven targets across the four near field exploration areas.

In addition to the immediate production enhancement opportunities and a potential development project in the Main Cliff Head discovered field, as outlined in an announcement released on 2nd July 2018, the static model defines a near field exploration potential that could lead to a multi-phased field development program. For an assumed recovery factor up to 35%, this could result in a (unrisked) recoverable volume of a further 10.2 million barrels (unrisked, best estimate) extending field life into the 2030's and beyond.

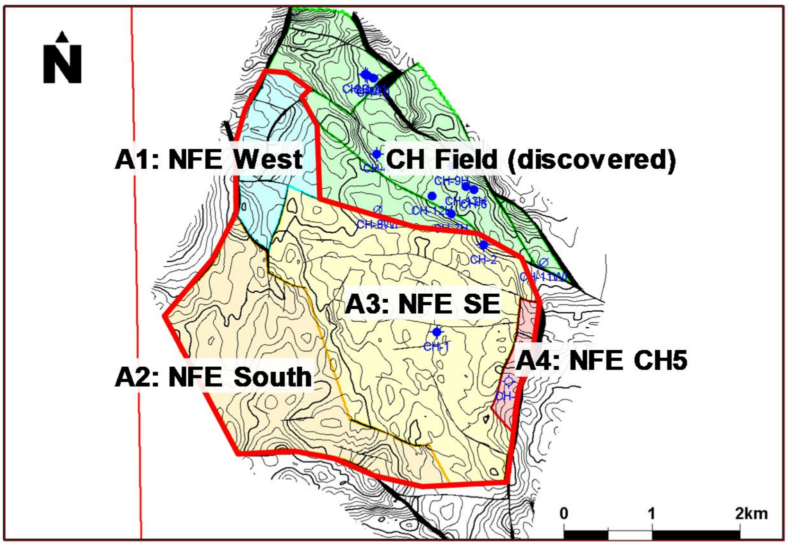



*Figure 1: Field block outline, red out line highlighting Near Field Exploration areas. Field contains already discovered (producing) reservoirs*

Where previous static models were incrementally updated as drilling and workover programs progressed, Triangle's current model takes a holistic approach with a completely refreshed petrophysical evaluation.

This method resulted in a consistent set of geological characteristics, including a single fault model, for the producing field and near field exploration targets. Triangle can now interpret the seven prospects directly alongside oil in the discovered, currently producing, Cliff Head areas (Figure 2).

Triangle's approach gives a high degree of confidence in the prospect evaluation. A prospective volume of 29 million barrels against the previous estimate of 15.8 million barrels is over an 80% increase in prospective OIIP.

The results from the static model completes the picture on what the future of Cliff Head could look like. With this result, the Triangle team will now generate a full near field exploration program to test and confirm the volumes.

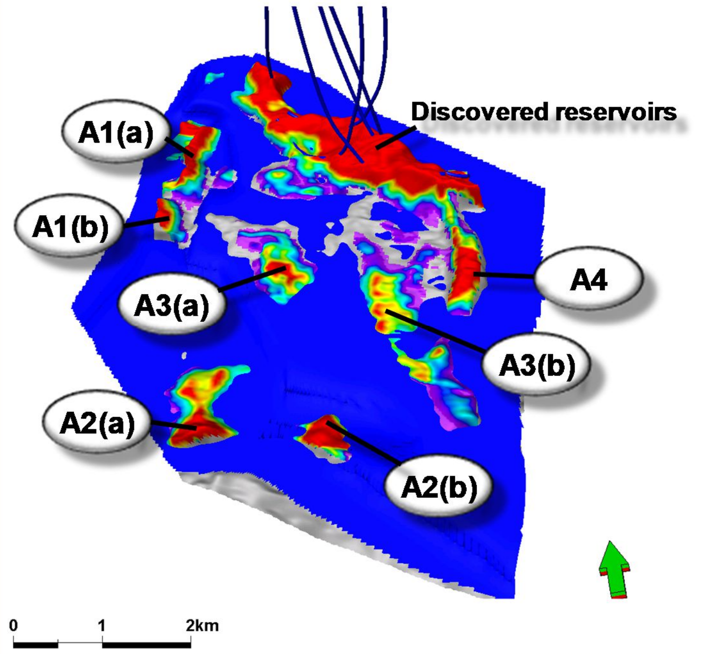
The near field exploration program will be executed in conjunction with Cliff Head development activity, where an integrated Cliff Head development-exploration offshore program is expected to be put in place for 2019.

Successful opportunities would leverage current infrastructure which would expedite crude to market.

**DIRECTORS' REPORT (continued)**

**REVIEW OF OPERATIONS (cont'd)**

**Cliff Head, Perth Basin, Western Australia (cont'd)**




| Prospect | Area |
|---|---|
| A1(a) | NFE West |
| A1(b) | NFE West |
| A2(a) | NFE South |
| A2(b) | NFE South |
| A3(a) | NFE South East |
| A3(b) | NFE South East |
| A4 | NFE CH5 |

*Figure 2: Perspective view of Cliff Head area showing discovered reservoirs and near field exploration prospects - red areas highlight high concentration of oil*

The CHJV is dedicated to HSE and Asset Integrity Management.

The facility at Cliff Head has been producing oil since May 2006 and the operation has been without significant safety or operation incident since start-up. Offshore Australian projects are subject to the OPGGSA safety case regime and all requirements are being implemented at the offshore and onshore facilities.

All environmental requirements (EIAs, EMPs, Oil Pollution Emergency Plans, carbon emissions reporting) are being met.

Through its existing Cliff Head oil field production operations, the CHJV has established good relations with the regulators, fishing community, landholding sectors, tourism stakeholders and other operators in the area.

**Xanadu-1 TP/15 Joint Venture**

Triangle has a 30% interest in the Xanadu-1 TP/15 Joint Venture which is located in the Perth Basin about 300 kms north of Perth. The permit occupies the three nautical mile wide state territorial waters of Western Australia, adjacent to Port Denison, and covering an area of 645km$^2$. Norwest Energy NL (**Norwest**; ASX:**NWE**) is the Operator of the Joint Venture.

Xanadu-1 was spudded on 4 September 2017, and the well reached a total depth of 2035 MDRT on Sunday 17 September, when it was confirmed that the Xanadu-1 well intersected hydrocarbon bearing reservoirs demonstrated by elevated gas readings, oil shows, fluorescence and cut-fluorescence whilst drilling.

A suite of wireline logs over a 330m section of the well was run by service provider Schlumberger due to the highly encouraging results encountered while drilling.

On 25 September 2017 Triangle announced confirmation of an oil discovery at Xanadu-1. The wireline logs confirmed reservoir quality sand intervals throughout the Irwin River Coal Measures (IRCM) with porosities ranging from 15-16%. Three discrete sand intervals (A, B, C) at the top of the IRCM reported log-derived hydrocarbon saturations of between 41-66% with 4.6m of net pay in sand "A". Fluorescence in rock cuttings observed while drilling and log-derived hydrocarbon saturations persist for 12m in sands below these upper zones but the lower intervals are water-bearing. MDT pressure sampling established a high confidence water gradient and water was flowed and sampled via a wireline tool from the "B" sand despite the high oil saturation.

DIRECTORS' REPORT (continued)

**Xanadu-1 TP/15 Joint Venture (cont'd)**

Results at Xanadu-1 indicate that the assumption of the producing Cliff Head Oil Field being the primary analogue are correct. Analysis of the oil samples obtained from Xanadu-1 are expected to substantiate this. The top section down to 971mMDRT has been cased and cemented in place (approximately 250m vertically above the zone of interest).

On 23 February 2018, Norwest announced a contract for the acquisition of a 40-square-kilometre seismic survey had been awarded to Synterra Technologies Pty Ltd, a leading global provider of geophysical and technical services.

During the June 2018 Quarter, an acoustic modelling study was completed to assess the impact of seismic acquisition on the marine environment. The results of this study have been incorporated into the relevant Environmental Plan and submitted to DMIRS.

The seismic survey requires approximately six weeks for acquisition, and there are limited windows of opportunity available, with timing restrictions due to commercial fishing activities, weather (i.e. restrictive wave height and wind conditions), and crayfish and whale migration events.

Timing for commencement of the seismic program is uncertain until Regulator approval is granted.

The extensive 40 km$^2$ area is designed to fully map the northern up-dip region, and the southern down-dip region extending out to the western flank of the Xanadu structure. Refer to Figure 3 below for the survey acquisition envelope, highlighting the up-dip and down-dip areas of interest.

Once the survey data has been processed, interpreted and integrated with Norwest's existing dataset, the TP/15 Joint Venture will consider an appraisal well on the Xanadu structure. The seismic data will enable the well surface location and trajectory to be optimally designed to provide the best chance for a significant commercial appraisal.

The TP/15 Joint Venture remains fully committed to the development of the Xanadu Discovery. A five-year permit renewal application has now been submitted to the DMIRS with the Xanadu 3D seismic survey fulfilling the Year One commitment of the five year work program.

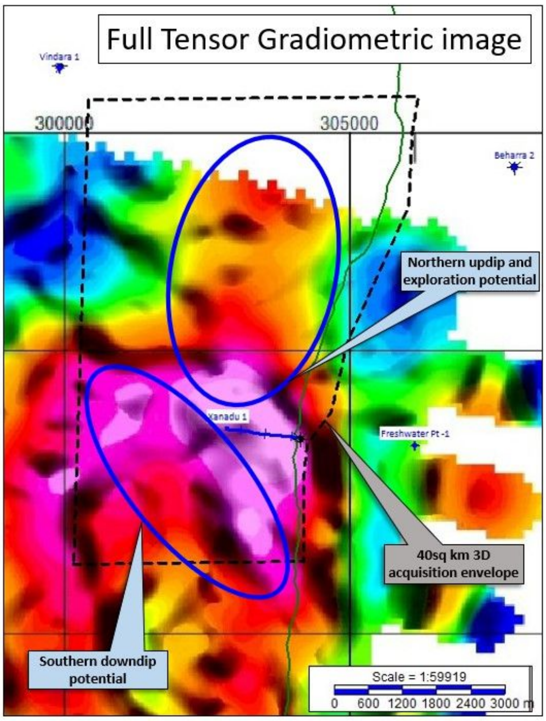



*Figure 3: Xanadu 40 km$^2$ 3D Seismic Survey Acquisition area overlying a full tensor gradiometric image, highlighting up-dip and down-dip potential at Xanadu.*

***Final Joint Venture interests***

| JV Participant | ASX Code | Percentage Interest |
|---|---|---|
| Norwest (via subsidiary) (Operator) | ASX:NWE | 25% |
| Triangle (Global) Energy Ltd (via subsidiary) | ASX:TEG | 30% |
| Whitebark Energy Ltd (via subsidiary) | ASX:WBE | 15% |
| 3C Group IC Limited (via subsidiaries) | | 30% |

**DIRECTORS' REPORT (continued)**

**Investments**

**State Gas Limited (ASX: GAS)**

Triangle is the major shareholder of State Gas Limited (**State Gas**) with an interest of 35.47%.

On 4 September 2017, State Gas lodged a Prospectus inviting investors to subscribe for 26,250,000 Shares at $0.20 to raise $5.25 million and seek admission to the official list of the Australian Stock Exchange (ASX).

On 10 October 2017, State Gas (holder of a 60% interest in PL231 (**Reids Dome**), commenced trading on the ASX following a successful and substantially oversubscribed IPO, raising $5.25 million, debuting with a 75% increase to the IPO price of $0.20. The funds raised are providing State Gas with capital to appraise the shallow, conventional gas target of the Cattle Creek formation and take steps to develop the resource if the appraisal program is successful.

Triangle's managing director Mr Rob Towner represents Triangle's interests on the board of State Gas as a non-executive director. State Gas is focused on accelerating the commercialisation of the PL231 conventional gas project.

On 9 January 2018, State Gas advised the market that it had successfully completed gas flow-testing, sampling and analysis from existing gas wells at PL 231 in the Bowen Basin, Central Queensland. The three wells flow tested and sampled were Primero 1, Aldinga North 1, and Reids Dome 4.

It was reported that despite the wells being shut in for such an extended period, all wells flowed significant gas, at lowest recorded stabilized rates of between 357,000 cf/d and 658,000 cf/d using a 0.500" orifice plate.

On 12 March 2018, State Gas reported that it had received the results of the Phase 1 (Northern Area) seismic reprocessing.

The Phase 1 reprocessing was calibrated to known gas sands from existing wells and is providing more advanced geophysical information that includes the Central North gas pool (centred on Primero – 1) and other areas further to the North West where existing seismic was available.

The interpretation results from the reprocessed seismic in the Northern area of PL 231 has been considered by State Gas in the context of the aforementioned flow testing results and well inspections conducted in December 2017.

With the flow testing and well inspections data State Gas stated that it appeared there are 2 - 3 existing wells currently in place that will be sufficient to produce from the Central North Gas Pool.

The Phase-1 reprocessing also identified a new potential gas pool located in the North West of PL 231 (North West Gas Prospect). The North West Gas Prospect appears to be hosted within the Cattle Creek Gas Sands and is anticipated to occur at a depth of 220m in this area of the permit.

State Gas is currently preparing to undertake drilling to test the North-West Gas Prospect. Reids Dome North-West-1 will be drilled into the target zones. If gas is detected, the well will be logged and tested to provide information on the flow and permeability characteristics of the formation.

The drilling of this well will complete State Gas's sole funding obligations under the Joint Operating Agreement for PL 231.

State Gas has also undertaken a detailed review of the geology of the permit and the results of historical drilling, both in the permit area and of analogous wells into the same formations beyond the permit boundaries. This review indicates that in addition to conventional gas in the Cattle Creek Formation and Reids Dome Beds, PL 231 may have potential for significant quantities of coal seam gas due to positive pressure maintenance. In this regard, potential for coal seam gas exists within the early Permian Reids Dome beds, which are composed of interbedded coals, siltstones, shales, sandstones and conglomerates.

State Gas is currently in discussions with its Joint Venture Partner with a view to including in the current drilling program a core-hole to evaluate this coal seam gas potential. Drilling is expected to be undertaken during the December Quarter 2018.

During the previous quarter State Gas commissioned the Phase 2 reprocessing of historic seismic in the southern area of the permit. This work is expected to be completed in the September Quarter 2018. Seismic data in the southern area is more limited than that available for the northern area.

State Gas has continued to investigate options to monetise the gas identified in the Cattle Creek Formation in the Central North gas pool centred around Primero-1, as well as any new gas located in the North-West Prospect, meeting with potential customers and development partners.

**Corporate**

**Annual General Meeting**

Triangle held its Annual General Meeting of shareholders on 29 November 2017, and all resolutions were passed unanimously.

**Capital Raising**

On 18 September 2017, the Company appointment DJ Carmichael Pty Ltd as Lead Manager for a capital raising to sophisticated investors pursuant to Section 708 of the Corporations Act (2001).

The Company completed a Placement of 16.398 million fully paid ordinary shares (Shares) at $0.09 per Share to raise $1.475 million.

**Settlement Agreement with MonTerra Limited**

As at 26 April 2018, Triangle finalised a US$1.35 million settlement with MonTerra Limited under an Award Payment Agreement pursuant to a December 2016 Hong Kong International Arbitration Commission ruling. No further funds are payable.

**Pase PSC – PT Enso Asia**

Triangle is owed US$1.02 million, held in escrow, in relation to the Sale and Purchase Agreement of the Pase Production Sharing Contract (PSC) by PT Enso Asia which completed in February 2016. The US$1.02 million held under contract, is to be released to Triangle after the Indonesian Ministry of Energy and Resources (ESDM) or Special Unit for Upstream Oil and Gas Operations (SKKMIGAS) provides written approval of the Change of Control of the Pase PSC. The Company will provide further updates as and when they are available.

**Loan Agreement**

In March 2017, Triangle entered into a Convertible Loan Agreement (**Convertible Loan**) with Tamarind for US$1,215,000 for a period of 12 months to 31 March 2018 at an interest rate of 10%. Under the terms of the Agreement, the price for conversion was A$0.04 per share.

As a Loan Facility Fee, Triangle paid Tamarind US$120,000 and issued them 6,000,000 options to subscribe for shares in the Company at an exercise price of A$0.06 per share expiring on 29 March 2019.

On 28 July 2017, Malaysian Securities Exchange listed T7 Global Berhad Company (**T7**) purchased 16.476 million shares from Tamarind for consideration of US$500,000. Tamarind converted US$439k of the Convertible Loan at A$0.04 to facilitate the purchase by T7.

On 5 February 2018, Tamarind converted the US$785,762 balance of the outstanding Convertible Loan at A$0.04 per share increasing its equity stake in the Company to 25,289,259 ordinary shares.

No further Convertible Loan is outstanding.

During the December 2017 Quarter, the Company extended its financing arrangements with Tamarind and on 24 January 2018 executed a Deed of Amendment (**Deed**) to the Convertible Loan. The Deed provided additional terms to the original Convertible Loan and provided the Company with access to a further Advance Loan of US$259,071.29 to be repaid in full by 30 June 2018.

There are no conversion rights attached to the Advance Loan.

On 28 June 2018, Triangle repaid US$1.0 million of the Advance Loan from operational cash flow and entered into an Amendment Deed to extend the funding arrangement through to 30 June 2019. The Deed provides for a Loan of up to US$2.25 million and can be repaid in instalments or in full at any time during the 12-month period.

The balance of the Advance Loan outstanding is US$1.259 million.

Key terms of the Loan are:

| Particulars | Terms |
|---|---|
| Lender | Tamarind Resources Pte Ltd |
| Advance Loan | US$2,259,071 |
| Advance Loan Term | Expiry 30 June 2019 |
| Interest | 10% per annum payable quarterly in advance |
| Security | The Facility is secured by a charge over all assets of the Borrower |

**Corporate (cont'd)**

**Capital and Management Expenditure**

As at 30 June 2018, Triangle had a cash balance of $2.959 million of which $1.377 million is held in escrow.

The Company also holds a 50% equity interest in Triangle Energy (Operations) Pty Ltd and the CHJV which had $124k in cash attributed to Triangle at 30 June 2018. This investment is equity accounted for in the Company's financial statements.

Company continues implement initiatives to reduce operating expenditure and has achieved significant cost reductions across all aspects of the Cliff Head joint venture.

**Changes in Capital**

Shares

- On 27 July 2017, the Company issued 14,307,925 fully paid ordinary shares pursuant to a US$439k part Conversion of the Convertible Loan with Tamarind at A$0.04.
- On 22 September 2017, the Company issued 16,394,445 fully paid ordinary shares at $0.09 per share, raising A$1,475,500 for working capital.
- On 23 October 2017, the Company issued 800,000 shares in lieu of fees to DJ Carmichael (Lead Manager of the September Capital Raising), 100,000 to a consultant in lieu of cash fees and 8,000,000 Performance Shares with vesting conditions to Directors subsequent to shareholder approval received at a General Meeting of shareholders held on 20 October 2017.
- On 11 December 2017, the Company issued 400,000 Performance Shares and 400,000 Performance Rights with vesting conditions to a Director subsequent to shareholder approval received at the 2017 Annual General Meeting.
- On 5 February 2018, the Company issued 25,289,259 fully paid ordinary shares pursuant to a US$785,762 conversion of the Convertible Loan with Tamarind at A$0.04.
- On 5 February 2018, the Company issued 11,155,908 unlisted options to Tamarind with an exercise price of A$0.15 with expiry at 19 January 2020 as consideration for amendment of the Convertible Loan to an Advance Loan of US$2,259,071 repayable by 30 June 2018.

**Loan and borrowings**

The Company considers loans to be part of its capital management. Details of which can be found above.

**Shareholder Analysis**

As at 30 June 2018 the Company had 797 shareholders and 218,115,544 ordinary fully paid shares on issue with the top 20 shareholders holding 63.57% of the total issued capital.

**Information in relation to ASX Listing Rule 5.4.3**

At 30 June 2018, the Company held:

| Licence | Percentage Interest |
|---|---|
| WA-31-L | 78.75% |
| TP15 | 30% |

The Group has not acquired or disposed of any other tenements during the financial year.

**Principal Activities**

During the year, the principal continuing activities of the Group was the sale of oil from its 78.75% share of the Cliff Head producing oil field.

**Operating results**

The net loss of the Consolidated Entity after income tax for the year was $5.933M (2017 net loss: $4.587M) of which mostly consists of non-cash expenditure. The key reasons for the result for the year ended 30 June 2018 are set out below:

- The Company experienced significant one-off costs within its cost of sales of $0.867 million in relation to three items during the period being substantial repairs and maintenance on an onshore pipeline. These costs are subject to a pending insurance claim and may be recovered;

- The Company issued $1.489 million of shares and rights to directors and employees;
- The Company wrote-off part of its deferred tax asset relating to the PRRT credits after a revision downward to the carrying value of the provision for rehabilitation. The total write-off was $2.16million; e
- The Company had $1.259 million of non-cash amortisation and interest (relating to the unwind of the discount factor on the rehabilitation provision); and
- The Company incurred a loss from associates of $1.209million for the full year (2017: loss of $173,563).

Movements in non-cash items

| | 2018 | 2017 |
|---|---|---|
| Loss from operations | (5,933,169) | (4,586,618) |
| Less non-cash items | - | - |
| - Share based payments | 1,762,597 | 530,517 |
| - Amortisation & depreciation | 922,581 | 1,591,196 |
| - Unwind of discount factor (rehab) | 336,750 | 369,161 |
| - Income tax adjustments | 1,871,599 | 1,100,875 |
| - Loss from associates | 1,209,202 | 173,593 |
| **Adjusted position after non-cash items** | 169,560 | (821,276) |

**Financial position**

The Company acquired 50% of Cliff Head's operating company, ROC Oil (WA) Pty Ltd, on 22 May 2017 and changed its name to Triangle Energy (Operations) Pty Ltd. The Company currently accounts for this investment as an associate on the basis that it is jointly controlled by both shareholders.

The Company continues to hold an investment in State Gas Limited of 35.47% after this company listed on the ASX in October 2017. The investment is considered to be an associate given the Company's significant shareholding and one director on the board.

The Company financial statements show the following key movements in the Group's assets and liabilities over the two periods:

- Increase in cash assets by $0.780M to $2.959M (2017: $2.18M);
- Decrease in trade receivables by $0.546M to $0.825M (2017: $1.37M);
- Decrease in trade and other payables by $0.510M to $3.91M (2017: $4.42M);
- Increase in other receivables by $1.01M to $1.752M (2017: $0.742);
- Non-current assets $25.461M (2017: $26.87M); and
- Non-current liabilities $20.822M (2017: $25.595).

At 30 June 2018 the Consolidated entity had a working capital deficiency of $0.695M (2017: deficiency of $2.083M).

**Dividends**

During the financial year the Company did not pay a dividend (2017: nil).

**Treasury Policy**

The board is responsible for the treasury function and managing the Group's finance facilities.

**Risk Management**

The board takes a pro-active approach to risk management. The board is responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all board members to be a part of this process and as such has not established a separate risk management committee. Risk management is a recurring agenda item at meetings of the board.

**Occupational Health and Safety**

The Consolidated entity has an excellent safety record and focuses on safety awareness and safe work processes especially in the field. Occupational health and safety performance is continually monitored. Triangle Energy (Operations) Pty is the operator of the Cliff Head asset and works closely with the National Offshore Petroleum Safety and Environmental Management Authority (**NOPSEMA**) guidelines to monitor and approve safety practices.

**DIRECTORS' REPORT (continued)**

**Environmental Regulations**

The Consolidated entity's operations are subject to environmental and other regulations. The Consolidated entity has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. The Company monitors compliance with relevant legislation on a continuous basis and maintained its excellent operating record during the year of zero environment incidents.

**Greenhouse gas and energy data reporting requirements**

The National Greenhouse and Energy Reporting Act 2007 requires the group to report its annual greenhouse gas emissions use. The group has implemented systems and processes for the collection and calculation of the data required and will be submitting its 2017/2018 report to the Greenhouse and Energy Data Officer on 31 October 2018.

**State of Affairs**

During the year, the Consolidated Entity continued to participate in the Cliff Head oil production asset in Western Australia through its 78.75% interest.

Triangle continued to hold an investment in State Gas Limited which operates the Reids Dome exploration asset in Queensland and holds a 60% interest. Dome Petroleum PLC hold the remaining 40% interest.

**Qualified Petroleum Reserves and Resources Evaluator Statement**

Information in this report that relates to prospective resources has been reviewed and signed off by Mr James Tarlton (Tamarind Management Sdn. Bhd. Director). Information that relates to the prospective resources is based on and fairly represents, information and supporting documentation prepared by or under the supervision of Mr Tarlton. He has provided his written consent to the form and context in which the information that relates to the reserves presented. Mr Tarlton's qualifications include: Bachelor of Applied Science (Honours) from Queen's University at Kingston Ontario Canada. He has 34 years of operating company experience developed through drilling, production and reservoir engineering before transitioning to asset management in Canada, the North Sea and South East Asia. He is a member of the Society of Petroleum Engineers in Malaysia and he is also a registered professional engineer with the Association of Professional Engineers and Geoscientists of Alberta (APEGA). He consents to that information in the form and context in which it appears.

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (Audited)**

This report outlines the remuneration arrangements in place for the key management personnel of **Triangle Energy (Global) Limited** (**Triangle**, **The Company**, **Consolidated entity** or **The Group**) for the financial year ended 30 June 2018. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

No remuneration consultants were used during the year.

The following table shows the gross revenue, profits/losses and share price of the Consolidated entity at the end of the respective financial years.

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Revenue from continuing operations | $13.6M | $15.662M |
| Net loss | ($5.933M) | ($4.587M) |
| Share price | $0.10 | $0.032 |

**Key Management Personnel**

**(i) Directors**

| | | |
|---|---|---|
| Edward Farrell | Non-Executive Chairman | (appointed 26 May 2014) |
| Robert Towner | Managing Director | (appointed 9 July 2014) |
| Darren Bromley | Executive Director | (appointed 9 July 2014) |
| Jason Peacock | Non-Executive Director | (appointed 11 April 2018) |
| Wai-lid Wong | Non-Executive Director | (appointed 11 April 2018) |
| Timothy Monckton | Non-Executive Director | (appointed 17 July 2018) |

**(ii) Executives**

| | | |
|---|---|---|
| Darren Bromley | Chief Financial Officer | (appointed 12 April 2010) |
| | Chief Operating Officer | (appointed 18 December 2017) and |
| | Company Secretary | (appointed 29 June 2012, resigned 20 November 2017) |
| Robert Towner | Corporate and Strategy | (appointed 1 January 2013) Managing Director (appointed 9 July 2014) |

**Remuneration Philosophy**

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

***(i) Non-Executive Directors***

The board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to its non-executive directors and reviews their remuneration annually.

The maximum aggregate annual remuneration of non-executive directors is subject to approval by the shareholders in general meeting. The shareholder share determined the maximum aggregate remuneration amount to be $250,000 per year. The directors have resolved that fees payable to the non-executive chairman is $72,000 per year and non-executive directors for all board activities are $36,000 per year.

***(ii) Key management personnel***

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

(i) Competitiveness and reasonableness;
(ii) Acceptability to shareholders;
(iii) Performance linkage / alignment of executive compensation to key strategic goals on a case by case basis;
(iv) Transparency; and
(v) Capital management.

(i) Focuses on sustained growth in shareholder wealth;
(ii) Attracts and retains high calibre executives;
(iii) Alignment to program participants' interests;
(iv) Rewards capability and experience;
(v) Provides a clear structure for earning rewards; and
(vi) KPIs are not used to determine remuneration.

***Base pay and benefits***

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion. Base pay is reviewed annually to ensure the executives' pay is competitive with the market. There are no guaranteed base pay increases included in any executives' contracts.

***Incentive compensation***

Incentive compensation is provided to executives by way of the Triangle Energy Employee Rights Plan.

The TEG Employee Share Option Plan and the TEG Employee Rights Plan (**the Plans**) are designed to provide incentives for executives to deliver shareholder returns. Under the plans, participants are granted Performance Shares, Options or Rights which vest if certain performance targets are met and the employees are still employed by the group at the end of the vesting period unless the board determines otherwise. Participation is at the board's discretion and no individual has a contractual right to receive any guaranteed benefits.

- On 23 October 2017, the Company issued 8,000,000 Performance Shares with vesting conditions to Directors subsequent to shareholder approval received at a General Meeting of shareholders held on 20 October 2017.

- On 11 December 2017, the Company issued 400,000 Performance Shares and 400,000 Performance Rights with vesting conditions to a Director subsequent to shareholder approval received at the 2017 Annual General Meeting.

Where rights have been issued under the Plans, the board may vest some or all of the Rights of a participant even if a performance condition or other vesting condition has not been satisfied. Performance Shares that vested during the current Reporting Period had attaching share price incentives in order to vest. There are no other Long-Term incentives.

The relative proportions of executive remuneration that are linked to performance is nil. The amount of fixed and at risk remuneration is set out below:

| | Fixed Remuneration | | At risk - STI | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| ***Directors of Triangle Energy (Global) Limited*** | | | | |
| Edward Farrell | 80% | 100% | 20% | - |
| Robert Towner | 100% | 100% | - | - |
| Darren Bromley | 100% | 100% | - | - |

***Service agreements***

There are no retirement allowances or other benefits paid to non-executive directors.

Remuneration and terms of employment for other key management personnel are formalised in consultancy and employment agreements. The major provisions relating to remuneration to existing directors are set out below.

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (continued)**

*Darren Bromley, Executive Director /* Chief Financial Officer and Chief Operating Officer

- Term of agreement – indefinite;
- Base fee of $350,000;
- Superannuation of 9.5% is payable under the agreement;
- Performance based benefits may be payable under the agreement but is linked to individual performance outcomes only; and
- Contract may be terminated early by the Company with six months' notice, or by the executive with two months' notice.

*Robert Towner, Executive Director*

- Term of agreement – indefinite;
- Base fee of $350,000;
- Superannuation of 9.5% is payable under the agreement; e
- Performance based benefits may be payable under the agreement but is linked to individual performance outcomes only; and
- Contract may be terminated early by the Company with six months' notice, or by the executive with two months' notice.

***Termination benefits***

Post-employment benefits include accrued long service leave to Mr Bromley and Mr Towner, which is due and payable after three consecutive years of service. No other termination benefits are payable.

***Employee Incentive Plan***

The Company has the TEG Employee Share Option Plan and the TEG Employee Rights Plan approved by shareholders in November 2016 under which the directors are able to offer rights in respect of ordinary shares in the Company to eligible persons.

***Details of remuneration***

Details of the remuneration of the key management personnel of the Consolidated Entity are set out in the following tables.

| | Cash Salary & fees $ | Non-cash benefits $ | Super-annuation $ | Termination $ | Security-based payments[4] $ | Total $ | % of Remunera-tion linked to performance |
|---|---|---|---|---|---|---|---|
| **2017/18** | | | | | | | |
| **Directors** | | | | | | | |
| E Farrell | [1]72,000 | - | - | - | [2]88,667 | 160,667 | - |
| R Towner | [1]350,000 | - | 33,250 | - | [2]700,000 | 1,083,250 | - |
| D Bromley | [1]350,000 | - | 33,250 | - | [2]700,000 | 1,083,250 | - |
| W Wong | [1]8,000 | - | - | - | | 8,000 | - |
| J Peacock | [1]8,000 | - | - | - | | 8,000 | - |
| T Monckton | [3]- | - | - | - | | - | |
| | 788,000 | - | 66,500 | - | [4]1,488,667 | 2,343,167 | - |

[1] Amounts paid and payable;
[2] Performance rights issued on 30 November, refer to the share tables on the next page;
[3] Appointed after year end;
[4] The value at date of grant calculated in accordance with AASB 2 Share-based Payment vested during the year as part of remuneration;

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (continued)**

***Details of remuneration (cont'd)***

| | Cash Salary & fees $ | Non-cash benefits $ | Super-annuation $ | Termination $ | Security-based payments $ | Total $ | % of Remuneration linked to performance |
|---|---|---|---|---|---|---|---|
| **2016/17** | | | | | | | |
| **Directors** | | | | | | | |
| E Farrell | [1]53,667 | - | - | - | [2]30,000 | 83,667 | - |
| R Towner | [1]276,250 | - | 24,067 | - | [2]150,000 | 450,317 | - |
| D Bromley | [1]276,250 | - | 24,067 | 23,210 | [2]150,000 | 473,527 | - |
| | 606,167 | - | 48,134 | 23,210 | 330,000 | 1,007,511 | - |

[1] Amounts paid and payable;
[2] Performance rights issued on 30 November, refer to the share tables below:

***Share-based compensation***

Details of rights in relation to ordinary shares in the Company provided as settlement or salary and directors fees payable relating to the period ended 30 June 2018 to each director of Triangle and each of the key management personnel of the parent entity and the group are set out below. When the performance rights vest each right converts into one ordinary share of Triangle Energy (Global) Limited. Further information on the rights is set out in note 3.2 to the annual financial report.

| | Number of rights granted during the year | Value of rights at grant date* $ | Number of rights vested during the year | Value of rights at vesting date* $ | Number of rights lapsed during the year | Value at lapse date $ |
|---|---|---|---|---|---|---|
| ***Directors of Triangle Energy (Global) Limited*** | | | | | | |
| Edward Farrell | 800,000 | 112,000 | 400,000 | 56,000 | - | - |
| Robert Towner | 4,000,000 | 700,000 | 4,000,000 | 700,000 | - | - |
| Darren Bromley | 4,000,000 | 700,000 | 4,000,000 | 700,000 | - | - |
| | 8,800,000 | 1,512,000 | 8,400,000 | 1,456,000 | - | - |

* The value at grant date calculated in accordance with AASB2 Share-based payment of rights granted during the year as part of remuneration. These have been valued at the share price on the grant date of the performance rights.

The assessed fair value at grant date of rights granted to the individual is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Fair values of Rights vesting immediately are valued at the closing price on the day the Rights are granted. For the Rights above this was the 23 October 2017 and 30 November 2017 closing price being $0.175 and $0.14.

Fair values of Rights with performance criteria are determined at grant date that takes into account the vesting conditions, the term of the right and the share price at grant date.

***Details of remuneration: Share based compensation benefits***

The table below shows the vesting period of the Rights.

***Share-based compensation benefits (rights)***

| | Year granted | Vested % | Forfeited % | Financial years in which rights vest | Maximum total value of grant yet to vest $ |
|---|---|---|---|---|---|
| Edward Farrell | 2017/2018 | 50% | - | 2019 | 56,000 |
| Robert Towner | 2017/2018 | 100% | - | 2018 | - |
| Darren Bromley | 2017/2018 | 100% | - | 2018 | - |

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (continued)**

***Additional disclosures relating to key management personnel***

***Related party transactions***

There have been no other transactions or loans with key management personnel during the reporting period.

***Shareholding***

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

| Ordinary Shares<br>2018 | Balance at beginning of year or appointment date | Rights vested to shares | Issued on exercise of options | Purchased or acquired | Other changes | Balance at end of year or date of resignation |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| E Farrell | 2,236,159 | 400,000 | - | 63,841 | - | 2,700,000 |
| R Towner | 8,172,686 | 4,000,000 | - | - | - | 12,172,686 |
| D Bromley | 6,725,773 | 4,000,000 | - | 60,500 | - | 10,786,273 |
| W Wong [1] | - | - | - | - | - | - |
| J Peacock [1] | 913,794 | - | - | - | - | 913,794 |
| T Monckton [2] | - | - | - | - | - | - |
| **Total** | 17,134,618 | 8,400,000 | - | 124,342 | - | 25,658,959 |

[1] Appointed 11 April 2018;
[2] Appointed 17 July 2018;

***Option holding***

There are no options over shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity.

***Share rights***

The number of rights over shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity including their personally related parties, is set out below:

| Share rights<br>2018 | Balance at beginning of year or appointment date | Granted as compensation | Rights vested to shares | Net change Other | Balance at end of year or date of resignation |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| E Farrell | - | 800,000 | 400,000 | - | 400,000 |
| R Towner | - | 4,000,000 | 4,000,000 | - | - |
| D Bromley | - | 4,000,000 | 4,000,000 | - | - |
| **Total** | - | 8,800,000 | 8,000,000 | - | - |

***Voting of shareholders at last year's annual general meeting***

The Company received more than 84.30% of 'yes' votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED.**

**DIRECTORS' REPORT (continued)**

**Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| | Directors' Meetings* | | Audit Committee | |
|---|---|---|---|---|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| E Farrell | 7 | 5 | - | - |
| R Towner | 7 | 7 | - | - |
| D Bromley | 7 | 7 | - | - |
| W Wong [1] | 2 | 2 | - | - |
| J Peacock [1] | 2 | 2 | - | - |
| T Monckton [2] | - | - | - | - |

*Board business during the year has also been affected by execution of circulated resolutions by directors.

[1] Appointed 11 April 2018;
[2] Appointed 17 July 2018.

**Indemnification and insurance of Directors and Officers**

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company against a liability incurred by such directors and officers to the extent permitted by the Corporations Act 2001. The nature of the liability and the amount of the premium has not been disclosed due to confidentiality of the insurance contracts. The Company has not otherwise during or since the end of the year, indemnified, or agreed to indemnify an officer or an auditor of the Company, or of any related body corporate, against a liability incurred by such an officer or auditor.

No person has applied for leave of Court 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 the proceedings.

The Company was not a party to any such proceedings in the year.

**Events subsequent to the end of the financial year**

In the opinion of the directors, no items, transactions or events of a material and unusual nature have arisen in the interval between the end of the financial year and the date of this report which have been significantly affected, or may significantly affect, the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years, other than the following:

**Cliff Head Operatorship and Offshore Safety Case**

On 17 July 2018 Triangle announced that the Company's operating affiliate Triangle Energy (Operations) Pty Ltd (**TEO**) became the Registered Operator of the Cliff Head Joint Venture offshore facilities.

When Triangle became the majority (78.75%) owner and operator of Cliff Head in May 2017, a third-party contractor was the Registered Operator of the facilities on behalf of the Joint Venture.

To become the Registered Operator, TEO successfully developed two Safety Cases for the Cliff Head facilities which were accepted and approved by the relevant Regulatory Authorities: The Western Australian Department of Mines, Industry Regulation and Safety (DMIRS) for the onshore Arrowsmith Stabilisation Plant (**ASP**), and the National Offshore Petroleum Safety and Environmental Management Authority (**NOPSEMA**) for the offshore Cliff Head Alpha Platform.

Approval of the Safety Cases demonstrated that TEO, as the new Operator of Cliff Head, had properly identified hazards and risks, can describe how the risks are controlled, and defined the safety management system in place to ensure these controls are effectively and consistently applied.

To strengthen the Company's accountability as the Registered Operator, Triangle commissioned a full and independent Operational Readiness Review. This successful review ensures that TEO has the capabilities to not only comply with the approved Safety Cases but also has the full suite of processes, systems and competent people to seamlessly and safely execute production operations upon operatorship handover.

**DIRECTORS' REPORT (continued)**

**Events subsequent to the end of the financial year (cont'd)**

**Production Interruption**

Subsequent to year end, Triangle confirmed that an interruption to production occurred on Tuesday 24 July 2018 at the Cliff Head Alpha Offshore Platform.

Severe weather and sea conditions caused a small crack in the flow meter (Coriolis) on the CH6 Well resulting in a loss of produced fluid (a mix of water and oil) and the interruption to production.

Triangle responded immediately, in accordance with the National Offshore Petroleum Safety and Environmental Management Authority (**NOPSEMA**) accepted Oil Pollution Emergency Plan (**OPEP**). Under the National Plan for Maritime Environmental Emergencies, the incident was classified as a Level 1 (low level) oil spill, which is in the range of zero to 10,000 litres. Triangle confirmed there was no risk to staff safety.

The Company continued to implement its OPEP until clean-up measures had been confirmed. Following aerial and shoreline surveillance Triangle reported that as of 1500 hours on Thursday 26 July 2018, no observations of hydrocarbons were sighted in the marine environment including on the shoreline, since the initial incident which reaffirmed Triangle's finding that the vast majority of produced fluid remained in the platform bund.

After extensive monitoring, on Friday 27 July 2018, Triangle stood down its Incident Management Team. Production resumed on 10 August 2018 after thorough inspections to the Cliff Head Alpha platform and approval from the offshore regulator, NOPSEMA. Triangle followed the strict policies and procedures in its Oil Pollution Emergency Plan and satisfied safety and environmental requirements.

**Likely Developments**

The Company will continue to operate Cliff Head, work with its joint venture partners to progress the Xanadu discovery and look for additional opportunities within the oil and gas sector.

**Corporate Governance**

The Company's corporate governance statement can be found on the Company's website, in a section titled 'Corporate Governance': http://triangleenergy.com.au/about/corporate-governance/

**Auditor Independence and Non-Audit Services**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd (WA) Partnership to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 25 and forms part of this directors' report for the year ended 30 June 2018.

HLB Mann Judd (WA) Partnership and their related entities received or are due to receive the following amounts for the provision of non-audit services:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| HLB Mann Judd associated entities: | | |
| Tax Compliance and advice | - | - |
| | - | - |

Signed in accordance with a resolution of the directors.

**Edward Farrell**
**Chairman**
Date: 20 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Triangle Energy (Global) Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

| | |
|---|---|
| **Perth, Western Australia** | **B G McVeigh** |
| **20 September 2018** | **Partner** |

TRIANGLE ENERGY (GLOBAL) LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(INCOME STATEMENT)
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| Revenue | 1.1 | 13,600,032 | 15,662,702 |
| Cost of sales | | (10,420,902) | (12,691,766) |
| Gross profit | | 3,179,130 | 2,970,936 |
| Other income | 1.1 | 162,242 | 1,114,416 |
| Employment expenses | 1.2 | (2,813,071) | (1,184,092) |
| General and administration expenses | 1.2 | (1,376,943) | (3,763,345) |
| Occupancy costs | | (32,599) | (40,693) |
| Interest cost | | (731,129) | (155,413) |
| Amortisation and depreciation | 2.1 | (922,581) | (1,591,196) |
| Fair value financial instrument through profit or loss | 3.3 | 19,333 | (293,634) |
| Share of associates loss | 2.4 | (1,209,202) | (173,563) |
| Interest – unwind of discounts for provision for restoration | 4.6 | (336,750) | (369,161) |
| **(Loss) / Profit before income tax expense** | | (4,061,570) | (3,485,744) |
| Income tax (expense) / benefit | 1.3 | (1,871,599) | (1,100,875) |
| **(Loss) / Profit after tax from continuing operations** | | (5,933,169) | (4,586,619) |
| **Other comprehensive income** | | | |
| *Items that may be realised through profit and loss* | | - | - |
| **Other comprehensive income for the year, net of tax** | | - | - |
| **Total comprehensive income for the year, net of tax** | | | |
| Owners of Triangle Energy (Global) Limited | | (5,933,169) | (4,586,619) |
| **Continuing operations (cents)** | 1.4 | | |
| Basic profit / (loss) per share – (accounting profit / (loss) / number of shares) | | $(0.030) | $(0.032) |
| Diluted profit / (loss) per share | | $(0.030) | $(0.032) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

TRIANGLE ENERGY (GLOBAL) LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET)
AS AT 30 JUNE 2018

| | Notes | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 3.1 | 2,959,183 | 2,179,569 |
| Trade receivables | 4.1 | 825,319 | 1,371,122 |
| Other receivables and assets | 4.2 | 1,752,123 | 742,287 |
| **Total current assets** | | 5,536,625 | 4,292,978 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 4.4 | 4,929 | 6,528 |
| Exploration and evaluation expenditure | 2.2 | 6,749,266 | 4,078,214 |
| Fair value through other comprehensive income | 4.3 | 110,000 | - |
| Investment in associates | 2.3 | 885,995 | 2,095,197 |
| Oil and gas properties | 2.1 | 3,697,689 | 9,315,795 |
| Deferred tax assets | 1.3 | 8,476,992 | 11,376,462 |
| **Total non-current assets** | | 19,924,871 | 26,872,196 |
| **TOTAL ASSETS** | | 25,461,496 | 31,165,174 |
| **LIABLITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 4.5 | 3,912,817 | 4,422,275 |
| Derivative financial instrument | 3.3 | - | 1,666,940 |
| Borrowings | 3.5 | 2,319,510 | |
| Provisions | 4.6 | - | 287,501 |
| **Total current liabilities** | | 6,232,327 | 6,376,716 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 4.6 | 20,821,888 | 25,595,143 |
| Deferred tax liabilities | 1.3 | - | - |
| **Total non-current liabilities** | | 20,821,888 | 25,574,995 |
| **TOTAL LIABILITIES** | | 27,054,215 | 31,971,859 |
| **NET ASSETS / (LIABILITY)** | | (1,592,719) | (806,685) |
| **EQUITY** | | | |
| Issued capital | 3.2 | 27,486,714 | 22,634,679 |
| Reserves | 3.8 | 572,007 | 276,907 |
| Retained earnings / (Accumulated losses) | 3.9 | (29,651,440) | (23,718,271) |
| **TOTAL EQUITY / (DEFICIENCY)** | | (1,592,719) | (806,685) |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**TRIANGLE ENERGY (GLOBAL) LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 JUNE 2018**

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 15,952,653 | 16,994,063 |
| Payments to suppliers and employees | | (15,421,450) | (17,671,757) |
| Interest paid | | (162,024) | (35,813) |
| Income tax (paid)/received and PRRT paid | | (455,637) | 52,964 |
| interest received | | 675 | (6,021) |
| **Net cash (outflows) from operating activities** | 3.1 | (85,783) | (666,564) |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | - | 1,011 |
| Payments for property, plant and equipment | | - | (7,625) |
| Payment for acquisition of subsidiaries | | - | (721,848) |
| Payments to acquire associates | | - | (1,575,837) |
| Payments for investments | | (110,000) | (65,635) |
| Proceeds from the sale of available for sale investments | | - | 261,095 |
| Payments for exploration expenditure | | (2,671,052) | (330,262) |
| Amount transferred (payment) from escrow account – PT Enso Asia | | 134,935 | (138,758) |
| Deposits paid – Guarantee | | - | (193,262) |
| Payments for development expenditure | | (224,316) | - |
| **Net cash (outflows) / inflows from investing activities** | | (2,870,433) | (2,771,121) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 1,443,472 | 275,000 |
| Proceeds from borrowings | | 3,548,700 | 2,666,640 |
| Borrowing costs | | - | (160,000) |
| Repayment of borrowings | | (1,333,840) | (1,046,667) |
| **Net cash inflows / (outflows) from financing activities** | | 3,658,332 | 1,734,973 |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 2,179,569 | (1,702,712) |
| Cash and cash equivalents at the beginning of the year | | 702,116 | 3,836,646 |
| Effect of exchange rate fluctuations on cash held | | 77,498 | 45,635 |
| **Cash and cash equivalents at end of year** | 3.1 | 2,959,183 | 2,179,569 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**TRIANGLE ENERGY (GLOBAL) LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2018**

| | Issued capital $ | Accumulated losses $ | Share based payment reserve $ | Convertible note reserve $ | Total equity $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2017** | 22,634,679 | (23,718,271) | 276,907 | - | (806,685) |
| *Transactions with shareholders in their capacity as shareholders* | | | | | |
| Issue of shares (cash) | 1,475,500 | - | - | - | 1,475,500 |
| Cost of share issue | (88,530) | - | - | - | (88,530) |
| Issue of shares (directors) | 1,456,000 | - | - | - | 1,456,000 |
| Issue of shares (consultants) | 90,500 | - | - | - | 90,500 |
| Issue of shares – convertible note | 1,918,565 | - | - | - | 1,918,565 |
| Convertible Note – equity portion | - | - | - | 7,003 | 7,003 |
| Issue of Performance Rights | - | - | 32,667 | - | 32,667 |
| Issue of options – convertible note | - | - | 255,430 | - | 255,430 |
| *Comprehensive Income* | | | | | |
| Loss for the year | - | (5,933,169) | - | - | (5,933,169) |
| *Total comprehensive income/(loss) for the year* | - | (5,933,169) | - | - | (5,933,169) |
| **Balance at 30 June 2018** | 27,486,714 | (29,651,440) | 565,004 | 7,003 | (1,592,719) |

| | Issued capital $ | Accumulated losses $ | Share based payment reserve $ | Convertible note reserve $ | Total equity $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2016** | | | | | |
| *Transaction with shareholders in their capacity as shareholders* | 21,901,005 | (19,131,652) | 36,174 | - | 2,805,527 |
| Conversion of option | 86,174 | | (36,174) | - | 50,000 |
| Issue of shares (directors) | 72,500 | - | - | - | 72,500 |
| Issue of shares (directors) | 350,000 | - | - | - | 350,000 |
| Issue of shares (consultants) | - | - | 108,017 | - | 108,017 |
| Issue of options - convertible note cost | - | - | 168,890 | - | 168,890 |
| Conversion of option | 225,000 | - | - | - | 225,000 |
| *Comprehensive Income* | | | | | |
| Loss for the year | - | (4,586,619) | - | - | (4,586,619) |
| *Total comprehensive income/(loss) for the year* | - | (4,586,619) | - | - | (4,952,353) |
| | | - | | - | |
| **Balance at 30 June 2017** | 22,634,679 | (23,718,271) | 276,907 | - | (806,685) |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Table of Notes**

## NOTE A: BASIS OF PREPRATION AND COMPLIANCE STATEMENT

The annual report of Triangle Energy (Global) Limited (the **Company, Group or Triangle Energy**) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of directors on 20 September 2018.

The Company is a public company limited by shares incorporated and domiciled in Australia whose securities are traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the director's report above.

### (a) Basis of Preparation

The annual report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The annual report has also been prepared on a historical cost basis except for assessing the fair value of the Groups available for sale investments, the fair values for the business combination, fair value of derivatives and the fair value for its associates through the loss of control.

As at 30 June 2018, the Company has the following interests:

(a) Oil production and exploration through the Company's 78.75% interest in the Cliff's Head asset in WA;

(b) An interest in the Reid's Dome tenement (PL 231) in the Bowen Basin in Queensland through its equity investment in State Gas Limited; and

(c) A 30% interest in the Joint Venture in the TP/15 by Norwest Energy NL (Norwest) via subsidiary Westranch Holdings Pty Ltd.

*Basis of measurement and reporting convention*

This annual report has been prepared on an accruals basis and is based on historical cost except for assessing the fair value of the Group's derivative financial instruments, compound financial instruments, borrowings and share based payments. The annual report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards, as adopted in Australia. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS) as adopted by the AASB.

## 1 Profit and loss items

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| **1.1 Revenue** | | |
| Sales of oil | 13,600,032 | 15,662,702 |
| | 13,600,032 | 15,662,702 |

Total number of barrels produced and sold by the Company was 184,186 (57.5%) at an average sales price of A$73.84

**Other income**

| | | |
|---|---|---|
| Interest income | 675 | 6,021 |
| Other income - gain on disposal of subsidiary (i) | - | 994,979 |
| Other income - gain on sale of available for sale investments (ii) | - | 113,416 |
| Other income | 161,567 | - |
| | 162,242 | 1,114,416 |

(i) Gain on sale of subsidiary

During the year the Company lost control of its subsidiary, State Gas Pty Ltd. The result of the loss is outlined below:

| | | |
|---|---|---|
| *Loss of the subsidiary for the period of ownership* | | |
| De-recognition of the assets and liabilities of the subsidiary | - | 302,057 |
| Fair value of the associate at the date of loss of control | - | 692,922 |
| Gain on disposal | - | 994,979 |

In the prior period, the fair value of the associate was calculated with reference to the fair value of the equity instruments taking into account the estimated fair value of the restoration provision for the asset. The Company had a pre-emptive right to receive up to 20% of a listed entity when State Gas Pty Ltd listed on ASX which occurred on 9 October 2017.

(ii) Gain on sale of available for sale investments

| | | |
|---|---|---|
| Cost of the purchase of the investments | - | 147,679 |
| Cash received from sale of the investments | - | (261,095) |
| Gain on sale of available for sale investments | - | 113,416 |

## 1 Profit and loss items

| | | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|---|
| **1.2** | **Expenses** | | |
| | (a) Employment expenses | | |
| | Salaries and wages | 1,096,912 | 622,512 |
| | Other personnel costs | 123,230 | 11,754 |
| | Superannuation | 91,133 | 52,694 |
| | Increase/(decrease) in leave liabilities | 13,129 | 39,115 |
| | | 1,324,404 | 726,075 |
| | Share based payment expenses/ (reversal) | 1,488,667 | 458,017 |
| | Total | 2,813,071 | 1,184,092 |
| | (b) General and administration costs | | |
| | Accounting expenses | 76,617 | 98,743 |
| | Audit fees | 53,992 | 53,077 |
| | Consulting expenses | 325,895 | 365,405 |
| | Legal expenses | 69,599 | 352,349 |
| | Insurance expenses | - | 496,914 |
| | Arbitration expenses | 40,245 | 1,850,063 |
| | Foreign exchange (gains) losses | 144,862 | 143,341 |
| | Other administration expenses | 665,733 | 403,453 |
| | | 1,376,943 | 3,763,345 |
| | (c) Cost of sales | | |
| | Significant one off costs | | |
| | Repairs and maintenance | 867,122 | 1,803,999 |
| | Operating and restructure costs | - | 436,312 |
| | | 867,122 | 2,240,311 |

## 1 Profit and loss items

### 1.3 Taxation

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| **Income tax recognised in profit or loss** | | |
| The components of tax expense comprise: | | |
| **Statement of profit or loss and comprehensive income** | | |
| *Current income* | | |
| Current income tax | - | - |
| Adjustments in respect of previous current income tax | - | - |
| Receipt of Research and development tax incentive | (1,027,871) | (162,594) |
| *Deferred tax* | | |
| Decrease / (increase) in deferred tax assets | 736,184 | 509,850 |
| (Decrease) / increase in deferred tax liabilities | - | - |
| Income tax expense (benefit) reported in statement of comprehensive income | (291,687) | 347,256 |
| Petroleum resource rent tax | | |
| *Current income* | | |
| Current income tax | - | 753,619 |
| *Deferred tax* | | |
| Decrease / (increase) in deferred tax assets | 2,163,286 | - |
| (Decrease) / increase in deferred tax liabilities | - | - |
| *PRRT Income tax expense (benefit) reported in statement of profit or loss* | 2,163,286 | 753,619 |
| Total Income tax expense for the year | 1,871,599 | 1,100,875 |
| Numerical reconciliation between tax expense and pre-tax net loss | | |
| Loss before income tax expense | (4,061,569) | (3,485,743) |
| Income tax (benefit) calculated at 27.5%. (2017: 27.5%) | (1,116,932) | (1,045,723) |
| Effect of non-deductible item | | |
| Total non-deductible items | 866,814 | 747,381 |
| Movements in unrecognised temporary differences | 250,118 | 877,310 |
| (Receipt) of Research and development tax incentive | (1,027,871) | (162,594) |
| Non-assessable income | - | (69,119) |
| De-recognition of deferred taxes for project pool | 736,184 | 753,619 |
| De-recognition of deferred taxes for PRRT credits on decommissioning | 2,163,286 | - |
| Income tax expense reported in profit or loss and other comprehensive income | 1,871,599 | 1,100,875 |
| At effective income tax rate | 46.08% | 10.00% |

## 1 Profit and loss items

### 1.3 Taxation (continued)

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| Deferred tax assets (DTA) / (liabilities) have not been recognised in respect of the following items: | | |
| Business Related Costs | - | 14,241 |
| Property plant and equipment | - | 54 |
| Trade and other payables | 353,521 | 111,352 |
| Capital losses | 1,947,452 | 452,395 |
| Tax Losses | 5,693,122 | 5,775,146 |
| Provisions – Joint Venture | - | 86,250 |
| Provision for restoration | 5,726,019 | 1,917,505 |
| Joint Venture losses | 413,023 | - |
| Project pools | 7,947,726 | 12,206,981 |
| Derivative financial instrument | - | 88,090 |
| Net deferred tax not recognised | 22,080,883 | 20,652,014 |

The balance comprises temporary difference attributable to:

| | | |
|---|---|---|
| PRRT (net credit on decommissioning) (DTA) | 5,770,526 | 7,933,812 |
| Project Pool costs (DTA) (a) | 5,417,745 | 4,567,035 |
| Assessable receipts PRRT (DTL) (a) | 1,586,895 | - |
| Tax losses (DTA) (a) | 731,663 | - |
| Exploration assets (DTL) (a) | (1,856,048) | (1,124,385) |
| Total deferred taxes | 8,476,992 | 11,376,462 |

(a) Part of the Project Pool DTA has been off-set against the Exploration asset DTL.

**Set-off deferred tax liabilities pursuant to off-set provisions**

| | | |
|---|---|---|
| Deferred tax asset on project pool costs (oil and gas properties) | (2,711,280) | (1,124,385) |
| Assessable receipts PRRT | 1,586,895 | |
| Deferred tax asset on carry forward tax losses | (731,663) | |
| Deferred tax liability on exploration asset (business combination) | 1,856,048 | 1,124,385 |
| | - | - |

(b) The Company has incurred additional costs in exploring the Xanadu prospect which has resulted in an increase in the deferred tax liability. A corresponding increase in recognised tax losses was been recorded to off-set this increase in the deferred tax liability.

## 1 Profit and loss items

### 1.3 Taxation (continued)

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 30 June 2018 $ | 30 June 2017 $ | 30 June 2018 $ | 30 June 2017 $ | 30 June 2018 $ | 30 June 2017 $ |
| *CONSOLIDATED* | | | | | | |
| Project Pool Costs | 5,417,746 | 4,567,035 | - | - | 5,417,746 | 4,567,035 |
| PRRT | 5,770,526 | 7,933,812 | - | - | 5,770,526 | 7,933,812 |
| Assessable receipts PRRT | - | - | (1,586,895) | | (1,586,895) | |
| Tax losses | 731,663 | - | - | - | 731,663 | - |
| Exploration Expenditure | - | - | (1,856,048) | (1,124,385) | (1,856,048) | (1,124,385) |
| *Tax (assets) liabilities* | 11,919,935 | 12,500,847 | - | - | 8,476,992 | 11,376,462 |
| Set off of tax | (3,442,943) | (1,124,385) | 3,442,943 | 1,124,385 | | - |
| *Net tax assets (liabilities)* | 8,476,992 | 11,376,462 | - | - | 8,476,992 | 11,376,462 |

**Movement in temporary differences during the year**

| | Balance 1 July 2017 $ | Recognised in Income $ | Recognised on Acquisitions $ | Balance 30 June 2018 $ |
|---|---|---|---|---|
| Project Pool Costs | 4,567,035 | 850,711 | - | 5,417,746 |
| PRRT | 7,933,812 | (2,163,286) | - | 5,770,526 |
| Assessable receipts PRRT | | (1,586,895) | | (1,586,895) |
| Tax losses | - | 731,663 | - | 731,663 |
| Exploration Expenditure | (1,124,385) | (731,663) | - | (1,856,048) |
| | 11,376,462 | (2,899,470) | - | 8,476,992 |

The potential deferred tax asset has not been brought to account at 30 June 2018 as the directors do not believe it is appropriate to regard the realisation of the asset as probable. This asset will only be obtained if:

**(a)** The Company and its controlled entity derive future assessable income of an amount and type sufficient to enable the benefit from the deductions for the tax losses to be realised;

**(b)** The Company and its controlled entity continue to comply with the conditions for deductibility imposed by tax legislation; and

**(c)** No changes in tax legislation adversely affect the Company and its controlled entity in realising the benefit from the deductions for the tax losses.

*Estimates and judgements*

*Assumptions used to carry forward deferred taxes*

Deferred tax assets are recognised for deductible temporary differences, taxation losses and PRRT decommissioning credits when the directors consider that it is probable that sufficient future tax profits or costs will be available to utilise those temporary differences, losses and credits. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next few years together with future tax planning strategies. There are significant variables relating to generating taxable profits in the future and while the directors take care in assessing the current available information, by its nature any forecast may be materially different to the final actual outcome.

## 1 Profit and loss items

### 1.4 Earnings per share

| | 2018<br>($) / Cents | 2017<br>($) / Cents |
|---|---|---|
| **Continued Operations** | | |
| **(a) Basic Earnings Per Share** | | |
| Profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company | (5,933,170) | (4,586,619) |
| Cents per share | ($0.030) | ($0.032) |
| **(b) Diluted Earnings Per Share** | | |
| Cents per share | ($0.030) | ($0.032) |

| **(c) Weighted Average Number of Shares Used as the Denominator** | **2018<br>Number** | **2017<br>Number** |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 195,057,505 | 144,855,119 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 195,057,505 | 144,855,119 |
| **Calculation of weighted average number of shares** | | |
| Number of shares at the beginning of the period (post consolidation) | 152,823,915 | 135,960,939 |
| Shares issued but adjusted (pro-rata) for the period of issue | 42,233,590 | 7,611,988 |
| Number of shares used to calculate the loss / profit per shares for the year | 195,057,505 | 144,855,119 |
| **Add** | | |
| Dilutive instruments issued (options / rights) and adjusted for the period on issue | - | - |
| Number of instruments used to calculate the dilutive profit per share for the year | 195,057,505 | 144,855,119 |

**(d) Information Concerning the Classification of Securities**

***Options***
On 5 February 2018, the Company issued 11,155,908 options at an exercise price of $0.15 per option.

***Rights***
Unvested rights are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The unvested rights have not been included in the determination of basic earnings per share.

## 2 Significant assets

### 2.1 Oil and gas properties

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Oil and gas properties carried forward – Cliff Head | 3,697,689 | 9,315,795 |
| | | |
| Reconciliation – Cliff Head | | |
| Carrying amount at the beginning of the year | 9,315,795 | 10,905,000 |
| Additions to the oil and gas properties | 412,882 | - |
| Less: Amortisation | (920,983) | (1,589,205) |
| Less: Abandonment adjustment (refer to Note 4.6) | (5,110,005) | - |
| Carrying amount at end of the year | 3,697,689 | 9,315,795 |

The Oil & Gas properties were acquired on 30 June 2016 as part of the purchase of the Cliff's Head production licence.

*Estimates and judgements*
*Assumptions used to carry forward the oil and gas properties*

The write-off or impairment of oil and gas properties is based on a periodic assessment of pre-determined impairment indicators relevant to the operating asset and with the information available at the time of preparing this report. The directors assess whether there are any clear indicators of impairment and if they exist a value in use calculation is prepared to assess the carrying value of the operating assets. The assessment of impairment indicators requires the directors to make judgements in relation to internal and external factors that impact the assets, however, information may come to light in subsequent periods which the directors were unable to predict at the time of making the assessment of indicators. The recoupment of costs carried forward in respect of each area of interest is dependent on the successful development and/or commercial exploitation or sale of the respective areas of interest.

The estimation of reserves requires significant management judgement and interpretation of complex geological and geophysical models in order to make as assessment of the size, share, depth and quality of reservoirs and their anticipated recoveries. Estimates have been used to determine the fair value of the oil and gas properties for the purpose of the business combination and the assessment of depletion and amortisation charges.

### 2.2 Exploration and evaluation assets

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Exploration, evaluation and development costs carried | 6,749,266 | 4,078,214 |
| | | |
| Reconciliation – Mentelle & West High prospects (i) | | |
| Carrying amount at the beginning of the year | 3,747,951 | 3,747,951 |
| Additions to the exploration and evaluation asset | - | - |
| Less: Exploration impairment - | - | - |
| Carrying amount at end of the year | 3,747,951 | 3,747,951 |
| | | |
| Reconciliation – Xanadu-1 TP/15 Joint Venture (ii) | | |
| Carrying amount at the beginning of the year | 330,264 | - |
| Additions to the exploration and evaluation asset | 2,671,051 | 330,264 |
| Less: Exploration impairment | - | - |
| Carrying amount at end of the year | 3,001,315 | 330,264 |

## 2 Significant assets

### 2.2 Exploration and evaluation assets (continued)

(i) Cliff Head

The Company completed the Cliff's Head acquisition of its 57.5% interest in the production licence in WA on 30 June 2016. Part of the acquisition has resulted in the recognition of the Exploration assets within the Mentelle and West High prospects.

(ii) Xanadu – 1 TP/15 Joint Venture

During the period the Joint Venture conducted a drilling program at the Norwest Xanadu prospectus. The Company contributed 40% of the drilling costs for it 30% interest in the asset.

*Estimates and judgements*

*Assumptions used to carry forward the exploration assets*
The write-off, impairment or carrying forward of exploration expenditure is based on a periodic assessment of the viability of an area of interest and/or the existence of economically recoverable reserves. This assessment is based on pre-determined impairment indicators, taking into account the requirements of the accounting standard, and with the information available at the time of preparing this report. Information may come to light in subsequent periods which requires the asset to be impaired or written down for which the directors were unable to predict the outcome.

### 2.3 Investment in Associates and Joint Arrangement

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Triangle Energy (Operations) Pty Ltd (i) | 300,373 | 1,260,565 |
| State Gas Ltd (ii) | 585,622 | 834,631 |
| | 885,995 | 2,095,197 |

(i) Triangle Energy (Operations) Pty Ltd

The entity name is Triangle Energy (Operations) Pty Ltd which the Company has a 50% shareholding as at 30 June 2018 and one of two directors. The place of incorporation is Australia, the investment is an associate which the Company measures using the equity method. The carrying value is listed above.

(ii) State Gas Ltd

The Company holds an interest of 35.47% as at 30 June 2018. The place of incorporation is Australia, the investment is an associate which the Company measures using the equity method as a consequence of its holding and one common director. The carrying value is listed above.

(iii) Reconciliation of movements of the investments in associates

| | | |
|---|---|---|
| Reconciliation - Triangle Energy (Operations) Pty Ltd (i) | | |
| Carrying amount at beginning of the year | 1,260,565 | 1,425,837 |
| Loss for the year | (960,192) | (165,272) |
| Carrying amount at end of the year | 300,373 | 1,260,565 |
| | | |
| Reconciliation - State Gas Ltd (ii) | | |
| Carrying amount at beginning of the year | 834,632 | 842,923 |
| Loss for the year | (249,010) | (8,291) |
| Carrying amount at end of the year | 585,622 | 834,632 |

## 2 Significant assets

### 2.3 Investment in Associates and Joint Arrangement (continued)

(iv) Summarised financial information

The tables below show the summarised financial information for the associates that are material to the group. The information disclosed is the total value of the relevant associate adjusted by the Company to reflect the equity method including fair values and modifications for differences in accounting policies.

| Triangle Energy (Operations) Pty Ltd | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Balance sheet** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 420,913 | 1,116,892 |
| Other receivables | 3,380,125 | 2,193,980 |
| Inventory | 248,258 | 89,239 |
| **TOTAL CURRENT ASSETS** | 4,049,296 | 3,400,111 |
| **NON CURRENT ASSETS** | | |
| Oil and gas properties | 4,021,338 | 9,367,742 |
| Deferred tax assets | 6,715,881 | 8,925,458 |
| **TOTAL NON CURRENT ASSETS** | 10,737,219 | 18,293,200 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 2,616,842 | 3,009,187 |
| Provisions | - | 212,500 |
| **TOTAL CURRENT LIABILITIES** | 2,616,842 | 3,221,687 |
| **NON-CURRENT LIABILITIES** | | |
| Provisions | 15,390,092 | 19,762,851 |
| **TOTAL NON-CURRENT LIABILITIES** | 15,390,092 | 19,762,851 |
| **NET ASSET DEFICIENCY** | (3,220,419) | (1,291,227) |

(v) Commitment and contingencies

As the operator of the Cliff head joint venture the company has a lease for the office premises in West Perth. The commitments for this lease are as follows:

| | | |
|---|---|---|
| Within one year | 283,668 | 292,178 |
| After one year but not more than five years | 1,062,382 | 146,089 |
| More than five years | - | - |
| | 1,346,050 | 438,267 |

## 2 Significant assets

### 2.4 Investment in Associates and Joint Arrangement (continued)

(iii) Summarised financial information

The tables below show the summarised financial information for the associates that are material to the group. The information disclosed is the total value of the relevant associate adjusted by the Company to reflect the equity method including fair values and modifications for differences in accounting policies.

| State Gas Ltd | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Balance sheet** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 4,439,113 | 500,208 |
| Other receivables | 282,313 | 21,244 |
| **TOTAL CURRENT ASSETS** | 4,721,426 | 521,452 |
| **CURRENT ASSETS** | | |
| Exploration assets | 2,486,319 | 1,815,293 |
| Other receivables | 35,000 | - |
| **TOTAL CURRENT ASSETS** | 2,521,319 | 1,815,293 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 412,813 | 71,538 |
| **TOTAL CURRENT LIABILITIES** | 412,813 | 71,538 |
| **NON-CURRENT LIABILITIES** | | |
| Provisions | 443,082 | 427,969 |
| **TOTAL NON-CURRENT LIABILITIES** | 443,082 | 427,969 |
| **NET ASSETS** | 6,386,850 | 1,837,238 |

(v) Commitment and contingencies

The Associate has indicated that there is a potential Royalty on the PL 231 licence being an overriding royalty interest of seven percent of the gross production of oil, gas and associated hydrocarbons after direct costs.

The Associate has work commitments of $15,600,000 for the period to 2020.

## 2 Significant assets

### 2.4 Investment in Associates and Joint Arrangement (continued)

*General information*

The Group has a 57.5% interest which it accounts for as a joint operation is an unincorporated joint venture at Cliff Head in Western Australia to produce oil and sell to a local refinery. The Group accounts for its interest in the joint arrangement as a joint operation and records its share of the assets, liabilities, revenue and expenses.

*Commitments and contingencies*

There are no capital commitments or contingencies as at 30 June 2018.

(i) Summarised financial information

The tables below show the summarised financial information for the joint arrangement that is material to the group. The information disclosed is the total value of the relevant joint arrangement.

| Cliff Head Joint Venture | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Profit or loss statement** | | |
| Interest income | - | 9,371 |
| Operating expenses | (16,616,597) | (15,940,335) |
| Repairs and maintenance | (1,508,039) | (3,137,389) |
| Operating restructure costs | - | (758,804) |
| **Result from the Joint Venture** | (18,124,636) | (19,827,157) |

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Balance sheet** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 405,255 | 41,383 |
| Other receivables | 326,437 | 654,840 |
| **TOTAL CURRENT ASSETS** | 731,692 | 696,223 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 3,096,262 | 3,242,729 |
| Provisions | - | 500,000 |
| **TOTAL CURRENT LIABILITIES** | 3,096,262 | 3,742,729 |

(ii) Total share of loss for the year

| | | |
|---|---|---|
| Loss from joint operation | (10,421,665) | (11,400,615) |

*Estimates and judgements*

*Assumptions used to assess the recognition of associates and joint arrangements*

The assessment to classify an investment as an associate or the assessment of a joint venture as a joint operation requires a review of the facts and circumstances surrounding the agreements that governs the arrangements and the structure of the investment vehicle. The Company has assessed the arrangements and has determined that it has joint control of the operating company and has direct rights to the assets and liabilities (due to the nature of the joint venture) for the unincorporated joint venture.

## 3 Financing – Capital, debt and risk management

### 3.1 Cash

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **(a) Reconciliation to cash at the end of the year** | | |
| Cash at bank and in hand | 1,349,007 | 958,571 |
| Joint Venture cash | 233,020 | 23,795 |
| Restricted cash (i) | 1,377,156 | 1,197,203 |
| Balances per statement of cash flows | 2,959,183 | 2,179,569 |

(i) As part of the disposal of the Pase PSC assets the Company agreed to place in an escrow (trust) account an amount of US$1.02 million which will be released after the governmental administration processes. As at reporting date, the funds remain in the escrow account.

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| **(b) Reconciliation of profit/(loss) after income tax to net cash flows provided by operating activities** | | |
| (Loss) / Profit for the year | (5,933,169) | (4,586,619) |
| **Non-cash flows in operating loss:** | | |
| Depreciation and loss on sale | 1,599 | 4,178 |
| Amortisation | 920,983 | 1,589,205 |
| Unwind of discount | 336,750 | 369,161 |
| Borrowing costs | - | 82,222 |
| Fair value derivative | (19,333) | 293,634 |
| Gain on loss of control | - | (994,979) |
| Share based payments expense | 1,762,597 | 530,517 |
| Gain on sale of available for sale investments | - | (113,417) |
| Loss from associate | 1,209,202 | 173,563 |
| Foreign currency | (77,498) | 46,391 |
| **Changes in operating assets and liabilities** | | |
| (Increase)/decrease in trade debtors | 545,466 | (58,757) |
| (Increase)/decrease in other receivables | (1,171,104) | (135,631) |
| Increase/(decrease) in trade and other payables | (273,245) | 2,808,141 |
| Increase/(decrease) in tax balances | 2,899,470 | 509,850 |
| Increase/(decrease) in provisions | (287,501) | (1,184,023) |
| **Net cash outflows from operating activities** | (85,783) | (666,564) |

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| ***(c) Credit risk*** | | |
| A-1+ 1 | 1,582,027 | 958,572 |
| B 1 | 1,377,156 | 1,197,203 |

1. The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

## 3 Financing – Capital, debt and risk management

### 3.1 Cash (continued)

#### (d) Non-cash items

During the period the Company entered into six non-cash transactions which were:

On 27 July the Company issued 14,307,925 fully paid ordinary shares in satisfaction of the conversion of notes by Tamarind Resources Limited.

On 23 October (after receiving approval from shareholders at a general meeting) the Company issued 8,000,000 performance rights which immediately vested into shares as the milestones had been satisfied.

On 23 October 2017 the Company issued 900,000 shares to its broker and a previous consultant for services rendered.

On 11 December (after receiving approval from shareholders at the Company's AGM) the Company issued 400,000 performance rights which immediately vested into shares as the milestones had been satisfied. In addition, the Company issued 400,000 performance rights which have yet to vest.

On 5 February 2018 the Company issued 25,289,259 shares on conversion of the final balance of the convertible notes held by Tamarind Resources Limited.

On 5 February 2018 the Company issued 11,155,908 options as a facility fee to extend the borrowing repayment date to 30 June 2018.

*Prior period non-cash transactions*

On 18 July 2016 the Company issued 46,568,854 shares (on a pre-share consolidated basis) to directors in satisfaction of fees payable as at 30 June 2016. The total value of the shares (based on the closing price on the date of issue) was $72,500.

On 30 November 2016 (after approval from shareholders at the Company's AGM) the Company issued 175,000,000 shares (on a pre-share consolidated basis) to directors and a former employee for services rendered. The total value of the shares (based on the closing price on the date of issue) was $350,000.

On 29 March 2017 the Company issued 6,000,000 options as part of the convertible note agreement.

#### (e) Reconciliation of financing activities

| | Balance 1 July 2017 | Cash | Non-Cash | Balance 30 June 2018 |
|---|---|---|---|---|
| Fair Value – Convertible notes (i) | 1,666,940 | - | (1,666,940) | - |
| Compound financial instruments (ii) | 1,014,488 | - | (1,014,488) | - |
| Borrowings (iii) | | | | |
| - Amount borrowed | - | 3,548,700 | - | 3,548,700 |
| - Amount repaid | - | (1,333,840) | - | (1,333,840) |
| - Foreign currency movements | - | - | 104,650 | 104,650 |
| | - | 2,214,860 | 104,650 | 2,319,510 |

(i) Refer note 3.3.
(ii) Refer note 3.4.
(iii) Refer note 3.5.

## 3 Financing – Capital, debt and risk management

### 3.2 Equity

**(a) Number of shares on issue and the amount paid (or value attributed) for the shares**

218,115,544 fully paid ordinary shares (30 June 2017: 152,823,915)

The following changes to the shares on issue and the attributed value during the year:

| | 30 June 2018 Number | 30 June 2017 Number | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|---|
| Balance at the beginning of the year | 152,823,915 | 3,399,023,471 | 22,634,679 | 21,901,005 |
| Conversion of options to Shares | - | 50,000,000 | - | 86,174 |
| Shares issued to directors (July) | - | 46,568,854 | - | 72,500 |
| Shares issued to directors (November) | - | 175,000,000 | - | 350,000 |
| Consolidation of shares | - | (3,523,768,410) | - | - |
| Conversion of options | - | 6,000,000 | - | 225,000 |
| Conversion of convertible notes (July) 1 | 14,307,925 | - | 872,783 | - |
| Issue of shares – placement 2 | 16,394,445 | - | 1,475,000 | - |
| Issue of shares to directors and consultants (October) 3 | 8,900,000 | - | 1,490,500 | - |
| Issue of shares to director (November) 4 | 400,000 | - | 56,000 | - |
| Conversion of convertible notes (February) 5 | 25,289,259 | - | 1,045,782 | - |
| Share issue costs 6 | - | - | (88,530) | - |
| | - | - | | |
| Balance as at 30 June | 218,115,544 | 152,823,915 | 27,486,714 | 22,634,679 |

1. On 27 July 2017 the Company issued 14,307,925 fully paid ordinary shares after receiving confirmation from Tamarind Resources that it had exercised its conversion option to convert US$439,000 of notes.

2. On 22 September 2017 the Company completed a placement to sophisticated investors at $0.09 per share.

3. On 23 October 2017 the Company issued 900,000 shares to its broker and a previous consultant for services rendered. The fair value was $147,504. On 23 October (after receiving approval from a general meeting of shareholders) the Company issued 8,000,000 performance rights to directors which immediately vested into 8,000,000 ordinary shares with a fair value of $0.175 per share.

4. On 11 December 2017 (after receiving approval from the AGM of shareholders) the Company issued 400,000 performance rights to a director which immediately vested into 400,000 ordinary shares with a fair value of $0.14 per share.

5. On 5 February 2018 the Company issued 25,289,259 fully paid ordinary shares after receiving confirmation from Tamarind Resources that it had exercised the final portion of the convertible notes.

6. The Company incurred costs in issuing the shares on 22 September 2017.

## 3 Financing – Capital, debt and risk management

### 3.2 Equity (continued)

**(b) Options**

| | 30 June 2018 Number | 30 June 2017 Number | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|---|
| Balance at the beginning of the year | 6,000,000 | 50,000,000 | 276,907 | 36,174 |
| Issue of options to consultants (October) | - | - | - | - |
| Conversion of options to Shares (August) 1 | - | (50,000,000) | - | (36,174) |
| Options issued to consultants (August) 2 | - | 50,000,000 | - | 108,017 |
| Consolidation of options 3 | - | (44,000,000) | - | - |
| Exercise of options 4 | - | (6,000,000) | - | - |
| Issue of options – convertible note (March) 4 | - | 6,000,000 | - | 168,890 |
| Issue of options – convertible note 5 | 11,155,908 | | 255,430 | |
| Balance as at 30 June | 17,155,908 | 6,000,000 | 532,337 | 276,907 |

1. On 12 August 2016, the Company allotted 50,000,000 (pre-consolidation) fully paid ordinary shares following the exercise of unlisted options at $0.001 upon the receipt of $50,000 from Mac Equity Partners.

2. On 12 August 2016, the Company allotted 150,000,000 unlisted options (pre-consolidation) exercisable at $0.0015 and expiring on 30 June 2017 to Tamarind Energy Management Sdn Bhd (**Tamarind)**.

3. On 9 December as a consequence of obtaining approval from shareholders at the 2016 Annual General Meeting, the Company completed an option consolidation of 1 option for every 25 shares held in the Company.

4. On 29 March 2017, the Company allotted 6,000,000 (post-consolidation) unlisted options in consideration for the fee under the convertible loan agreement with Tamarind. On the same day the Company converted 6,000,000 options to shares at $0.0375 per option.

5. On 5 February 2018, the Company issued 11,155,908 unlisted options in consideration for the fee under the convertible loan agreement with Tamarind to extend the payment date to 30 June 2018.

**(c) Performance Rights**

| | 30 June 2018 Number | 30 June 2017 Number | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|---|
| Balance at the beginning of the year | - | - | - | - |
| Rights granted during the year 1 | - | 175,000,000 | | 350,000 |
| Rights vested to shares | - | (175,000,000) | | (350,000) |
| Rights granted during the year 2 | 8,000,000 | - | 1,400,000 | - |
| Rights vested to shares | (8,000,000) | - | 1,400,000 | - |
| Rights granted during the year 3 | 400,000 | - | 56,000 | - |
| Rights vested to shares | (400,000) | - | (56,000) | - |
| Rights granted during the year 3 | 400,000 | - | 32,667 | - |
| Balance as at 30 June | 400,000 | - | 32,667 | - |

1. Rights issued as compensation relating to the sale of the PSC assets and the acquisition of 57.5% of Cliffs Head.

2. Rights issued (after obtaining shareholder approval) based on the performance hurdle of a share price greater than $0.15 for an average of 30 days.

3. Rights issued (after obtaining shareholder approval) based on the performance hurdle of a share price greater than $0.15 for an average of 30 days. 50% of the rights have yet to vest.

## 3 Financing – Capital, debt and risk management

### 3.3 Derivative financial instrument through profit or loss

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Derivative financial instruments through profit or loss | - | 1,666,940 |
| | - | 1,666,940 |

| | | |
|---|---|---|
| *Reconciliation of movements in the balance* | | |
| Opening balance | 1,666,940 | - |
| Amounts borrowed (i) | - | 1,619,973 |
| Fair value of instrument (ii) | (19,333) | 293,634 |
| Conversion of liability to equity | (872,783) | - |
| Less: Borrowings costs | - | (328,890) |
| Less: amortisation of costs | 164,444 | 82,222 |
| Transfer of borrowing costs to convertible note | 82,223 | - |
| Transfer of derivative to compound financial instrument | (1,014,488) | - |
| Transfer of derivative to reserves | (7,003) | - |
| Closing balance at end of year | - | 1,666,940 |

(i) Terms of the borrowings

| | |
|---|---|
| Facility face value | US$1,215,000 |
| Interest rate | 10% (simple interest) |
| Expiry date | 31 March 2018 |
| Conversion feature | Lower of $0.04 & 30 days VWAP |
| Foreign currency repayment rate | AU$1:US$0.75 |
| Security | Charge over all assets |
| Borrowing costs | $160,000 & 6,000,000 options |

(ii) Fair value of the instrument

The Company has assessed the fair value of the derivative using level 3 inputs and the following calculation method:

The Company has used a simple Monte Carlo simulation based on a starting price of $0.056 and an annual volatility of 91.54%. These inputs were used to calculate a monthly trading cycle to estimate the closing share price on each trading day for 1 month. This trading cycle was simulated 10,000 times to create a median and standard deviation share price from 10,000 iterations. The final estimated share price from the calculation was input into a valuation resulting in the following:

Estimate share price from the simulation $0.069, foreign currency conversion rate was 1.3333 and the final fair value of the derivative was $2.7 million.

This valuation has used level 3 inputs as the instrument is unique to the Company and its environment and has no observable market data.

During the period the Company renegotiated the terms of the convertible note to fix the issue price and the foreign currency conversion value at $0.04 (conversion price) and 0.7671 USD/AUD respectively. The Company assessed the changes and determined that this was a significant change in the terms which has removed the derivative elements of the note and therefore the Company derecognised the derivative financial instrument to the profit and loss.

The Company fair valued the derivative financial instrument using the market value of the shares at the date of conversion and at the date of extinguishment. The share price on those dates was $0.061 & $0.135.

## 3 Financing – Capital, debt and risk management

### 3.3 Derivative financial instruments through profit and loss (continued)

*Estimates and judgements*

*Assumptions used to assess the fair value of the derivative*

The Company has undertaken a calculation to take account of the facts and circumstances that existed at the time of the valuation. These facts and circumstances may result in the derivative being materially different if the lender wishes to exercise the option to convert the remaining notes as the share price may be substantially different to the value calculated above.

### 3.4 Compound financial instrument

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Convertible note | - | - |
| | - | - |
| *Reconciliation of movements in the balance* | | - |
| Opening balance | - | - |
| Amount transferred from derivative financial instrument | 1,014,488 | - |
| Less: Borrowings costs transferred from derivative financial instrument | (82,223) | - |
| Amortisation of borrowing costs | 82,223 | - |
| Amortisation of effective interest | 31,294 | - |
| Conversion of notes to shares | (1,045,782) | - |
| Closing balance at end of year | - | - |

(i) Fair value of convertible note

On 14 September 2017 the Company renegotiated the convertible note terms to fix the conversion price of the shares at USD 0.7671 and $0.04 per share. The variation to the loan is considered a material change to the instrument resulting in the de-recognition of the derivative financial instrument and the recognition of a compound financial instrument (convertible note). The key inputs to the analysis are as follows:

The key inputs to the analysis are as follows:

| | |
|---|---|
| Face value of the notes | US$785,762 |
| Interest rate | 10% (simple interest) |
| Expiry date | 31 March 2018 |
| Conversion feature | $0.04 per shares |
| Foreign currency | A$: 1 US$ 0.7671 |
| Discount rate | 11.42% |
| Borrowing costs | Nil |

(ii) Terms of convertible note

| | |
|---|---|
| Face value of the notes | US$785,762 |
| Interest rate | 10% (simple interest) |
| Expiry date | 30 June 2018 |
| Conversion feature | $0.04 per shares |
| Foreign currency | A$: 1 US$ 0.7671 |
| Security | Charge over all assets |
| Borrowing costs | Nil |

## 3 Financing – Capital, debt and risk management

### 3.5 Borrowings

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Borrowings | 2,319,510 | - |
| *Reconciliation of movements in the balance* | | |
| Opening balance | - | - |
| Amounts borrowed | 3,548,700 | - |
| Amount repaid | (1,333,840) | - |
| Movement in Foreign currency | 104,650 | - |
| Closing balance at end of year | 2,319,510 | - |

(i) Terms of the Tamarind borrowings

The Company received a working capital loan from Tamarind Resources Limited during the period. The terms of the loan are as follows:

| | |
|---|---|
| Facility value | US$2,259,071 |
| Interest rate | 10% (simple interest) |
| Expiry date | 30 June 2019 (extended in June 2018) |
| Foreign currency | A$: 1 US$ 0.7671 |
| Security | Charge over all assets |
| Borrowing costs | US$200,000 |

(ii) Related party loan

In addition to the loan above, the Company also received a loan from its Joint Venture, Triangle Energy (Global) Limited of $633,574 which is interest free, unsecured and repayable on demand.

### 3.6 Going concern

The going concern concept relates to the assessment of the Company's ability to continue its operations (and pay its debts when they fall due) for the next 12 months from the date when the directors sign the annual report without the need to raise money from issuing shares or obtaining additional borrowing facilities.

The directors have prepared an estimated cash flow forecast for the period to September 2019 to determine if the Company may require additional funding during the period. Where this cash flow forecast includes the likelihood that additional amounts will be required, and these funds have not yet been secured, it creates uncertainty as to whether the Company will continue to operate in the manner it has planned over the next 12 months.

Where the cash flow forecast includes these uncertainties, the directors will make an assessment of whether it is reasonable to assume that the Company will be able to continue its normal operations based on the following factors and judgements:

• The Company has access to the use of cash reserves of $1,349,007 as at 30 June 2018 (30 June 2017: $958,571).

• The Company has the ability to adjust its non-routine expenditure subject to operating activities and regulatory requirements.

• The Company has successfully obtained additional sources of funding through debt and equity over the last twelve months.

• The Group's oil production is anticipated to generate positive operating cash flows to fund business activities.

The directors also anticipate the support of its major shareholders and lenders and are confident in the Company's ability to raise an appropriate level of funding to execute its plans and continue its activities.

## 3 Financing – Capital, debt and risk management

**Going concern – current assessment**

The cash flow forecast includes a number of assumption regarding settlement of its obligations, continued profitability from its operating assets and obtaining additional funding. As the Company has not yet confirmed a number of its assumptions or secured its additional funding, this results in a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the annual report.

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

The Company's auditors have referred to this section when completing their report on the Company's annual report.

### 3.7 Risk management

*General*
Triangle's risk management assessment is conducted by the Board and management and together they are responsible for approving and reviewing the Company's risk management strategy and policy. The Board and management are responsible for monitoring appropriate processes and implementing controls to ensure an effective and efficient risk management structure is in place. The Board is responsible for identifying, monitoring and managing significant business risks faced by the Company and considering the effectiveness of its internal control system.

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Categories of financial instruments** | | |
| **Financial assets** | | |
| Cash and cash equivalents | 2,959,183 | 2,179,569 |
| Trade and other receivables | 943,194 | 1,637,537 |
| Investments | 110,000 | - |
| | 4,012,377 | 3,817,106 |
| | | |
| **Financial liabilities** | | |
| Trade and other payables | 1,648,993 | 1,855,444 |
| Derivative financial instrument through profit or loss | 2,319,510 | 1,666,940 |
| | 3,968,503 | 3,522,384 |

*Capital – (company's ability to raise equity (issue shares) or obtain loans (borrowings) as and when needed)*

The capital of the Company consists of issued capital (shares) and borrowings. The directors aim to maintain a capital structure that ensures the lowest cost of capital available to the entity at the time when funds are obtained. The directors will assess the options available to the company to issue more shares while taking into account the effect on current shareholder ownership percentages (dilution) or alternatively assess the ability of the company to access debt (borrowings) where the cost associated of borrowing these funds (interest) is not considered excessive.

*Liquidity – (the ability of the company to pay its liabilities as and when the fall due)*

Liquidity risk arises from the debts (financial liabilities being creditors and other payables) of the Company and the Company's subsequent ability to meet these obligations to repay its debts (financial liabilities) as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board. The Board has determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves and monitoring actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and debts (liabilities). There were no changes in the Company's liquidity risk management policies from previous years.

## 3 Financing – Capital, debt and risk management

### 3.7 Risk management (continued)

| **Contractual maturities of financial liabilities** <br> **At 30 June 2018** | **Less than 1 year** <br> **$** | **6 – 12 months** <br> **$** | **Between 1 and 2 years** <br> **$** | **Between 2 and 5 years** <br> **$** | **Total contractual cash flows** <br> **$** | **Carrying Amount (assets)/ liabilities** <br> **$** |
|---|---|---|---|---|---|---|
| Trade payables | 1,648,993 | | | | 1,648,993 | 1,648,993 |
| Borrowings 1 | - | 2,319,510 | - | - | 2,372,988 | 2,319,510 |
| **Total** | 1,648,993 | 2,319,510 | - | - | 4,021,981 | 3,637,415 |
| | | | | | | |
| **At 30 June 2017** | | | | | | |
| Trade payables | 1,855,444 | | | | 1,855,444 | 1,855,444 |
| Derivative 2 | - | 1,619,974 | - | - | 1,781,971 | 1,781,971 |
| **Total** | 1,855,444 | 1,619,974 | - | - | 3,637,415 | 3,637,415 |

1. The borrowings attracts interest at a rate of 10% per annum. The contractual cash flow includes the interest expense for the borrowings for the period.

2. The derivative financial instrument attracts interest at a rate of 10% per annum. The contractual cash flow includes the interest expense for the note for the period of the note.

*Credit – (the ability of the company to manage the risk that third parties which hold assets on behalf of the company will not return them at the value recorded in the financial statements)*

The two major current assets of the company is its cash at bank and debtors. The assessment of the credit risk based on a rating agencies review of the financial institution has been included in note 3.1 above.

*Foreign currency risk management*

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. To date, exchange rate exposures are not managed by utilising forward foreign exchange contracts. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date explained in Australian dollars are as follows:

| Table A | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2018** <br> **$** | **2017** <br> **$** | **2018** <br> **$** | **2017** <br> **$** |
| US dollars | | | | |
| Cash at bank | - | - | 2,146,745 | 536,765 |
| Other receivables | - | - | - | 130,092 |
| Debtors / accrued revenue | - | - | 825,319 | 1,371,122 |
| Other payables | 218,013 | 1,188,829 | - | - |
| | 218,013 | 1,188,829 | 2,972,064 | 2,037,979 |

The derivative financial instrument, compound financial instruments and borrowings are not subject to variable foreign currency movements.

## 3 Financing – Capital, debt and risk management

### 3.7 Risk management (continued)

**Foreign currency sensitivity analysis**
As at 30 June the Group's exposure to foreign currency relates to USD in a number of asset and liability categories.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

| Table B | Impact Profit Consolidated | | Impact Equity Consolidated | |
|---|---|---|---|---|
| | **2018 $** | **2017 $** | **2018 $** | **2017 $** |
| **Profit or loss** | | | | |
| US dollar assets and liabilities (net) increase 10%[1] | 275,405 | 84,914 | 275,405 | 84,914 |
| US dollar assets and liabilities (net) decrease 10%[1] | (275,405) | (84,914) | (275,405) | (84,914) |

[1] This is attributable to the exposure in USD on key assets and liabilities within the Group at year end.

*Interest rate risk sensitivity analysis*
Weighted average interest rate exposure for 2018 is 0.0% (2017: 0.5%). The sensitivity analysis is not material due to the low returns currently available in the market.

*Commodity and foreign currency price risk*

During the current financial year, the Group was exposed to significant commodity and foreign currency price risk within the sale of oil. The movement in oil price over the 12 months was 56.34% (high to low) and the movement in the average exchange rates for the same period was 6.36%. The impact of a 56.34% movement on the monthly average USD oil price from the actual USD oil price received would have resulted in the commodity price risk values below. The impact of a 10% foreign currency movement from the actual sales recorded would have resulted in a currency risk value below:

| **Table A** | Commodity price risk US$ movement | | Foreign currency risk A$ movement | |
|---|---|---|---|---|
| | **56% increase** | **56% decrease** | **10% increase** | **10% decrease** |
| Sales of oil | 7,858,870 | (7,858,870) | (1,394,797) | 1,394,797 |
| | 7,858,870 | (7,858,870) | (1,394,797) | 1,394,797 |

## 3 Financing – Capital, debt and risk management

### 3.7 Risk management (continued)

*Fair value estimation*

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as 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 Company also has exposure to price risk relating to available for sale investments. These are investments in other oil and gas companies listed on the Australian Stock Exchange within the same sector as The Company and are subject to movements in equity prices in the normal course of business.

*Financial Instruments Measured at Fair Value*

To provide an indication of the reliability of inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows below:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group has two financial instruments carried at fair value, derivative financial instruments through profit and loss and the initial recognition of the compound financial instrument and it has consequently used level 3 inputs for these financial instruments, unobservable market data, see notes 3.3 and 3.4 for further information.

During the year, the Company held financial instruments carried at fair value in the form of investments. These assets were measured using level 2, observable prices at an arm's length price.

## 3 Financing – Capital, debt and risk management

### 3.8 Reserves

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Convertible Note reserve | 7,003 | - |
| Share based payments reserves | 565,004 | 276,907 |
| | 572,007 | 276,907 |

| | | |
|---|---|---|
| Convertible Note reserve | | |
| *Reconciliation of movements in the balance* | | |
| Opening balance | - | - |
| Convertible note equity portion (i) | 7,003 | 7,003 |
| Closing balance at end of year | 7,003 | 7,003 |

| | | |
|---|---|---|
| Reconciliation of movements in the balance | | |
| Opening balance | 276,907 | 36,174 |
| Prior period options | - | - |
| Additional options | - | 108,017 |
| Transfer to share capital (refer 3.2) | - | (36,174) |
| Additional options (ii) | 255,430 | 168,890 |
| Additional rights (iii) | 32,667 | - |
| Less: Reversal of cancelled options | - | - |
| Closing balance at end of year | 565,004 | 276,907 |

The summary of the Company's share based payment transactions during the last year is as follows:

| Type of instrument | Number | Issue date | Value at Grant Date | Expense recorded |
|---|---|---|---|---|
| Performance rights | 400,000 | 11/12/17 | $0.14 | 32,667 |
| Facility options | 11,155,908 | 5/2/18 | $0.0229 | 255,430 |

(i) The Company calculated the fair value of the convertible note as $1,014,488 with the residual value being $7,003. The input used can be found at note 3.4.

(ii) Issue of 11,155,908 options were issued to consultants with a fair value of $0.0229. The input using the Black Scholes Pricing Model were:
(a) Grant Date – 5 February 2018
(b) Exercise date – 19 January 2020
(c) Market price of securities - $0.10
(d) Exercise price of securities - $0.15
(e) Risk free rate – 1.96%
(f) Volatility – 63.38%

(iii) During the period the Company issues performance rights to its Chairman, Mr E Farrell. The rights were issued after the Company received approval at its Annual General Meeting of shareholders on 29 November 2017. The share price at the grant date was $0.14 per share valuing the rights at $56,000. The rights are subject to a hurdle being the share price must be above a VWAP of $0.15 for 30 consecutive days. The Company has assessed the period of achieving this hurdle is 12 months. The fair value of the rights have been amortised over this period.

**Nature and purpose of reserves**
The share based payment reserve is used to record the value of share based payments provided to employees, including key management Personnel, as part of their remuneration and securities (other than shares) issued to consultants. The convertible note reserve recorded the fair value of the equity portion of the compound financial instrument on recognition.

## 3 Financing – Capital, debt and risk management

### 3.9 Accumulated losses

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Accumulated losses at the beginning of the year | 23,718,271 | 19,131,652 |
| Loss for the year | 5,933,169 | 4,586,619 |
| Accumulated losses at the end of the year | 29,651,440 | 23,718,271 |

### 3.10 Commitments

The Company has one office lease on a rolling month to month basis for $1,671 per month. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 are as follows:

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Within one year | 1,671 | 3,279 |
| After one year but not more than five years | - | - |
| More than five years | - | - |
| | 1,671 | 3,279 |

## 4 Other assets and liabilities

### 4.1 Trade and other receivables

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Accrued revenue | 825,319 | 1,371,122 |
| Trade receivables | - | - |
| | 825,319 | 1,371,122 |

***Credit risk***

| | | |
|---|---|---|
| A- (i) | 825,319 | 1,371,122 |

(i) The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

(ii) The Company has no amounts past due and no impairment during the period.

*Estimates and judgement*
Recoverability of the assets

The accrued revenue has been received in cash post year end. Due to the short term nature of the current receivables, their carrying amounts approximate their fair value.

Refer to Note 3.7 for more information on the risk management policy of the group and the credit quality of the group's trade receivables

### 4.2 Other receivable and assets

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| GST receivable | 11,223 | 37,893 |
| Prepayments | 281,252 | - |
| JV GST receivable | 69,826 | 240,207 |
| JV other receivables | 117,875 | 136,323 |
| Income tax incentive receivable | 1,027,870 | |
| PRRT receivable | - | - |
| Receivable – PT Enso Asia | - | 130,092 |
| Deposits – Guarantee | 193,262 | 193,262 |
| Other assets | 50,815 | 4,510 |
| | 1,752,123 | 742,287 |

Due to the short term nature of the receivables, their carrying amounts approximate their fair value.

## 4 Other assets and liabilities

### 4.3 Fair Value through Other Comprehensive income

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Non-current assets** | | |
| Equity Securities | | |
| Investments | 110,000 | - |
| | 110,000 | - |
| | | |
| Investments | | |
| *Reconciliation of movements in the balance* | | |
| Opening balance | - | 82,044 |
| Additional purchases | 110,000 | 65,634 |
| Disposals | - | (147,678) |
| Closing balance at end of year | 110,000 | - |

The profit on sale of investment can be found in the statement of profit or loss for the prior year.

Information relating to the fair value methodology and the risk exposure can be found in note 3.7 above.

### 4.4 Plant and equipment

| | 30 June 2018 $ | 30 June 2017 S |
|---|---|---|
| Administration office – Plant and Equipment | | |
| | | |
| Office equipment | 7,625 | 7,625 |
| Accumulated depreciation | (2,974) | (1,424) |
| | 4,651 | 6,201 |
| | | |
| Furniture and fittings | 914 | 914 |
| Accumulated depreciation | (636) | (587) |
| | 278 | 327 |
| | | |
| Total administration assets | 4,929 | 6,528 |

A reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and at the end of the current period.

## 4 Other assets and liabilities

### 4.4 Plant and equipment (continued)

| | Furniture & Fittings $ | Office Equipment $ | Total $ |
|---|---|---|---|
| Opening net book value at 1 July 2017 | 327 | 6,201 | 6,528 |
| Additions during the year | - | - | - |
| Disposals during the year | - | - | - |
| Depreciation expenses | (49) | (1,550) | (1,599) |
| Closing net book value at 30 June 2018 | 278 | 4,651 | 4,929 |
| Opening net book value at 1 July 2016 | 4,093 | - | 4,093 |
| Additions during the year | - | 7,625 | 7,625 |
| Disposals during the year | (3,198) | - | (3,198) |
| Depreciation expenses | (568) | (1,424) | (1,992) |
| Closing net book value at 30 June 2017 | 327 | 6,201 | 6,528 |

### 4.5 Trade and other payables (debts)

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| *Current liabilities (debts payable within 12 months)* | | |
| Trade payables | 678,681 | 209,160 |
| JV trade payables | 970,312 | 1,646,284 |
| Accrued expenses | 1,210,678 | 1,404,589 |
| JV accruals | 669,901 | 369,258 |
| Payroll liabilities | 58,671 | 16,520 |
| Dividend payable in trust | 7,044 | 7,044 |
| Share buy-back funds in trust | 6,796 | 6,796 |
| GST liabilities | 150,704 | 160,086 |
| Employee entitlements | 160,030 | 146,901 |
| PRRT payable | - | 455,637 |
| | 3,912,817 | 4,422,275 |

Due to the short term nature of current payables, the carrying amount of trade and other payables approximates their fair value. Trade payables are non-interest bearing and are normally settled on 30-day terms.

## 4 Other assets and liabilities

| | | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| **4.6** | **Provisions** | | |
| | JV Provisions | - | 287,501 |
| | *JV provisions – current (due for payment within 12 months)* | | |
| | Reconciliation | | |
| | Balance brought forward | 287,501 | 1,471,524 |
| | Movement during the year | (287,501) | (1,184,023) |
| | Balance carried forward | - | 287,501 |
| | | | |
| | Restoration provision (Cliff Head) – non-current | 20,821,888 | 25,595,143 |
| | | 20,821,888 | 25,595,143 |
| | *Restoration provisions – non-current liabilities (debts payable after 12 months)* | | |
| | Reconciliation | | |
| | Balance brought forward | 25,595,143 | 25,574,995 |
| | Additions for the year | | - |
| | Unwind of discount (Cliff Head) | 336,750 | 369,161 |
| | Adjustment to the restoration provision (i) | (5,110,005) | |
| | Transferred to gain on disposal of subsidiary | - | (349,013) |
| | Balance carried forward | 20,821,888 | 25,595,143 |

The non-current provision relates to the Cliff Head production licence WA-31-L (located in the Perth Basin, WA).

Under the terms within the Joint Venture agreement relating to WA-31-L, Triangle is liable to pay rehabilitation cost of 57.5% relating to the licence.

(i) During the year the Joint Venture Parties commissioned an independent study to review the previous rehabilitation estimate prepared in 2015. The review highlighted a number of steps that could be taken to reduce the cost of the rehabilitation for the site. The Company has re-adjusted the provision in line with the new study which has resulted in a reduction to the liability of $5.1 million (57.5% share) for the year ended 30 June 2018.

*Estimates and judgement*
*Assumptions used to assess the rehabilitation provision*

The updated study has a substantial number of assumptions embedded in the cost estimate all of which could change and result in the actual amount paid to restore the site being materially different to the carrying value of the liability.

The provision for future restoration costs is the best estimate of the present value (including an appropriate discount rate relevant to the time value of money plus any risk premium associated with the liability) of the expenditure required to settle the restoration obligation at the balance date.

## 4 Other assets and liabilities

### 4.7 Borrowings – Related Party

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| **Borrowings** | | |
| - Amounts owed to related party (legal subsidiary) | - | - |
| | | |
| Movements in loans | | |
| Opening balance | - | 720,085 |
| - Amounts borrowed | - | 172,780 |
| - Amounts repaid | - | (892,865) |
| - Amounts written off | - | - |
| Closing balance | - | - |

The prior period amount relates to transactions with legal subsidiaries that had been removed from the group as a consequence of de-consolidating the accounting parent after the disposal of the Pase group. Refer to note A for further details of the account policy for this transaction.

## 5 Additional disclosures

### 5.1 Subsequent events

In the opinion of the directors, no items, transactions or events of a material and unusual nature have arisen in the interval between the end of the financial year and the date of this report which have been significantly affected, or may significantly affect, the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in subsequent financial years, other than the following:

- The Company realised the results of its asset extension study in July 2018; and
- The Company announced the appointment of Mr Tim Monckton.

### 5.2 Contingent liabilities

**Contingent Liabilities**
*Royalty*
As part of the acquisition of the Cliff's Head production licence the Company agreed to pay a royalty of US$5 per barrel to the seller of the asset when the oil price reaches US$70 per barrel. At the date of the acquisition, the short to medium term forecast oil price has not reach US$70/bbl and the Company has not recognised a potential liability for this contingency.

## 5 Additional disclosures

### 5.3 Segment reporting

**Description of segments**
Management has determined the operating segments based on the reports reviewed by the board that are used to make strategic decisions. Reportable segments have been identified as follows:

- WA Oil Production
- Australian corporate

The board monitors performance of each segment.

**Segment information**
The following table present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2018 and 30 June 2017.

| | WA Oil Production $ | Australian Corporate $ | Consolidated $ |
|---|---|---|---|
| **Year ended 30 June 2018** | | | |
| **Segment Revenue** | 13,600,032 | - | 13,600,032 |
| **Expenses** | | | |
| **Significant income and expenses** | | | |
| Interest income | - | 675 | 675 |
| Interest expenses | (977) | (730,152) | (731,129) |
| Depreciation and amortisation | (920,983) | (1,598) | (922,581) |
| Share of associates loss | (960,192) | (249,010) | (1,209,202) |
| Income tax, deferred taxes and PRRT | (1,871,599) | - | (1,871,599) |
| **Segment net operating profit/(loss) after tax** | (1,808,945) | (4,124,224) | (5,933,169) |
| **Year ended 30 June 2017** | | | |
| **Segment Revenue** | 15,656,757 | 5,945 | 15,662,702 |
| **Expenses** | | | |
| **Significant income and expenses** | | | |
| Interest income | 5,386 | 634 | 6,020 |
| Interest expenses | (28,125) | (127,288) | (155,413) |
| Depreciation and amortisation | (1,589,205) | (1,991) | (1,591,196) |
| Share of associates loss | (165,272) | (8,291) | (173,563) |
| Income tax, deferred taxes and PRRT | (1,263,469) | 162,594 | (1,100,875) |
| **Segment net operating profit/(loss) after tax** | (2,072,784) | (2,513,835) | (4,586,619) |
| **Segment assets** | | | |
| At 30 June 2018 | 22,857,376 | 2,604,120 | 25,461,496 |
| At 30 June 2017 | 28,222,592 | 2,942,582 | 31,165,174 |
| **Segment liabilities** | | | |
| At 30 June 2018 | (24,465,755) | (2,588,460) | (27,054,215) |
| At 30 June 2017 | (28,818,252) | (3,153,607) | (31,971,859) |

## 5 Additional disclosures

### 5.4 Related party transactions

The consolidated financial statements include the financial statements of Triangle Energy (Global) Limited and the subsidiaries listed in the following table. The interest in these subsidiaries and associates is ordinary shares.

| | Country of | % Equity Interest | | $ Investment | |
|---|---|---|---|---|---|
| Name | Incorporation | 2018 | 2017 | 2018 | 2017 |
| Triangle Energy (QLD) Pty Ltd | Australia | 100 | 100 | 2 | 2 |
| Triangle (Perth Basin) Pty Ltd | Australia | 100 | 100 | 100 | 100 |
| A.C.N. 008 988 930 Pty Ltd | Australia | 100 | 100 | 1,136,624 | 1,136,624 |
| A.C.N. 008 939 080 Pty Ltd | Australia | 100 | 100 | 1,136,624 | 1,136,624 |
| Associates | | | | | |
| Triangle Energy (Operations) Pty Ltd | Australia | 50 | 50 | 300,373 | 1,260,565 |
| State Gas Pty Ltd | Australia | 35.47 | 50 | 585,622 | 834,631 |

Triangle Energy (Global) Limited is the ultimate Australian Parent Entity and ultimate Parent of the Group.

Total amount of transactions that were entered into with related parties for the relevant financial year.

| Related party | Income from Related Parties $ | Expenditure Related Parties $ | Amounts Owed by Related parties $ | Amounts Owed to Related parties $ |
|---|---|---|---|---|
| **Consolidated** | | | | |

No related party transactions

**Investment in associate**
In June 2017, the parent entity paid $150,000 to increase its holding in State Gas Pty Ltd as part of a capital raising by that entity.

**Additional transactions with related parties of the Group**
There were no additional transactions outside the Consolidated entity during the year not already disclosed above.

## 5 Additional disclosures

### 5.4 Related party transactions (continued)

**Key management personnel compensation**

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Short-term employee benefits | 788,000 | 606,167 |
| Post-employment benefits | 66,500 | 48,134 |
| Long-term benefits | - | - |
| Termination benefits | - | 23,210 |
| Share-based payments | 1,488,667 | 330,000 |
| | 2,343,167 | 1,007,511 |

Details of the remuneration amounts can be found in the remuneration report within the directors' report.

**Transactions with related parties**

***Mr Robert Towner***

| | | |
|---|---|---|
| Purchase of furniture | - | 1,000 |

**Terms and conditions of transactions with related parties**
The terms of the transactions are based on arms-length, third party market rates for the type of services received

### 5.5 Dividends

No dividend has been paid by the Group in respect of the year ended 30 June 2018. (2017: Nil)

### 5.6 Parent Entity Disclosure

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Financial position** | | |
| Assets | | |
| Current assets | 2,042,290 | 1,957,256 |
| Non-current assets | 2,094,671 | 3,112,997 |
| **Total assets** | 4,136,961 | 5,070,253 |
| | | |
| Liabilities | | |
| Current liabilities | 5,729,680 | 4,136,990 |
| Non-current liabilities | - | - |
| **Total liabilities** | 5,729,680 | 4,136,990 |
| | | |
| Equity | | |
| Issued capital | 27,486,714 | 22,634,679 |
| Accumulated losses | (29,651,440) | (21,978,323) |
| Reserves | 572,007 | 276,907 |
| **Total equity** | (1,592,719) | 933,263 |

## 5 Additional disclosures

### 5.6 Parent Entity Disclosure (continued)

| Financial performance | Year ended 30 June 2018 | Year ended 30 June 2017 |
|---|---|---|
| Profit (Loss) for the year | (7,643,568) | (2,847,325) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (7,643,568) | (2,847,325) |

### 5.7 Auditor's Remuneration

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Assurance Services** | | |
| *Amounts received or due and receivable by HLB Mann Judd (WA) Partnership for:* | | |
| An audit or review of the financial report of the entity and any other entity in the Group | 53,992 | 65,049 |
| **Non- Assurance Services** | | |
| *Amounts received or due and receivable by HLB Mann Judd (WA) tax:* | | |
| Australian Tax Compliance | - | - |
| Corporate advice | - | - |
| | 53,992 | 65,049 |

## 6.1 Accounting Policies

### (a) Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises of the fair value of assets transferred, liabilities incurred to the former owner, equity interests issued and the fair value of any contingent consideration.

Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition by acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net assets.

Acquisition related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as an intangible asset. Dependent on the type of asset or entity acquired, this will either be oil and gas properties, exploration and evaluation expenditure or goodwill. If those amounts are less than the fair value of the net assets of the entity acquired, the difference is recognised directly in the profit and loss as a bargain purchase.

### (b) Principles of Consolidation

*Consolidation process for the year ended 30 June 2018*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2018 and the results of all of the Parent's subsidiaries for the year then ended. The Parent and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

The Parent entity is identified when the consolidation process occurs and is considered to be a presentation of the Parent and its subsidiaries at that point in time. As at the reporting date (30 June 2016) the Group has a new Parent entity (**New Parent**) for the purpose of accounting, being TEG, as the legal Group had disposed of the Old Parent during the period. A consolidation requires the Parent entity to identify the subsidiaries over which the consolidated entity has control throughout the period. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. These subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity and are de-consolidated from the date that control ceases.

Under the reverse acquisition accounting, the Old Parent was deemed to control the entire group including the legal parent and its subsidiaries. However, as a consequence of the disposal of the Pase Group, the consolidated entity has a New Parent which, for accounting purposes, is not deemed to control the Pase Group during the periods presented. The result is that the consolidated entity presents its consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity on a restated basis as if the previous Pase Group's financial information did not exist, (consistent with the reverse acquisition accounting principle at the commencement of the acquisition).

*General consolidation principles*

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

**6.1 Accounting Policies (continued)**

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Triangle Energy (Global) Limited. When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(c) Critical accounting judgements and key sources of estimation uncertainty (not disclosed in notes 1.1 to 5.7)**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Contingent consideration*

The Company sold its interest in the Indonesian Pase PSC assets during the period. As part of the sale process the Company obtained the right to receive a production royalty from the purchaser of the asset of 5% of its net profit share (excluding cost recoveries) up to a cap of US$2 million per annum and in aggregate to US$25 million. The ability of the Company to obtain any element of the royalty is subject to a number of events and circumstances that are outside the control of the Company and at this time the directors believe these events are unlikely to occur in the short term. However, facts and circumstances may change in the future and could result in a material benefit being received by the Company.

The Company has also obtained the right to receive a cost recovery split for previously incurred exploration and development costs from the purchaser up to a value of US$7 million. The ability of the Company to obtain any cost recovery split is subject to a number of events and circumstances that are outside the control of the Company and at this time the directors believe these events are unlikely to occur in the short term. However, facts and circumstances may change in the future and could result in a material benefit being received by the Company.

## 6.1 Accounting Policies (continued)

### (d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of Triangle Energy (Global) Limited.

### (e) Foreign Currency Translation

Both the functional and presentation currency of Triangle Energy (Global) Limited and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

At the reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of Triangle Energy (Global) Limited at the exchange rate on that date. The Group’s profit or loss is translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component and recognised in the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

### (f) Revenue recognition (AASB 15)

The Company currently has one contract for the delivery of oil to a local refinery. The Company has assessed the performance obligations under the contract and these relates specifically to the delivery of all product produced by the Cliff Head joint venture to this refinery. The customer takes delivery of this product at the refinery gate and at this point the Company’s obligations end.

*(i) Sale of oil*

Revenue is recognised when the Company completes its obligations to deliver all crude oil which has been produced to its customer at a local refinery.

## 6.1 Accounting Policies (continued)

### (g) Revenue Recognition (AASB 118)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*(i) Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

*(ii) Sale of Condensate*

Condensate revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer

*(iii) Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial asset.

*(iv) Dividends*

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

### (h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 6.1 Accounting Policies (continued)

### (i) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The Company also recognises the Petroleum Resources Rent Tax (PRRT) paid and payable within tax expense.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

**6.1 Accounting Policies (continued)**

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

**(j) Other taxes**

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

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

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

Cash flows are included in the consolidated statement of cash flows 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.

**(k) Derivative financial instruments through profit or loss and hedging**

The Group has not used derivative financial instruments such as forward currency or commodity contracts and interest rate swaps to hedge its risks associated with foreign currency, commodity or interest rate fluctuations.

Where a derivative has been identified, it is initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The fair value movement in subsequent periods is recognised in the profit or loss.

## 6.1 Accounting Policies (continued)

### (l) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### (m) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (n) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 days to 45 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms.

### (o) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

*Oil and gas production activities*

Cost is allocated on a production basis and includes direct material, labour, related transportation costs to the point of sale and other fixed and variable overhead costs directly related to oil and gas production activities.

**6.1 Accounting Policies (continued)**

**(p) Financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**Impairment of financial assets**

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

*(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

**6.1 Accounting Policies (continued)**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

*(ii) Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

*(iii) Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of profit or loss and other comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**(q) Interest in a joint arrangement**

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the Joint arrangements. In a joint operation, the Group recognises its direct right to the assets, liabilities, revenues and expenses, these have been included in their separate classification categories in the statement of financial position as at 30 June. Interests in a joint venture are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

**(r) Property, plant and equipment**

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

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

- Plant and equipment - over 2 - 15 years depending upon the nature of the asset;

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

## 6.1 Accounting Policies (continued)

*(i) Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value 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.

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

*(ii) Derecognition and disposal*

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

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

### (s) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

### (t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value or management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

## 6.1 Accounting Policies (continued)

*Restoration of exploration and operating locations*

Provision is made for the obligation to restore exploration and operating locations. The provision is first recognised in the period in which the obligations arises. The nature of the restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Restoration provisions are updated periodically, with a corresponding movement recognised against the related exploration and evaluation asset or oil and gas properties.

Over time, the liability is increased for a change in the present value based on a pre-tax discount rate appropriate to the risk inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the asset (based on the production profile).

### (u) Employee leave benefits

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

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

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits however due to the infancy of the Group, no long service leave has been accrued.

### (v) Share-based payment transactions

Share-based compensation benefits are provided to employees via the TEG Employee Rights Plan. Information relating to these schemes is set out in Note 3.6.

The fair value of options granted under the TEG Employee Rights Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

### (w) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

## 6.1 Accounting Policies (continued)

**(x) Earnings per share**

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

Diluted earnings per share is calculated as net profit attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(y) Exploration and evaluation**

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

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

**(z) Development expenditure**

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Exploration and evaluation expenditure is reclassified to development expenditure once the technical feasibility and commercial viability of extracting the related mineral resource is demonstrable. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

## 6.1 Accounting Policies (continued)

### (aa) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

| AASB reference | Nature of Change | Impact on Initial Application |
|---|---|---|
| AASB 9 (issued December 2014) - Annual reporting periods beginning on or after 1 July 2018 | **Financial Instruments**<br>*Classification and measurement*<br>AASB 9 amendments the classification and measurement of financial assets:<br>• Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).<br>• Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL.<br>• All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss.<br>The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9:<br>• Classification and measurement of financial liabilities; and<br>• Derecognition requirements for financial assets and liabilities.<br>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. | Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has a number of receivables which will be subject to the assessment of recoverability under the new standard. As at 30 June 2018, the Company has made an assessment using the new standard requirements, the Company will not record a provision for expected credit losses on consolidation as there is no history its debtor defaulting and amounts outstanding have been collected.<br>The Company has significant inter-company loans with a subsidiary that does not generate cash flows. In the event that these receivables are not considered to be equity contributions under AASB 132, the Company will make an assessment of the lifetime expected credit loss for the loan. The facts and circumstances for the subsidiary and its operations, assets and ability to repay will be take into consideration when determining the probability of default and the expected loss percentage when applied to the carrying value of the loan. |

## 6.1 Accounting Policies (continued)

**New standards and interpretations not yet adopted (continued)**

| AASB reference | Nature of Change | Impact on Initial Application |
|---|---|---|
| AASB 15 (issued December 2014) and<br><br>AASB 2016-3 (issued May 2016)<br><br>**Applicable date** – Annual reporting periods beginning on or after 1 July 2018 | **Revenue from Contracts with Customers**<br>An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 *Revenue*.<br><br>Clarifies AASB 15 application issues relating to:<br>• Identifying performance obligations<br>• Principal vs. agent considerations<br>• Licensing<br>• Practical expedients | The Group intends to apply IFRS 15 using the cumulative effective method and therefore comparative information will not be restated and will continue to be reported under AASB 118. The Company has made an assessment of the impact of the revenue standard and has determined that there is no impact for the implementation of the standard. The Company generates revenue from the sale of oil from its interest in the Cliff Head oil field.<br>The Company currently has one contract for the delivery of oil to a local refinery. The Company has assessed the performance obligations under the contract and these relates specifically to the delivery of all product produced by the Cliff Head joint venture to this refinery. The customer takes delivery of this product at the refinery gate and at this point the Company's obligations end. The Company's contracted price is the daily Platts pricing for the day of delivery adjusted for a contractual discount and invoice are issued and paid with 21 days of month end. |
| AASB 16 (issued February 2016)<br>**Applicable date** – Annual reporting periods beginning on or after 1 January 2019. | **Leases**<br>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases.<br>There are some optional exemptions for leases with a period of 12 months or less and for low value leases.<br>Lessor accounting remains largely unchanged from AASB 117. | The entity has one significant lease, being the rental of its premises. The lease has just been re-negotiated, the impact of the transition to this standard is low with the likely result of an asset and liability recorded at a similar value to the operating lease commitment note at year end. |

## 6.1 Accounting Policies (continued)

### (bb) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recoverable principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.
An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

### (cc) Oil & Gas properties

Oil & Gas properties are stated as cost less accumulated depreciation and impairment charge (unless they have been acquired as part of a business combination). Oil & Gas properties include initial cost to acquire, construct, install or complete production and infrastructure facilities such as pipelines and platforms, transfers from exploration and evaluation assets, development of wells and estimates of costs for dismantling and restoring sites.

Subsequent capital costs, including major maintenance, are included in the assets carrying value only when it's probable that future economic benefits associated with the item will flow to the Group and the costs can be reliably measured.

Oil & gas properties (including all categories within the classification) are depreciated to their estimated residual value at a rate based on their expected useful lives with reference to the unit of production basis over proven reserves or proven plus probable.

### (dd) Investments in associates

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the impairment policy above.

Triangle Energy

**Directors' Declaration**

In the opinion of the directors of Triangle Energy (Global) Limited:

(a) the financial statements and notes set out on pages 26 to 79 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year then ended; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and other mandatory professional reporting requirements;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the consolidated financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

This declaration is signed in accordance with a resolution of the board of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Ted Farrell

**Edward Farrell**

*Chairman*

Dated at Perth, Western Australia this 20th day of September 2018.

HLB Mann Judd

Accountants | Business and Financial Advisers

**Independent Auditor's Report to the Members of Triangle Energy (Global) Limited**

**REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

**Opinion**

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

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

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

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

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

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

**Material Uncertainty Regarding Going Concern**

We draw attention to Note 3.6 in the financial report, which indicates that the Group incurred a net loss of $5,933,169 during the year ended 30 June 2018 and, as of that date, the current liabilities exceeded its current assets by $695,702. As stated in Note 3.6, these events or conditions, along with other matters as set forth in Note 3.6, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of

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our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| **Key Audit Matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Provision for Rehabilitation**<br>Note 4 of the Annual Consolidated Financial Report | |
| The Group has a site restoration provision of $20,821,888 as at 30 June 2018.<br><br>The Group has obligations to restore the area on which it has conducted drilling activities. The provision is for the expected future costs associated with the rehabilitation activities.<br><br>The site restoration provision was a key audit matter due to the significant judgement involved in estimating costs which are planned to be incurred in future years and the related timing of incurring those costs. | We considered the procedures employed by the Group for the calculation of the 30 June 2018 site restoration provision for each of the wells.<br>We considered provision movements during the year to ensure that they were consistent with our understanding of the Group's activities during that period.<br><br>As part of our detailed testing we reviewed the cost elements used in the estimated rehabilitation for each well. We assessed whether sufficient supporting evidence was available to support the cost estimates. |

**Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

**Responsibilities of the Directors for the Financial Report**

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

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

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

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

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

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

**REPORT ON THE REMUNERATION REPORT**

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Triangle Energy (Global) Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

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

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

Brad McVeigh
**Partner**

Perth
20 September 2018

TriangleEnergy

## ADDITIONAL INFORMATION

## ADDITIONAL INFORMATION IN ACCORDANCE WITH LISTING RULES OF THE ASX LIMITED.

### Substantial Shareholder Information as at 13 August 2018

| Shareholder Name | Securities | % |
|---|---|---|
| Michael Norman Arnett | 31,146,859 | 14.28% |
| Robert Ian Angell | 23,028,495 | 10.56% |
| Tamarind Resource Pte Ltd | 23,028,495 | 10.56% |
| BNP Paribas Nom Pty Ltd | 16,475,965 | 7.55% |
| HSBC Custody Nom (Aus) Ltd | 15,005,782 | 6.88% |
| Robert Edgar Thomas Towner | 12,172,686 | 6.33% |
| | 120,858,282 | 56.16% |

### Holder of 20% or more Options expiry 19 January 2020. As at 13 August 2018

| Options Holder Name | Securities | % |
|---|---|---|
| Tamarind Resource Pte Ltd | 11,155,908 | 100.00 |

### Distribution of Shareholders as at 13 August 2018

| Spread of Holdings | Holders | Securities | % |
|---|---|---|---|
| NIL holding | - | - | |
| 1 - 1,000 | 50 | 5,443 | 0.00% |
| 1,001 - 5,000 | 59 | 191,681 | 0.09% |
| 5,001 - 10,000 | 96 | 768,406 | 0.35% |
| 10,001 - 100,000 | 397 | 16,863,440 | 7.73% |
| 100,001 - 9,999,999 | 193 | 200,286,574 | 91.83% |
| | **795** | **218,115,544** | 100.00% |

### Distribution of Options holders as at 13 August 2018

| Spread of Holdings | Holders | Securities |
|---|---|---|
| NIL holding | - | - |
| 1 - 1,000 | - | - |
| 1,001 - 5,000 | - | - |
| 5,001 - 10,000 | - | - |
| 10,001 - 100,000 | - | - |
| 100,001 - 9,999,999 | 1 | 11,155,908 |
| | 1 | 11,155,908 |

### Top Twenty Shareholders as at 13 August 2018

| Rank | Holder Name | Securities | % |
|---|---|---|---|
| 1 | Tamarind Resources Pte Ltd | 23,028,495 | 10.56% |
| 2 | BNP Paribas Nom Pty Ltd | 16,475,965 | 7.55% |
| 3 | HSBC Custody Nom (Aus) Ltd | 15,725,782 | 7.21% |
| 4 | Mr Darren Michael Bromley | 10,575,773 | 4.85% |
| 5 | Ucan Nominees Pty Ltd | 10,031,553 | 4.60% |
| 6 | Jarrad Street Corporate Pty Ltd | 9,350,000 | 4.29% |
| 7 | Sochrastem Sas | 8,000,000 | 3.67% |
| 8 | Mr Michael Arnett | 6,000,000 | 2.75% |
| 9 | Citicorp Nominees Pty Limited | 5,847,296 | 2.68% |
| 10 | J P Morgan Nominees Aus Ltd | 4,767,798 | 2.19% |
| 11 | Austin 4 Pty Ltd | 4,183,591 | 1.92% |
| 12 | Mr Robert Towner | 4,066,451 | 1.86% |
| 13 | Mr Darren John Hall | 3,055,556 | 1.40% |
| 14 | Mr Robert ET Towner | 3,000,000 | 1.38% |
| 15 | Mr David Jerimiah McAuliffe <THE LAZY D9M INVESTMENT> | 2,,960,000 | 1.36% |
| 16 | Anisimoff Super Fund Pty Ltd | 2,692,829 | 1.23% |
| 17 | Double Eagle Pty Ltd | 2,586,769 | 1.19% |
| 18 | Ms Nancy Smithers | 2,557,030 | 1.17% |
| 19 | T7 Well Services Ltd | 2,557,030 | 1.16% |
| 20 | One Managed Invt Funds Ltd | 2,340,667 | 1.07% |
| | Twenty Largest Shareholders | 139,774,481 | 64.08% |
| | Others | 78,341,063 | 35.92 |
| | Total | **218,115,544** | **100.00%** |

### Top Twenty Rights Holders as at 13 August 2018

| Rank | Holder Name | Securities | % |
|---|---|---|---|
| 1 | Edward Farrell | 400,000 | 100.00 |
| | | | 100.00 |

*The shares carry the right to one vote for each ordinary share held.*

*On* ***13 August 2018****, 120 holders held less than a marketable parcel of $500 worth of shares in the Company*