



Emperor Energy Limited

ABN 56 006 024 764

Half-year Financial Report - 31 December 2019

Emperor Energy Limited
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31 December 2019

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Emperor Energy Limited
Corporate directory
31 December 2019

Directors	Carl Dumbrell Nigel Harvey Malcolm King Philip McNamara
Company secretary	Carl Dumbrell
Registered office & Principal place of business	Level 32, 1 Market Street Sydney NSW 2000 02 9275 8878
Share register	Automic Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000 Telephone: 1300 288 664
Auditor	ICP Assurance Services Pty Ltd Suite 1204 227 Elizabeth Street Sydney NSW 2000
Lawyer	Hopgood Ganim Level 27, Allendale Square 77 St Georges Tce Perth, WA 6000
Stock exchange listing	Emperor Energy Limited shares are listed on the Australian Securities Exchange (ASX code: EMP)
Website	www.emperorenergy.com.au

Emperor Energy Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Emperor Energy Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Carl Dumbrell (Non-Executive Director)
Nigel Harvey (Non-Executive Director)
Malcolm King (Non-Executive Director)
Philip McNamara (Non-Executive Director)

Principal activities

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,339,013 (31 December 2018: \$274,886).

Financial Position

The net assets of the consolidated entity decreased by \$1,083,674 to \$2,535,600 as at 31 December 2019 (30 June 2019: \$3,619,274).

The consolidated entity's working capital, being current assets less current liabilities was in deficit as at 31 December 2019 by \$222,431 (30 June 2019: surplus \$313,272). The consolidated entity had a negative cash flows from operating activities of \$187,231 for the six months (31 December 2018: deficit of \$175,994) and expended \$110,530 (31 December 2018: \$256,752) in relation to exploration and evaluation activities.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, results of those operations, or the consolidated entity's state of affairs in future financial years, other than:

- The consolidated entity completed the sale of Cyrano on 21 January 2020. The consideration for sale is \$325,000 in cash plus a royalty of \$0.50 per barrel of oil equivalent of petroleum products and recovered from the area of the petroleum permit. Under the terms of the sale and purchase agreement, the purchaser can acquire the Royalty from Emperor Energy Limited within four years for AUD \$1,500,000.

Emperor Energy Limited
Directors' report
For the half-year ended 31 December 2019

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



Carl Dumbrell
Director

13 March 2020



Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Emperor Energy Limited and Its Controlled Entities

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

ICP Assurance Services Pty Ltd

A handwritten signature in black ink, appearing to read 'Christopher Wong'.

Christopher Wong
Director

13th March 2020

Sydney NSW 2000

Liability limited by a Scheme approved under Professional Standards Legislation

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Emperor Energy Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 December 2019 \$	31 December 2018 \$
Revenue		397	1,515
Expenses			
Corporate expenses		(220,556)	(113,839)
Employee benefits expense		(127,823)	(162,562)
Exploration costs written off		(10,100)	-
		<u> </u>	<u> </u>
Loss before income tax expense		(358,082)	(274,886)
Income tax expense		(980,931)	-
		<u> </u>	<u> </u>
Loss after income tax expense for the half-year attributable to the owners of Emperor Energy Limited		(1,339,013)	(274,886)
Other comprehensive income for the half-year, net of tax		<u> </u>	<u> </u>
		-	-
Total comprehensive loss for the half-year attributable to the owners of Emperor Energy Limited		<u><u>(1,339,013)</u></u>	<u><u>(274,886)</u></u>
		Cents	Cents
Basic earnings per share	14	(1.88)	(0.03)
Diluted earnings per share	14	(1.88)	(0.03)

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

Emperor Energy Limited
Statement of financial position
As at 31 December 2019

		Consolidated	
	Note	31 December	30 June 2019
		2019	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	17,600	155,376
Trade and other receivables		27,879	114,746
Other financial assets		49,173	7,000
Held-for-sale exploration asset	5	325,000	325,000
Total current assets		<u>419,652</u>	<u>602,122</u>
Non-current assets			
Financial Assets designated as FVTPL		470	680
Petroleum exploration expenditure	6	3,415,852	3,305,322
Total non-current assets		<u>3,416,322</u>	<u>3,306,002</u>
Total assets		<u>3,835,974</u>	<u>3,908,124</u>
Liabilities			
Current liabilities			
Trade and other payables	7	642,083	288,850
Total current liabilities		<u>642,083</u>	<u>288,850</u>
Non-Current liabilities			
Trade and other payables	7	658,291	-
Total non-current liabilities		<u>658,291</u>	<u>-</u>
Total liabilities		<u>1,300,374</u>	<u>288,850</u>
Net assets		<u>2,535,600</u>	<u>3,619,274</u>
Equity			
Issued capital	8	26,057,978	25,802,639
Reserves	9	267,870	267,870
Accumulated losses		(23,790,248)	(22,451,235)
Total equity		<u>2,535,600</u>	<u>3,619,274</u>

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

Emperor Energy Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2018	25,082,639	(21,681,753)	266,710	3,667,596
Loss after income tax expense for the half-year	-	(274,886)	-	(274,886)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	(274,886)	-	(274,886)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	180,000	-	-	180,000
Balance at 31 December 2018	<u>25,262,639</u>	<u>(21,956,639)</u>	<u>266,710</u>	<u>3,572,710</u>
Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2019	25,802,639	(22,451,235)	267,870	3,619,274
Loss after income tax expense for the half-year	-	(1,339,013)	-	(1,339,013)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	(1,339,013)	-	(1,339,013)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	255,339	-	-	255,339
Balance at 31 December 2019	<u>26,057,978</u>	<u>(23,790,248)</u>	<u>267,870</u>	<u>2,535,600</u>

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

Emperor Energy Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Note	Consolidated 31 December	31 December
		2019	2018
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(162,628)	(177,509)
Payments of taxes and other		(25,000)	-
Interest received		397	1,515
		<u> </u>	<u> </u>
Net cash used in operating activities		<u>(187,231)</u>	<u>(175,994)</u>
Cash flows from investing activities			
Net receipts from for other financial assets		-	250,000
Payments for exploration and evaluation		(110,530)	(256,752)
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(110,530)</u>	<u>(6,752)</u>
Cash flows from financing activities			
Proceeds from issue of shares		79,985	-
Proceeds from borrowings		80,000	-
Net cash from financing activities		<u>159,985</u>	<u>-</u>
Net decrease in cash and cash equivalents		(137,776)	(182,746)
Cash and cash equivalents at the beginning of the financial half-year		<u>155,376</u>	<u>229,273</u>
Cash and cash equivalents at the end of the financial half-year	4	<u><u>17,600</u></u>	<u><u>46,527</u></u>

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

Emperor Energy Limited
Notes to the financial statements
31 December 2019

1. General information

Emperor Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The address of the registered office and principal place of business is Level 32, 1 Market Street, Sydney, NSW 2000.

The principal activities of the consolidated entity consisted of investment in selected exploration, production and development opportunities in the upstream oil and gas sector.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 13 March 2020. The directors have the power to amend and reissue the financial statements.

2. Presentation of financial statements

The financial statements cover Emperor Energy Limited as a consolidated entity consisting of Emperor Energy Limited and the entities it controlled at the end of, or during, the year. The financial statements have been presented in Australian dollars (\$) as this is the currency of the primary economic environment that the group operates in.

3. Significant accounting policies

The general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

The general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

New Accounting Standards and Interpretations adopted

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

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 17 '*Leases*' and for lessees eliminates the classification of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

New Accounting Standards and Interpretation not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the period ended 31 December 2019.

Emperor Energy Limited
Notes to the financial statements
31 December 2019

Going concern

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

For the six months ended 31 December 2019, the consolidated entity incurred a loss after tax of \$1,339,013 (31 December 2018: \$274,886) and had net cash outflows from operating and exploration activities of \$297,761 (31 December 2018: \$432,746). Additionally, as at 31 December 2019 the consolidated entity had a net current asset deficiency of \$222,431 (30 June 2019: net current assets surplus \$313,272) and net assets of \$2,535,600 (30 June 2019: \$3,619,274).

The consolidated entity currently does not have any production income and in order to continue as a going concern is therefore reliant on achieving a combination of the following matters before 31 March 2020 to complete its planned business activities: -

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

The directors have prepared a detailed cash flow forecast through to 31 March 2021 and based on the budgeted expenditure, the consolidated entity will be required to raise additional funds (through the methods set out above) with a minimum overall raising of \$1,400,000 for exploration and operating costs (which excludes any drilling activities) before capital raising costs by 31 March 2021.

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

In the event that the consolidated entity is unsuccessful in the matters set out above, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31 December	30 June
	2019	2019
	\$	\$
Cash at bank	<u>17,600</u>	<u>155,376</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 5. Held-for-sale exploration assets

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Held-for-sale exploration assets – fair value	325,000	325,000
	<u>325,000</u>	<u>325,000</u>

Note 6. Non-current assets - petroleum exploration expenditure

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Exploration and evaluation - at cost	3,415,852	3,305,322
	<u>3,415,852</u>	<u>3,305,322</u>

Reconciliations

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

Consolidated	Exploration \$
Balance at 1 July 2019	3,305,322
Expenditure during the half-year	<u>110,530</u>
Balance at 31 December 2019	<u>3,415,852</u>

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

Note 7. Trade and other payables

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Current liabilities		
Trade and other payables	642,083	288,850
	<u>642,083</u>	<u>288,850</u>

Non- Current liabilities

	31 December 2019	30 June 2019
	\$	\$
Trade and other payables	658,291	-
	<u>658,291</u>	<u>-</u>

Emperor Energy Limited
Notes to the financial statements
31 December 2019

Note 8. Equity - issued capital

	Consolidated			
	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 \$	30 June 2019 \$
Ordinary shares - fully paid	<u>81,583,467</u>	<u>1,134,459,728</u>	<u>26,057,978</u>	<u>25,802,639</u>
	<u><u>81,583,467</u></u>	<u><u>1,134,459,728</u></u>	<u><u>26,057,978</u></u>	<u><u>25,802,639</u></u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2019	1,134,459,728		25,802,639
Share consolidation	19 August 2019	(1,058,828,802)		-
Placement	4 November 2019	1,777,444	\$0.045	79,985
Issue of shares in lieu of directors' fees	11 November 2019	<u>4,175,096</u>	\$0.042	<u>175,354</u>
Balance	31 December 2019	<u><u>81,583,467</u></u>		<u><u>26,057,978</u></u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

Note 9. Equity - reserves

	Consolidated	
	31 December 2019 \$	30 June 2019 \$
Options reserve	<u>267,870</u>	<u>267,870</u>
	<u><u>267,870</u></u>	<u><u>267,870</u></u>

Note 10. Equity - dividends

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

Note 11. Commitments

	Consolidated	
	31 December	30 June
	2019	2019
	\$	\$
<i>Exploration and evaluation</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,381,000	1,550,000
One to five years	36,100,000	36,300,000
More than five years	75,000	100,000
	<u>37,556,000</u>	<u>37,950,000</u>

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

Backreef area

Following the increase in global oil prices the company decided to re-commence work at Backreef in late 2018. The company will complete an engineering survey of the pre-existing well to determine if the well can be re-entered for further and deeper drilling. The company will continue to consider farmin partners.

Cyrano R3/R1

The consolidated entity completed the sale of Cyrano on 21 January 2020. The consideration for sale is \$325,000 in cash plus a royalty of \$0.50 per barrel of oil equivalent of petroleum products and recovered from the area of the petroleum permit. Under the terms of the sale and purchase agreement, the purchaser can acquire the Royalty from Emperor Energy Limited within four years for AUD \$1,500,000.

Vic/P47

The consolidated entity has a 100% interest in Vic/P47 and is the operator. Judith-1 was drilled and operated by Shell Company of Australia in 1989 and is contained within the VIC/P47 Permit held 100% by Emperor Energy and located within close proximity of the Kipper Gas Field operated by Esso (Exxon Mobil).

On 10 August 2017 Emperor Energy announced that the outcomes of seismic reprocessing and subsequent analysis completed during 2017 had resulted in a significant increase in the Gas-in-Place Estimate for the Judith Structure within VIC/P47.

On 22 February 2018 Emperor Energy announced that the VIC/P47 permit had been renewed for 5 years with a work program including drilling of an exploration well in the Judith North Structure by early 2021.

On 26 March 2018 Emperor Energy announced that it had completed a thorough well log evaluation of the Judith-1 well and gas discovery. The Judith-1 results were then compared and contrasted with open file data not previously available from the four wells drilled on the Longtom Gas Field located some 22 km west of Judith-1 and the more recent South East Longtom-1 gas discovery by Esso in 2010. Like Judith-1 and the Longtom wells, the South East Longtom-1 discovered gas in multiple Emperor Reservoir sandstones in a structural closure sealed by the Rosedale Fault.

On 7 June 2018 Emperor Energy Limited announced that it had engaged respected Independent Resource Certifier RISC to complete a Resource Statement in relation to the Judith Gas Field in the 100% Emperor Energy owned VIC/P47 Permit in the offshore Gippsland Basin, Victoria. RISC reviewed Static and Dynamic Modelling of the Judith Gas Reservoir Sands by Melbourne based Consultants 3D-GEO Pty Ltd and a Resource Statement was released on the 12 November 2018.

Note 11. Commitments (continued)

3D-GEO has since reviewed the November 2018 Resource Statement and conducted further technical assessments, leading to submission of a revised Resource Statement to Emperor Energy on the 5 July 2019.

Judith Gas Discovery		Contingent Resources		
		Low Estimate 1C	Best Estimate 2C	High Estimate 3C
GIIP	Bcf	180	278	386
Sales gas	Bcf	97	150	209
Condensate	MMbbl	1.4	2.2	3.2

Greater Judith Area		Unrisked Prospective Resources		
		P90	P50	P10
Judith Deep	Bcf	38	62	92
West	Bcf	83	127	176
Central	Bcf	37	333	628
North	Bcf	29	166	315
North East	Bcf	49	279	494
North West	Bcf	15	102	226
South	Bcf	14	157	565
Total	Bcf	265	1226	2496

Table 1: Summary of Contingent and Prospective Resources for Judith area of VIC/P47 (3D-GEO, July 2019)

The permit was renewed by NOPTA on 21 February 2018 for a period of five years. The company work program was approved and outlined below :

Permit year	Exploration Activity	Estimated Cost
1. February 2018 – February 2019	Geology Studies including detailed resource assessment, preliminary reservoir engineering, target selection and well planning	\$400,000
2. February 2019 – February 2020	Confirmation of drilling target/s and detailed well planning and preparation	\$1,300,000
3. February 2020 – February 2021	Drill one (1) Exploration Well	\$35,000,000
4. February 2021 – February 2022	Post-well evaluation studies	\$500,000
5. February 2022 – February 2023	Geology Studies including commerciality assessment	\$300,000

The group will need to raise capital, or identify a farmin a partner to fund all the planned activities above.

Note 12. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2019 %	30 June 2019 %
OBL Backreef No.10 Pty Ltd	Australia	100.00%	100.00%
Canning Basin Oil Limited	Australia	100.00%	100.00%
Wantok Oil Limited	Papua New Guinea	100.00%	100.00%
Shelf Oil Pty Ltd	Australia	100.00%	100.00%
Backreef Energy Pty Ltd	Australia	100.00%	100.00%

Note 13. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, results of those operations, or the consolidated entity's state of affairs in future financial years, other than:

- The company completed the sale of Cyrano on 21 January 2020. The consideration for sale is \$325,000 in cash plus a royalty of \$0.50 per barrel of oil equivalent of petroleum products and recovered from the area of the petroleum permit. Under the terms of the sale and purchase agreement, the purchaser can acquire the Royalty from Emperor Energy Limited within four years for AUD \$1,500,000.

Note 14. Earnings per share

	Consolidated	
	31 December 2019 \$	31 December 2018 \$
Loss after income tax attributable to the owners of Emperor Energy Limited	<u>(1,339,013)</u>	<u>(274,886)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>71,332,698</u>	<u>912,449,892</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>71,332,698</u>	<u>912,449,892</u>
	Cents	Cents
Basic earnings per share	(1.88)	(0.03)
Diluted earnings per share	(1.88)	(0.03)

Emperor Energy Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Carl Dumbrell
Director

13 March 2020



Independent Auditor's Review Report to the members of Emperor Energy Limited and Its Controlled Entities

Conclusion

We have reviewed the accompanying half-year Financial Report of Emperor Energy Limited and its controlled entities, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty related to Going Concern

Without modifying our conclusion, we draw attention to the Going Concern paragraph under Note 3 in the half-year Financial Report which indicates that the consolidated entity incurred a net loss of \$1,339,013 and net cash outflows from operating and exploration activities of \$297,761 during the half-year ended 31 December 2019, and had a net current asset deficiency of \$222,431 at the half-year ended on that date. Strategies are in place to ensure the ongoing financial viability of the consolidated entity however if these are unsuccessful then these conditions, together with other matters as set forth in the Going Concern paragraph under Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half year Financial Report.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the consolidated entity are responsible for:

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

Reviewer's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year Financial Report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year Financial Report is not

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Independent Auditor's Review Report to the members of Emperor Energy Limited and Its Controlled Entities

in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Emperor Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual Financial Report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the Directors of Emperor Energy Limited.

ICP Assurance Services Pty Ltd

A handwritten signature in black ink, appearing to read 'Christopher Wong', is written over a light grey rectangular background.

Christopher Wong
Director

13th March 2020
Sydney NSW 2000

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