



ENERGY WORLD CORPORATION LTD.

**Energy World Corporation Ltd and
its controlled entities**

ABN 34 009 124 994

**Preliminary Final Report
30 June 2014**

Appendix 4E

Energy World Corporation Ltd and its Controlled Entities ABN 34 009 124 994

Results for announcement to the market

		2014 \$US'000	2013 \$US'000
Revenue	Up 19.5%	158,845	132,904
Profit after tax	Up 17.6%	19,656	16,716
Net Profit from ordinary activities after tax attributable to members	Up 17.0%	19,183	16,399
Total comprehensive income for the period attributable to members	Up 4.2%	18,429	17,678
Dividends	Amount per security	Franked Amount per security	
Interim dividend	Nil	Nil	
Previous corresponding period	Nil	Nil	
Record date for determining entitlements to the dividend:		N/A	
Commentary on the results for the period The commentary on the results of the period is contained in the Review and Results of Operations included in the Financial Report.			

	30 June 2014	30 June 2013
Net Tangible Asset Backing		
Net tangible asset backing per ordinary security	\$0.28	\$0.28

Energy World Corporation Ltd

ABN 34 009 124 994

Preliminary Financial Report

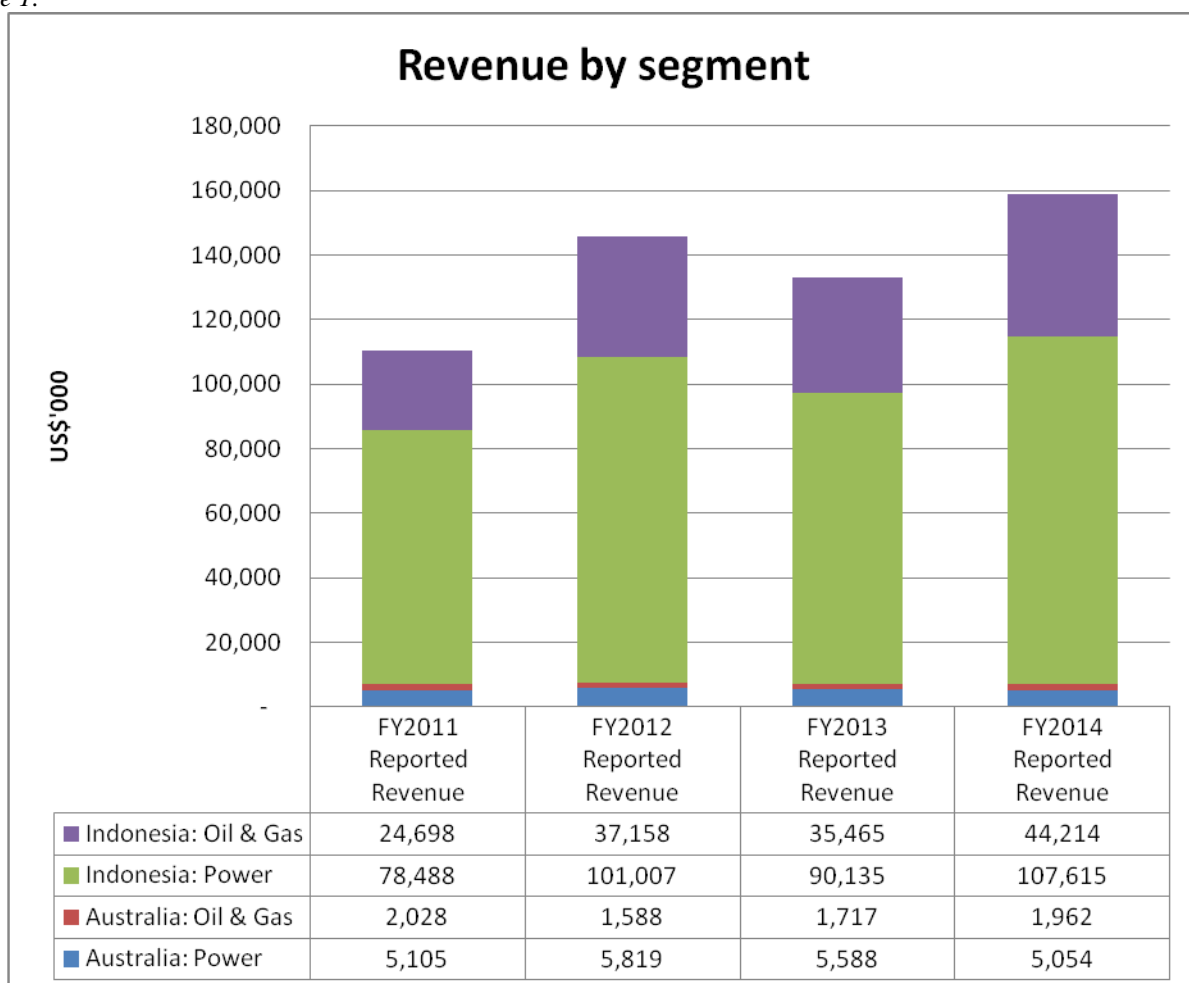
30 June 2014

Review and Results of Operations

This financial report is presented in US Dollars, the functional currency for the parent entity of Energy World Corporation Ltd (“EWC”).

2014 was a record year for the company. Sales revenue for the financial year was US\$158,845,000 (2013: US\$132,904,000). The increase from 2013 to 2014 is due to a 3% increase in gas prices and a 14.3% increase in gas and electricity dispatched (2014: 15.2 MMBTU versus 2013: 13.3 MMBTU) in Indonesia. The increase in electricity dispatched was primarily a result of the expansion of our Sengkang power station in Indonesia being completed with the gas turbine (GT 22) being in commercial operation for the entire financial year and the steam turbine (ST 28) coming into commercial operation in December 2013.

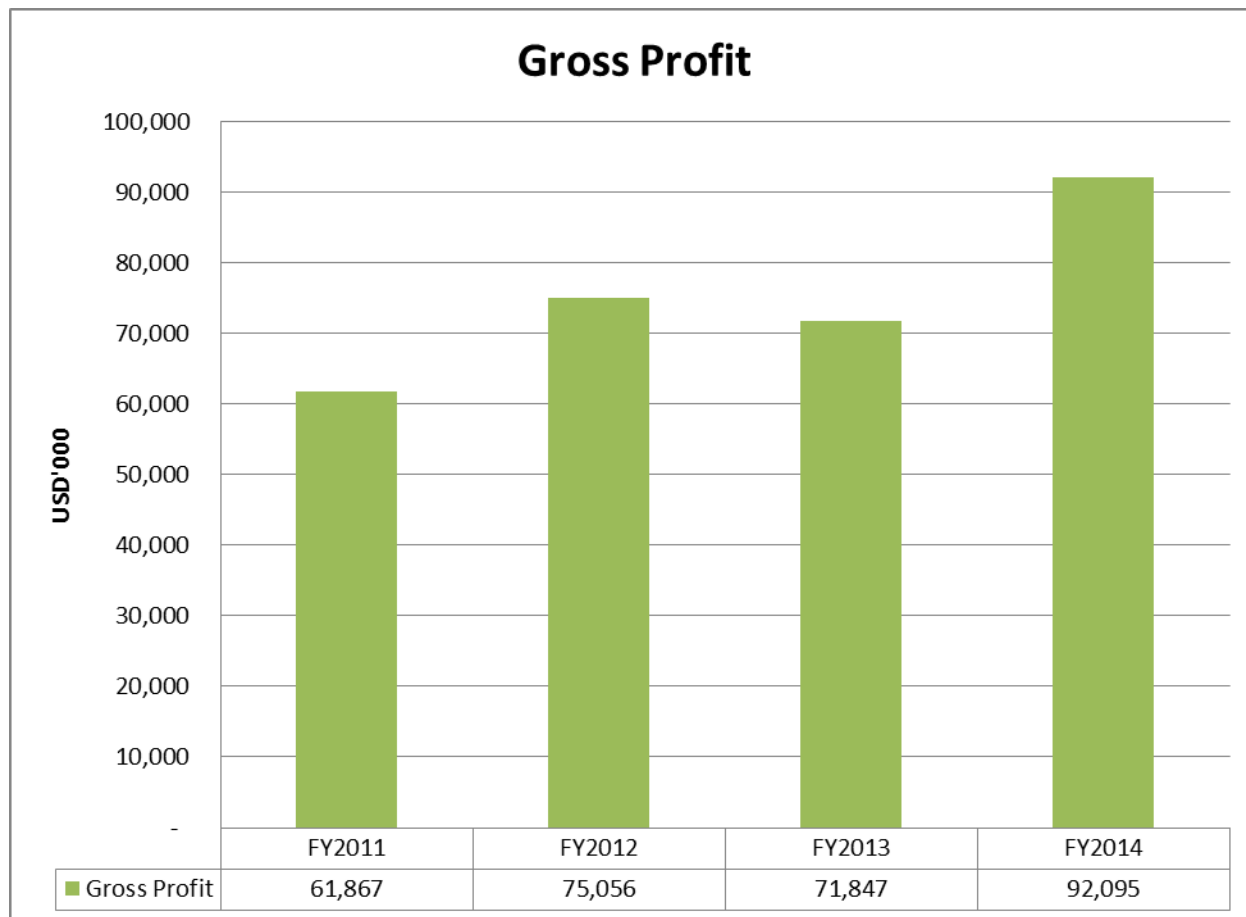
Note 1:



Review and Results of Operations (continued)

Gross profit for the financial year was US\$92,095,000 (2013: US\$71,847,000), an increase of 28% over the comparative period. (See Note 2)

Note 2:



Gross profit as a percentage of revenue for the financial year is 58% which is above the average for the preceding three financial years of 54%.

Gross Margin Percentage:

FY2011	52%
FY2012	56%
FY2013	54%
FY2014	58%

Gross profit percentage increased compared to prior periods as a result of the Company realising economies of scale within its Indonesia Power segment.

Consolidated net profit for the financial year after income tax was US\$19,656,000 (2013: US\$16,716,000).

Energy World Corporation Ltd and its Controlled Entities
Consolidated Statement of Comprehensive Income
For The Year Ended 30 June 2014

	Notes	2014 US\$'000	2013 US\$'000
Sales Revenue	2	158,845	132,904
Cost of Sales		(66,750)	(61,057)
Gross profit		92,095	71,847
Other income		50	43
Depreciation and amortisation expenses		(35,225)	(24,276)
Other expenses		(20,301)	(16,343)
Results from operating activities		36,619	31,271
Financial income		338	914
Financing expenses		(3,354)	(2,178)
Net financing expenses		(3,016)	(1,264)
Foreign currency exchange (loss)		(955)	(315)
Profit before related income tax expense		32,648	29,692
Income tax expense		(12,992)	(12,976)
Net profit for the period		19,656	16,716
Profit for the period is attributable to:			
Non-controlling interest		473	317
Owners of the parent		19,183	16,399
		19,656	16,716
Net profit for the period		19,656	16,716
Items that may be reclassified subsequently to profit or loss			
Net (loss)/gain on cash flow hedges		(4,174)	6,422
Exchange differences on translation of foreign operations		2,947	(5,460)
Other comprehensive income/ (loss) for the period, net of tax		(1,227)	962
Total comprehensive income for the period		18,429	17,678
Total comprehensive income for the period is attributable to:			
Non-controlling interest		23	526
Owners of the parent		18,406	17,152
		18,429	17,678
		2014	2013
		Cents	Cents
Basic earnings per share attributable to ordinary equity holders		1.11	0.95
Diluted earnings per share attributable to ordinary equity holders	3	1.11	0.95

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Energy World Corporation Ltd and its Controlled Entities
Consolidated Statement of Financial Position
As At 30 June 2014

	Notes	2014 US\$'000	2013 US\$'000
Current Assets			
Cash assets		14,245	86,665
Cash held in reserve accounts	3	40,415	109,281
Trade and other receivables		23,726	29,134
Inventories		1,521	3,075
Prepayment		4,332	8,096
Total Current Assets		84,239	236,251
Non-Current Assets			
Cash held in reserve accounts	3	126,082	75,032
Oil and gas assets	5	103,614	96,264
Exploration and evaluation expenditure	6	59,650	52,182
Property, plant and equipment	7	916,616	680,218
Total Non-Current Assets		1,205,962	903,696
Total Assets		1,290,201	1,139,947
Current Liabilities			
Trade and other payables		204,450	96,339
Income tax payable		(829)	4,458
Interest-bearing borrowings	8	35,400	84,951
Derivative liabilities		2,896	1,140
Provisions		187	4,715
Total Current Liabilities		242,104	191,603
Non-Current Liabilities			
Interest-bearing borrowings	8	382,245	315,964
Deferred tax liabilities		47,312	46,150
Derivative liabilities		901	300
Provisions		16,404	3,580
Total Non-Current Liabilities		446,862	365,994
Total Liabilities		688,966	557,597
Net Assets		601,235	582,350
Equity			
Issued capital		466,805	466,805
Other reserves		25,685	26,008
Retained profits/ (Accumulated losses)		99,955	80,772
Shareholders' equity attributable to members of Energy World Corporation Ltd		592,445	573,585
Outside equity interest in controlled entities		8,790	8,765
Total Shareholder's Equity		601,235	582,350

The statement of financial position is to be read in conjunction with the notes to the financial statements.

Energy World Corporation Ltd and its Controlled Entities
Consolidated Statement of Changes in Equity
For The Year Ended 30 June 2014

	Issued capital US\$'000	Other reserves US\$'000	Accumulated profits / (losses) US\$'000	Owners of the Parent US\$'000	Non - Controlling Interest US\$'000	Total Equity US\$'000
Balance at 1 July 2013	466,805	26,008	80,772	573,585	8,765	582,350
Profit for the period	-	-	19,183	19,183	473	19,656
Other comprehensive income	-	(777)	-	(777)	(450)	(1,227)
Total comprehensive income for the period	-	(777)	19,183	18,406	23	18,429
Issue of warrants	-	454	-	454	-	454
Balance at 30 June 2014	466,805	25,685	99,955	592,445	8,790	601,235
Balance at 1 July 2012	466,805	21,791	64,373	552,969	8,239	561,208
Profit for the period	-	-	16,399	16,399	317	16,716
Other comprehensive income	-	753	-	753	209	962
Total comprehensive income for the period	-	753	16,399	17,152	526	17,678
Issue of convertible note	-	3,464	-	3,464	-	3,464
Balance at 30 June 2013	466,805	26,008	80,772	573,585	8,765	582,350

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Energy World Corporation Ltd and Its Controlled Entities
Consolidated Statement of Cash Flows
For The Year Ended 30 June 2014

	2014 US\$000	2013 US\$000
Cash Flows From Operating Activities		
Receipts from customers (GST inclusive)	167,689	123,408
Payments to suppliers and employees (GST inclusive)	(97,986)	(84,480)
Income tax paid	(16,719)	(13,024)
Insurance proceeds	153	-
Interest received	1,036	420
Net Cash Flows From Operating Activities	54,173	26,324
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(121,202)	(154,132)
Payments for exploration and evaluation	(15,552)	(5,055)
Payments for oil and gas assets	(5,794)	(17,448)
Interest paid – Capitalised in Asset under Construction	(15,441)	(15,027)
Net Cash Flows Used in Investing Activities	(157,989)	(191,662)
Cash Flows From Financing Activities		
Transfer from /(to) restricted deposit and reserve accounts	17,815	292
Borrowing transaction costs	(4,934)	(3,444)
Repayment of borrowings – other	(95,500)	(29,990)
Proceeds from borrowings – other	114,000	157,200
Net Cash Flows (Used In)/Generated from Financing Activities	31,381	124,058
Net Increase/ (Decrease) In Cash Held	(72,435)	(41,280)
Cash at the beginning of the year	86,665	47,743
Net foreign exchange differences	15	273
Cash at the end of the financial year	14,245	86,665

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a preliminary financial report, which has been prepared in accordance with the requirements of the ASX Listing Rules applying the recognition and measurement criteria of applicable Accounting Standards and interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is presented in United States dollars and is prepared on the historical cost basis except for derivative financial instruments that have been measured at fair value. All values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this financial report.

Certain comparative information has been reclassified during the year.

(b) Going Concern

As at 30 June 2014 the group's consolidated balance sheet shows a net current liability position of \$158m.

The current liability position includes \$174m of payables to Slipform Engineering International (H.K.) Ltd and subsidiary companies, including PT Slipform Indonesia (the "Slipform entities"), for contracts related to projects under construction. The Slipform entities are related parties as described in Note 15. The Slipform entities have advised the Company in writing they are willing to defer USD120m of these payables until 31 October 2015, or until the Company is in a position to pay these obligations, thus providing time for the Company to secure additional sources of funding via project debt financing and or other means. However the Company has not yet been able to formalise these arrangements because the terms of the Standard Chartered Private Equity (Singapore) Pte. Ltd. (SCPE) Note Agreement require SCPE to provide their approval to terms linked to this deferral arrangements and are requiring the Slipform entities and the Company to enter into an intercreditor agreement satisfactory to SCPE. Whilst discussions in regard to this document remain ongoing agreements in connection with the intercreditor agreement have not yet been reached.

In the meantime, EWC continue to consider additional sources of funding to complete the projects under development. In this regard, EWC is currently in advanced negotiations with a number of parties and remain confident they will secure the required levels of funding at the appropriate time to successfully progress and complete the projects.

On this basis, the Directors are of the opinion that the company can continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. This 4E report does not therefore include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Energy World Corporation Ltd and its controlled entities as at 30 June 2014.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has; power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(c) Basis of Consolidation (continued)

(i) Subsidiaries (continued)

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements, less any impairment charges.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

(ii) Jointly Controlled Operations and Assets

The interest of the Company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(d) Changes in accounting policies

The Group has adopted all of the new mandatorily applicable standards and amendments to existing standards as of 1 July 2013. There were no other changes to the accounting policies adopted compared with those of the previous financial year.

(e) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1(k)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation

With the exception of freehold land and oil and gas assets, depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Oil and gas assets are depreciated on a unit of production basis over the life of the economically recoverable reserves. The estimated useful lives in the current and comparative periods are as follows:

Buildings	14 to 22 years
Plant and Equipment	5 to 25 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(f) Oil and Gas Assets

Development expenditure is stated at cost less accumulated depletion and any impairment in value. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field, on a unit-of-production basis. Costs are amortised only once production begins.

Oil and gas assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

(g) Exploration and Evaluation Expenditure

During the geological and geophysical exploration phase, costs are charged against profit and loss as incurred. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, is likely to be developed commercially; the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognised.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(i) Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, 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.

(i) *Financial Assets at Fair Value through Profit or Loss*

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

(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. After initial measurement loans and receivable are subsequently carried at amortised cost using the effective interest method less any allowance for impairment.

(iii) *Fair Value*

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 balance sheet date. For investments where there is 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, which is substantially the same; discounted cash flow analysis or other valuation models.

(iv) *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Reserve cash is cash held in reserve accounts against the project finance which will be accessible to repay the bridging facility and letter of credit available in the group.

(j) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy 1(h)) and deferred tax assets (see accounting policy 1(t)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(k) Impairment (continued)

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of Recoverable Amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their 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, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of Impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(l) Interest-Bearing Borrowings

Interest-bearing loans and borrowings are initially recognised at fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis. Debentures, bills of exchange and notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(m) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

(n) Employee Benefits

(i) *Defined Contribution Superannuation Funds*

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of comprehensive income as incurred.

(ii) *Long-Term Service Benefits*

The consolidated entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the government bond rates at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) *Wages, Salaries, Annual Leave, Sick Leave and Non-Monetary Benefits*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided to reporting date. These are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

(iv) *Defined Benefit Plan*

The cost of providing employee benefit under Indonesian Law is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the defined benefit obligation at that date. These gains or losses are recognised on a straight line basis over the expected average remaining working lives of the employees.

Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortised over the period until the benefits concerned become vested.

For expatriate employees, the provision for service entitlements is calculated based on the actual years of service, calculated in accordance with the expatriate employees' employment arrangement and the Company's expatriate personnel policy.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(o) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Site Restoration

In accordance with the consolidated entity's environmental policy and applicable legal requirements, a provision for site restoration is recognised when the disturbance or other activity is incurred.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out in note 1(f). The unwinding of the effect of discounting on the provision is recognised as a finance cost. The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the statement of comprehensive income as incurred. Changes in the liability for the unwinding of the discount are recognised as a finance cost.

(p) Trade and Other Payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled from 30-day terms to 90-day terms.

(q) Revenue

(i) Goods Sold and Services Rendered

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the end of the reporting period. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(ii) Interest

Interest is recognised as the interest accrues to the net carrying amount of the financial assets.

(r) Expenses

(i) Operating Lease Payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(s) Expenses (continued)

(ii) *Net Financing Costs*

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the statement of comprehensive income. Borrowing costs are expensed as incurred and included in net financing costs where it does not relate to a qualifying asset.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established which in the case of quoted securities is ex-dividend date. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

(t) **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The Group is subject to income taxes in multiple jurisdictions which require significant judgment to be exercised in determining the Groups provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current and deferred tax liabilities and assets are recognized at the amount expected to be paid or recovered from the taxation authorities.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(u) Petroleum Resource Rent Tax (“PRRT”)

In addition to corporate income taxes, the consolidated financial statements also include and disclose certain taxes determined from oil and gas production and levied on net income.

Resource rent taxes and government royalties are treated as taxation arrangements when they are imposed under Government authority and when the calculation of the amount payable falls within the definition of “taxable profit” for the purposes of AASB 112. Current and deferred tax is then provided on the same basis as described in income taxes above.

The Australian Government enacted legislation to extend the PRRT regime to all onshore oil and gas projects, from 1 July 2012. PRRT is applied to onshore and offshore oil and gas projects at a rate of 40%. State petroleum royalties will continue to apply to projects within state jurisdictions; however these royalties are fully creditable against PRRT liabilities. The extended PRRT applies to EWC’s Australian operations.

(v) Operating Segments

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Refer to note 2.

(w) Value-Added and Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) and value-added tax (VAT), except where the amount of GST and VAT incurred are not recoverable from the taxation authority. In these circumstances, the GST and VAT are recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST and VAT included. The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST and VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(x) Significant Accounting Judgements, Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

(i) *Estimates of Reserve Quantities*

The estimated quantities of proven and probable hydrocarbon reserves reported by the Group are integral to the calculation of depletion and depreciation expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared in accordance with the Group's policies and procedures for reserves estimation.

(ii) *Exploration and Evaluation*

The consolidated entity's policy for exploration and evaluation expenditure is discussed in note 1(h). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been and the assumption that all existing rights of tenure will remain current. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploration or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

The carrying amount of exploration and evaluation assets is disclosed in Note 6.

(iii) *Provision for Restoration*

The consolidated entity's policy for providing for restoration is discussed in Note 1(t).

(iv) *Impairment of Oil and Gas Assets*

The consolidated entity's policy for impairment of oil and gas assets is discussed in Note 1(g).

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(y) Significant Accounting Judgements, Estimates and Assumptions (continued)

(v) *Carrying values of property, plant and equipment*

There are certain estimates and assumptions made by management that support the carrying values of its property, plant and equipment at the reporting date, particularly in relation to its LNG and power projects in Indonesia and the power and Hub terminal in the Philippines. These assessments require assumptions to be made regarding future government approvals to operate its planned facilities, the ability to raise sufficient funds to complete the project and the completion of an off-take agreement. Any changes in one or more of these judgements may impact the carrying value of these assets. The Group's policy for accounting for property, plant and equipment is discussed in note 1(e).

(z) **Derivative financial instruments and hedging**

The Group uses derivative financial instruments (including interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year. The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or

Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) *Fair value hedges*

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an un-recognised firm commitment, or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is re-measured to fair value. Gains and losses from both are taken to profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Notes To The Financial Statements

For The Year Ended 30 June 2014

1. Summary of Significant Accounting Policies (continued)

(z) Derivative financial instruments and hedging (continued)

(ii) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(ab) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Energy World Corporation Ltd is United States Dollars (\$). The Australian subsidiaries' functional currency is Australian Dollars which is translated to presentation currency (see below).

(ii) Transactions and balances

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

(iii) Translation of Group Companies functional currency to presentation currency

The results of the Australian subsidiaries are translated into United States Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

Notes To The Financial Statements

For The Year Ended 30 June 2014

2. Operating Segments

(a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on geographic locations in which the Group operates, and the nature of the activity performed by the Group. The Group has determined that it has five operating segments, being: oil and gas in Australia, power in Australia, oil and gas in Indonesia, power in Indonesia and project development.

Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the future products to be produced, as these are the sources of the Group's major risks and have the most effect on the rates of return.

(b) Major customers

The Group supplies Indonesian Government agencies that combined account for 96% of external revenue (2013: 95%) The next most significant customer accounts for 4% (2013: 4%).

Revenue from external customers by geographic locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

	2014	2013
	US\$'000	US\$'000
Indonesia	151,829	125,599
Australia	7,016	7,305
Total revenue	158,845	132,904

Notes To The Financial Statements

For The Year Ended 30 June 2014

2. Operating Segments (continued)

(c) Segment revenue, expenses, assets and liabilities

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

	<u>Australia</u>				<u>Indonesia</u>				<u>Project development</u>		<u>Total</u>	
	Oil & Gas		Power		Oil & Gas		Power				2014	2013
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Sales revenue	1,962	1,716	5,054	5,588	44,214	35,465	107,615	90,135	-	-	158,845	132,904
Result												
Segment result	1,076	611	88	41	31,783	25,694	45,018	32,174	-	-	77,965	58,520
Depreciation and amortisation	(551)	(667)	(937)	(928)	(7,366)	(7,445)	(26,371)	(15,236)	-	-	(35,225)	(24,276)
Net financing cost											(3,016)	(1,265)
Unallocated corporate result											(6,120)	(2,972)
Foreign currency exchange gain/(loss)											(955)	(315)
Profit before income tax											32,648	29,692
Income tax expense											(12,992)	(12,976)
Net profit after tax											19,656	16,716
Non-controlling interest											(473)	(317)
Net profit attributable to owners of the parent											19,183	16,399
Other Comprehensive income/(loss)											1,227	4,426
Current assets	607	632	504	820	20,953	44,054	54,491	110,832	-	-	84,239	156,338
Segment assets	50,347	40,094	4,973	5,585	141,810	157,826	294,874	335,703	664,008	427,941	1,156,011	967,179
Segment liabilities	(4,330)	(1,668)	(643)	(720)	(124,433)	(88,561)	(158,402)	(175,434)	(181,333)	(71,429)	(469,141)	(337,812)

2. Operating Segments (continued)

(d) Segment assets and liabilities reconciliation to the statement of financial position

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Reconciliation of segment operating assets to total assets:

	2014	2013
	US\$'000	US\$'000
Segment operating assets	1,156,011	967,179
Cash - Corporate	3,666	41,354
Cash held in reserve accounts	126,199	126,156
Prepayments and other	4,325	5,288
Total assets per the statement of financial position	1,290,201	1,139,947

Reconciliation of segment operating liabilities to total liabilities:

	2014	2013
	US\$'000	US\$'000
Segment operating liabilities	469,141	337,812
Deferred tax liabilities	47,312	46,150
Interest-bearing borrowings	171,488	173,956
Provisions and other	1,025	3,173
Total liabilities per the statement of financial position	688,966	557,597

Notes To The Financial Statements

For The Year Ended 30 June 2014

3. Cash Held in Reserve Accounts

	2014 US\$'000	2013 US\$'000
Cash held in reserve accounts - current	40,415	109,281
Cash held in reserve accounts – non-current	126,082	75,032
	166,497	184,313

As at 30 June 2014, cash of \$166,497,434 is held in reserve accounts for the following purpose.

- \$75,000,000 as security for payment to Standard Chartered Bank of the corporate facility (Note 8(e)(i))
- \$51,082,383 as security for payment to HSBC of the corporate facility (Note 8(e)(ii))
- \$35,518,072 as Debt Service Accrual and Debt Service Reserve Sub Accounts (\$14,236,544), Maintenance Reserve Account (\$10,000,000) and other reserve account (\$11,281,528) for PT Energi Sengkang (Note 8(d))
- \$4,603,754 as Debt Service Accrual and Debt Service Reserve Sub Accounts for Energy Equity Epic (Sengkang) Pty Ltd (Note 8(e))
- \$293,225 as Security Deposits made by Energy World Corporation Ltd (\$47,701); Australian Gasfields Limited (\$119,875); Central Energy Australia Pty Ltd. (\$68,965) and Energy Equity Epic (Sengkang) Pty Ltd, (\$56,684)

As at 30 June 2013, cash of \$184,312,666 is held in reserve accounts for the following purpose.

- \$75,031,757 as security for payment to Standard Chartered Bank of the corporate facility (Note 10(e)(i))
- \$51,055,862 as security for payment to HSBC of the corporate facility (Note 10(e)(ii))
- \$29,657,506 as Debt Service Accrual and Debt Service Reserve Sub Accounts (\$9,887,415), Maintenance Reserve Account (\$10,000,000) and other reserve account (\$9,770,091) for PT Energi Sengkang (Note 10(c))
- \$28,286,484 as Debt Service Accrual and Debt Service Reserve Sub Accounts (\$777,627) and Collection Account (\$27,508,857) for Energy Equity Epic (Sengkang) Pty Ltd (Note 10(d))
- \$281,058 as Security Deposits made by Energy World Corporation Ltd (\$2,549); Australian Gasfields Limited (\$116,154); Central Energy Australia Pty Ltd. (\$65,374) and Energy Equity Epic (Sengkang) Pty Ltd, (\$96,981).

Notes To The Financial Statements

For The Year Ended 30 June 2014

4. Interests in Joint Operations

Australian Gasfields Limited (AGL) has a 19.604% interest in PL184, which contains the Thylungra gasfield adjacent to ATP-549P. In addition, AGL has a 33.3% interest in PEL 96 and a 2% interest in the Naccowlah Block (ATP-259P).

	Ownership Interest	
	2014	2013
	%	%
ATP-549P (Australia) - Cypress JV	55.0	55.0
- Solitaire JV	100.0	100.0
ATP-269P (Australia)	19.604	19.604
PEL 96 (Australia)	33.3	33.3
Naccowlah Block (part of ATP-259P) (Australia)	2.0	2.0

The principal activity of these joint operations is the exploration and development of oil and gas prospects. For the financial year ended 30 June 2014, the contribution of the joint operations to the operating profit of the consolidated entity was \$450 thousand (2013: \$611 thousand).

5. Oil and Gas Assets

	2014	2013
	US\$'000	US\$'000
Opening balance	96,264	86,162
Additions	15,759	17,547
Amortisation	(8,409)	(7,445)
Closing balance	103,614	96,264

6. Exploration and Evaluation Expenditure

	2014	2013
	US\$'000	US\$'000
Opening balance	52,182	50,028
Additions	6,537	5,054
Foreign currency translation	931	(2,900)
Closing balance	59,650	52,182

Notes To The Financial Statements

For The Year Ended 30 June 2014

7. Property, plant and equipment

	Freehold land US\$'000	Buildings on freehold land US\$'000	Plant and equipment US\$'000	Assets under construction US\$'000	Total US\$'000
Assets at Cost					
Balance at 1 July 2012	4,560	2,756	246,982	312,211	566,509
Transfer	-	-	55,401	(55,401)	-
Additions	1,046	-	26,705	216,716	244,647
Foreign currency translation	(3)	(6)	(4,491)	-	(4,500)
Balance at 30 June 2013	5,603	2,750	324,597	473,526	806,476
Balance at 1 July 2013	5,603	2,750	324,597	473,526	806,476
Transfer	-	-	84,283	(84,283)	-
Additions	1,170	-	23,436	237,677	265,212
Foreign currency translation	1	1	1,330	-	1,332
Balance at 30 June 2014	6,774	2,751	433,646	626,920	1,070,091
Depreciation					
Balance at 1 July 2012	-	(907)	(108,856)	-	(109,763)
Depreciation charge for the year	-	(68)	(16,763)	-	(16,831)
Foreign currency translation	-	-	336	-	336
Balance at 30 June 2013	-	(975)	(125,283)	-	(126,258)
Balance at 1 July 2013	-	(975)	(125,283)	-	(126,258)
Depreciation charge for the year	-	(16)	(26,801)	-	(26,817)
Foreign currency translation	-	-	(400)	-	(400)
Balance at 30 June 2014	-	(991)	(152,484)	-	(153,475)
Carrying amount					
At 30 June 2013	5,603	1,775	199,314	473,526	680,218
At 30 June 2014	6,774	1,760	281,162	626,920	916,616

The borrowing costs capitalised to property, plant and equipment assets during the period amounted to \$13.9 million (2013: to \$13.2 million).

The Assets under construction comprise of \$347.9 million applicable to the Sengkang LNG plant development; \$110.7 million applicable to the Philippines LNG hubs; \$114.4 million applicable to the Philippines power plant development and \$53.9 million applicable to other projects.

Notes To The Financial Statements

For The Year Ended 30 June 2014

8. Interest-Bearing Liabilities

		2014	2013
		US\$'000	US\$'000
Current			
PTES US\$200 million with Standard Chartered Bank and Mizuho Corporate Bank	(c)	24,005	21,500
EEES US\$88 million Secured Borrowing Base Facility with Standard Chartered Bank and Mizuho Corporate Bank	(d)	11,395	13,000
US\$51 million Revolving Loan Facility Agreement with The Hong Kong and Shanghai Banking Corporation Limited	(e)(ii)	-	50,451
Total current		35,400	84,951
Non-current			
PTES US\$200 million with Standard Chartered Bank and Mizuho Corporate Bank	(c)	112,736	135,015
EEES US\$88 million Secured Borrowing Base Facility with Standard Chartered Bank and Mizuho Corporate Bank	(d)	98,061	61,000
US\$75 million Revolving Loan Facility Agreement with Standard Chartered Bank	(e)(i)	74,569	74,667
US\$51 million Revolving Loan Facility Agreement with The Hong Kong and Shanghai Banking Corporation Limited	(e)(ii)	50,441	-
US\$50 million Convertible Exchangeable Note with Standard Chartered Private Equity (Singapore) Pte. Ltd.	(f)	46,438	45,282
Total non-current		382,245	315,964
Total interest-bearing liabilities		417,645	400,915

(a) Default and Breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

(b) Sengkang loan and PTES US\$200 million with Standard Chartered Bank and Mizuho Corporate Bank

On 15 July 2011, PTES executed documentation relating to a US\$200 million term loan facility (the "PTES Facility") in connection with the Sengkang Power Plant and the Sengkang Expansion. The existing lenders under the PTES Facility are Standard Chartered Bank and Mizuho Corporate Bank, Ltd. (who together are the mandated lead arrangers) and various other commercial banks, with Standard Chartered Bank (Hong Kong) Ltd as facility agent and security agent during the period of this report. DEG (Germany), Proparco (France) and FMO (Holland) leading development finance institutions also became lenders under this facility in May 2012.

The PTES Facility is subject to semi-annual repayments of principal and payments of interest and will be fully repaid on 22 April 2022. PTES has already fully drawn down Facility A and Facility C under the PTES Facility. Facility B under the PTES Facility are available for drawing by PTES when all of the conditions precedent to drawings for this facility has been satisfied. US\$185 million has been advanced under the PTES Facility, of which US\$142.7 million was outstanding as at 30 June 2014, excluding unamortised borrowing costs.

Notes To The Financial Statements

For The Year Ended 30 June 2014

8. Interest-Bearing Liabilities (continued)

(b) Sengkang loan and PTES US\$200 million with Standard Chartered Bank and Mizuho Corporate Bank (continued)

The PTES Facility is secured by substantially all of the assets and shares of PTES. Such secured assets include PTES' interest in the Sengkang Power Plant, PTES' interests pursuant to the Sengkang PPA, PTES' receivables thereunder and PTES' bank accounts.

(c) EEES Secured Borrowing Base Facility Terms and Conditions

The US\$88,000,000 Secured Borrowing Base Facility Agreement with Standard Chartered Bank and Mizuho Corporate Bank Limited has been renewed and upgraded to US\$125,000,000

On 18 March 2014, EEES executed documentation to revise and upgrade its existing US\$88,000,000 secured revolving borrowing base facility to US\$125,000,000 (the "EEES Facility") in connection with the Sengkang PSC. The lenders under the EEES Facility are Standard Chartered Bank and Mizuho Corporate Bank, Ltd. and Natixis (Singapore Branch) (who together are the mandated lead arrangers), with Mizuho Corporate Bank, Ltd. as agent and security trustee.

This Facility which replaces the previous US\$88,000,000 facility is a borrowing base facility subject to semi-annual repayments of principal (calculated by reference to EEES's projected net cashflow from the Sengkang PSC from time to time) and semi-annual or quarterly payments of interest and will be fully repaid on 18 March 2021 (or, if earlier, the date on which the quantities of hydrocarbon reserves attributable to the Sengkang PSC are projected to fall below 25% of the value of such reserves calculated as at the date of the EEES Facility). As at 30 June 2014, US\$113.9 million, excluding unamortised borrowing costs, had been advanced under the EEES Facility.

(d) Corporate Bank Loans Terms and Conditions

(i) US\$75,000,000 Revolving Loan Facility Agreement with Standard Chartered Bank

We obtained the US\$75.0 million 2008 SCB Corporate Revolving Loan Facility from Standard Chartered Bank on 22 October 2008. This facility was for a term of 3 years, and the interest rate applicable to borrowings under the facility was 0.5% over the bank's cost of funds. Part of the facility was drawn down to repay the 2007 SCB Project Finance Facility. In October 2011, we extended the facility for 2 years past its original due date. On 28 June 2013, we further extended the facility for 2 years which extended the maturity date to 23 October 2015. As at 30 June 2013, the aggregate amount owed under the 2008 SCB Corporate Revolving Loan Facility was US\$74.7 million, excluding unamortised borrowing costs, and we held US\$75.0 million in reserve accounts as security for the facility.

(ii) US\$51,000,000 Revolving Loan Facility Agreement with The Hong Kong and Shanghai Banking Corporation Limited

We obtained a combined dual currency US\$50.0 million or A\$75.0 million revolving loan facility from HSBC (the "2008 HSBC Corporate Revolving Loan Facility") on 10 October 2008. After the addition of a temporary component in June 2011, this facility consisted of U.S. dollar- and Australian dollar-denominated components included within a A\$75.0 million limit. Following the appreciation of the Australian dollar against the U.S. dollar, this combined dual currency facility was converted to a single currency facility with a limit of US\$51.0 million. The 2008 HSBC Corporate Revolving Loan Facility was for a term of 3 years and the interest rate applicable to borrowings under the facility was 0.5% over LIBOR. On 28 March 2011, HSBC review the existing facility which will be made available on the specific terms and conditions outlined herein. Under the terms of the facility following the addition of the temporary component, A\$75.0 million was required to be held in a reserve account as security for the facility. On 14 July 2011, we repaid the US\$25.0 million temporary component of this facility, which restored the facility to US\$51.0 million.

In June 2012, we extended the facility for 2 year past its original due date. On June 2014, we further extended the facility for 2 years which extended the maturity date to 14 June 2016. As at 30 June 2014, the

Notes To The Financial Statements

For The Year Ended 30 June 2014

aggregate amount we owed under the HSBC Corporate Revolving Loan Facility was US\$50.5 million, excluding unamortised borrowing costs.

8. Interest-Bearing Liabilities (continued)

(e) US\$75,000,000 reduced to US\$50,000,000 Convertible Exchangeable Note with Standard Chartered Private Equity (Singapore) Pte. Ltd

On 14 May 2013, EWC and Energy World Philippines Holdings Ltd (EWP) entered into a subscription agreement (**Subscription Agreement**) with Standard Chartered Private Equity (Singapore) Pte. Ltd (**Subscriber**) in respect of the issue by EWP of and subscription by the Subscriber for the Notes and the issue of the Warrant by EWC to the Subscriber.

Under the Subscription Agreement:

- (a) EWP has issued, and the Subscriber has subscribed for, US\$50 million 2.5% convertible exchangeable notes due in May 2018 which may be converted into ordinary shares in EWP or in the alternative exchanged for Ordinary Shares in EWC at AU\$0.50. The 2.5% coupon rate is due semi-annually payable in arrears (the **First Tranche Notes**).

The Company was informed by Standard Chartered Private Equity (Singapore) Pte. Ltd. (SCPE) by a letter dated 9 May 2014, that certain conditions as described in the Cleansing Notice dated 14 May 2013 previously released to Shareholders have not been met by Energy World Corporation Ltd. and Energy World Philippines (EWP) and SCPE would not be waiving these conditions or extending the timeline to allow these conditions to be met. As a consequence of this development, SCPE will no longer make available to the Company the sum of US\$25,000,000 for the Second Tranche Notes as foreseen under the Subscription Agreement dated 14 May 2013.

(f) US\$75,000,000 reduced to US\$50,000,000 Convertible Exchangeable Note with Standard Chartered Private Equity (Singapore) Pte. Ltd (continued)

The Company has received an offer of finance from Energy World International (EWI) to fully replace the US\$25,000,000 through a convertible/exchangeable bond on the same terms and conditions that were previously agreed with SCPE for its US\$75,000,000 exchangeable bond; matching loan conditions, a coupon of 2.5% and a conversion strike price at minimum of AU\$0.50 cents per share. Since this replacement transaction is now with a related party, both SCPE's and Shareholder approval will be required before the facility can be formally accepted by the Company. The Company and its external advisers will therefore prepare the necessary documentation for distribution to ASIC, ASX and to Shareholders to permit Shareholders to vote on this replacement funding.

9. Contingent Liabilities

(a) SKKMIGAS Participation (formerly as called BPMigas)

Details of our Group's contingent liabilities, where the probability that payment will be required is considered remote, are set out below, as well as details of contingent liabilities which, although considered remote, our Directors consider should be disclosed:

The Sengkang PSC provides that SKKMigas is entitled to acquire (via a SKKMigas nominated entity) an undivided 10% interest in EEES' rights and obligations under the Sengkang PSC by payment of an amount equal to the sum of (i) 10% of the unrecovered operating costs balance as at 24 October 2000, approximately US\$40 million, and (ii) 10% of the bonuses paid to SKKMigas under the Sengkang PSC, totalling US\$6.5 million (the "Amount"). On acquiring a 10% participating interest SKKMigas would also be obliged to pay 10% of the future operating costs of the Sengkang PSC.

Notes To The Financial Statements

For The Year Ended 30 June 2014

9. Contingent Liabilities (continued)

(a) SKKMIGAS Participation (formerly as called BPMigas) (continued)

Under the Sengkang PSC conditions, Pertamina (BPMigas' predecessor) was required to advise EEES by 23 January 2001 whether it planned to pay either (a) 100% of the Amount to EEES in cash; or (b) 150% of the Amount to EEES by way of instalments of 50% of its share of production from its 10% participation in the Sengkang PSC. Whilst Pertamina did advise EEES of its intention to acquire a 10% participating interest in the Sengkang PSC, it did not advise EEES whether it would pay in cash or out of its share of production.

Any cash payment should have been made by Pertamina (SKKMigas' predecessor) by 23 January 2001 and any payment out of production should have commenced from the first sale of oil or gas from the Sengkang Contract Area after 24 October 2000. No cash payment or payment out of production has been made.

EEES therefore continues to have a 100% interest in the Sengkang PSC. It is not clear whether BPMigas' right to acquire the 10% participation right is still exercisable, given among other matters that the deadlines mentioned above have not been complied with. Based on the terms of the PSC, our Directors are of the view that no material adverse impact on EEES' business or operations would arise from any valid exercise of the 10% participation right.

In November 2012, SKK Migas, an arm of the Indonesian Ministry for Energy and Mineral Resources, replaced BPMigas, and all of BPMigas's functions and responsibilities, and its employees, were transferred to SKK Migas.

10. Subsequent Events

There have been no significant events occurring after the balance sheet date which may affect the company's operations or results of these operations or the company's state of affairs.

Notes To The Financial Statements

For The Year Ended 30 June 2014

Annual Meeting

The annual meeting will be held as follows:

Place: Royal Automobile Club of Australia
89 Macquarie Street, Sydney NSW 2000
Date: 21 November 2014
Time: 10:00am

Approximate date the annual report will be available on or before 30 September 2014.

Compliance Statement

1. This report gives a true and fair view of the matters disclosed.
2. This report is based on accounts currently being audited.



Sign here:
Director

Date: 29 August 2014

Print name: Brian Allen