

TRIANGLE ENERGY

2014 ANNUAL REPORT



Triangle Energy (Global) Limited

And its controlled entities

ABN 52 110 411 428

CONTENTS

	PAGE
Corporate Directory	2
Chairman's Letter	3
Directors' Report	4
Corporate Governance Statement	20
Auditor's Independence Declaration	26
Statement of Profit or Loss and Other Comprehensive Income	27
Statement of Financial Position	28
Statement of Cash Flows	29
Statement of Changes in Equity	30
Notes to the Financial Statements	31
Directors' Declaration	70
Independent Auditor's Report	71

CORPORATE DIRECTORY

Directors

Edward Farrell (Non-Executive Chairman)
Darren Bromley (Executive Director)
Robert Towner (Executive Director)

Company Secretary

Darren Bromley

Registered Office

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Facsimile: +61 (0)8 9385 5184
Email: admin@triangleenergy.com.au
Website: www.triangleenergy.com.au

Principal Places of Business

Australia: Unit 7, 589 Stirling Highway Cottesloe WA 6011 (Head Office)

Indonesia: Beltway Office Park, Tower A, 8th Floor Jln. TB Simatupang No. 41 Jakarta Selatan 12550 Indonesia

Bankers

Westpac Banking Corporation
275 Kent Street Sydney NSW 2000
Australia

Bank Mandiri
Mandiri: Graha Mandiri 1st floor, Imam Bonjol Street no 61
Jakarta Pusat Code Post: 10310
Indonesia

Menara Standard Chartered
Ground Floor, Prof. DR. Satrio Street no 164. Jakarta.
Code Post: 12930
Indonesia

Securities Exchange Listing

ASX Limited
20 Bridge Street Sydney NSW 2000
ASX Code: TEG

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway, Applecross WA 6153
Telephone (61 8) 9315 2333
Facsimile (61 8) 9315 2233

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street Subiaco WA 6008

Solicitors

Jeremy Shervington Barrister & Solicitor
52 Ord Street West Perth WA 6005
Australia

CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Board of Directors of your Company, I am very pleased to present the annual report of Triangle Energy (Global) Limited ("Triangle") for 2013/14.

During the year, Triangle continued to successfully operate and produce gas from the Pase field in Aceh Province, North Sumatra, Indonesia. The company abides by all SKK Migas requirements to operate in a safe manner with zero incidents. Triangle continues to progress towards securing a new Production Sharing Contract (PSC) over the Pase field. Key points in this regard are:

- The new PSC is to be awarded under the collaborative regime between the Indonesian Central Government and the Acehese Government;
- In July 2013, Triangle and the Acehese Government formalised a Joint Venture to operate a new PSC;
- Triangle is the first foreign company to form a Joint Venture with the Acehese Government to operate an oil and gas field within the Aceh Province;
- The Governor of Aceh, Dr Zaini Abdullah gives the Joint Venture his full support.

Triangle has incurred an overall decline in revenue from the Pase field due to the general 'care and maintenance' nature of the temporary operatorship. Upon gaining a PSC, the Company would cherish the opportunity to invest and improve production.

Gas production for the year was from three wells and totalled 276.8 MMcf which resulted in revenue on production of \$4.745M for 2013/14.

During the year, the Board of Directors changed with the resignations of Mr Rob Lemmey in November 2013, Mr Lewis Johnson in May 2014, and Mr John Towner and Mr Steve Hamer in July 2014. The new Board of Triangle Energy consists of myself, Mr Robert Towner and Mr Darren Bromley.

The new Board commenced cost cutting initiatives following a review of the company's operating and corporate overheads. In July 2014 Triangle completed the raising of \$1.062M from a non-renounceable pro-rata entitlement offer and a share placement. These funds are currently being used for working capital while the Company pursues a new PSC. In addition to this, \$1.5M was raised in September 2013.

The new Board is also focusing on looking for other opportunities to progress the Company and build shareholder value.

I wish to take this opportunity to thank my fellow directors, the management team, employees and contractors for all their hard work and dedication in 2013/14.

The Board would particularly like to thank our Joint Venture partners in Aceh and our Indonesian staff for their continued support.

I especially thank all shareholders for your continuing support.

Yours sincerely



Ted Farrell
Non-Executive Chairman

DIRECTORS' REPORT

Your Directors submit the annual financial report of the consolidated entity consisting of Triangle Energy (Global) Limited and the entities it controlled during the period for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Edward ('Ted') Farrell

Chairman - Appointed 26 May 2014

Mr Farrell is a Fellow of the National Institute of Accountants, a member of the Australian Institute of Management and a Justice of the Peace. He brings to the Company extensive experience from the financial services sector, corporate financing and capital management.

He has held various Directorships with private and public companies. Mr Farrell's career includes over 25 years owning and managing a private client share broking and financial advisory practice. He currently provides corporate consultancy services and international consultancy services with relation to the Financial Services Industry and Trade and Economic development projects between Asia and Australia.

He has been substantially involved with capital raisings, initial public offerings and company reconstructions over the past twenty five years and will assist the Company as it seeks to broaden its capital structure and asset base.

Mr Farrell currently is Chairman of Global Mineral Resources Limited and over the last 3 years does not have any other Listed Company Directorships.

Robert Towner

Executive Director - Appointed 9 July 2014

Mr Towner's career commenced in 1993 in the financial markets as an authorised representative of Bell Potter Securities Limited, a leading Australian investment advisory firm. During this employment he developed in-depth knowledge of client portfolio management and facilitated capital raisings for small to medium sized companies.

In 2009 Mr Towner founded Cornerstone Corporate Pty Ltd a consulting firm to Australian public companies on corporate planning & advisory, capital raisings and compliance.

Cornerstone Corporate Pty Ltd was engaged to recapitalize and act as Lead Manager to ASX listed Bone Medical Limited completing a capital raising \$3.8 million. Upon completion of the recapitalization he accepted the role of Non-Executive Chairman.

In March 2004, he founded and was Executive Director of bioMD Limited (now Admedus Limited) for over eight years. Mr Towner played an integral role in the merger of bioMD Limited with unlisted public company Allied Medical Limited.

Mr Towner currently is Non-executive Chairman of Bone Medical Limited and in the last 3 years has held Listed Company Directorships in Admedus Limited (previously bioMD Limited).

Darren Bromley

Executive Director - Appointed 9 July 2014

Company Secretary - Appointed 29 June 2012

Mr Bromley has been Chief Financial Officer of the Company since April 2010 and was appointed Company Secretary on 29 June 2012. He holds a Bachelor of Business Degree in Finance, a Master of e-Business and has a great depth of business management and financial experience.

His experience includes financial modeling and analysis, capital raisings, business development, company administration and management. His executive capacity at Triangle includes regular management trips to the Company's Indonesian operations and liaison with Acehnese joint venture partners and government regulators.

Mr Bromley has previously held CFO positions at ASX listed entities Prairie Downs Metals Ltd and QRSciences Holdings Limited and numerous Company Secretary positions.

Mr Bromley currently or in the last 3 years does not have any other Listed Company Directorships.

DIRECTORS' REPORT (continued)

John Towner

Executive Chairman – Appointed 20 November 2009 - Resigned 9 July 2014

Mr Towner was one of the founding Directors of Triangle prior to his resignation in July 2014. He currently or in the last 3 years does not have any other Listed Company Directorships.

Steven Hamer

Non-Executive Director – Appointed 20 November 2009 - Resigned 9 July 2014

Mr Hamer was one of the founding Directors of Triangle prior to his resignation in July 2014. He currently or in the last 3 years does not have any other Listed Company Directorships.

Lewis Johnson

Non-Executive Director – Appointed 20 November 2009 - Resigned 26 May 2014

Mr Johnson was one of the founding Directors of Triangle prior to his resignation in May 2014. He currently or in the last 3 years does not have any other Listed Company Directorships.

Robert Lemmey

Non-Executive Director – Appointed 28 January 2010 - Resigned 18 November 2013

Mr Lemmey was Country Manager, Indonesia of Triangle prior to his resignation in November 2013. He currently or in the last 3 years does not have any other Listed Company Directorships

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

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

Directors	Number of performance rights	Number of fully paid ordinary shares
Edward Farrell	-	9,000,000
Robert Towner	-	46,485,387
Darren Bromley	10,000,000	17,250,000

Principal Activities

The principal activities of the consolidated entity during the financial year consisted of gas production and exploration in Indonesia.

Operating results

The net loss of the Consolidated Entity after income tax for the year was \$3.354M (2013 net loss: \$3.530M). The loss consisted mostly of:

- Oil and gas sales revenues reduced to \$4.745M (2013: \$6.629M) due to decline of wells production;
- Operating expenses of \$2.439M (2013: \$2.408M);
- Employee benefits expenses of \$1.910M (2013: \$2.608M);
- Share-based payments reduced to \$0.344M (2013: \$0.349M) due to new incentives for employees granted during the year;
- Depreciation of \$0.086M (2013: \$0.091M) as new assets in TPI acquired have been fully depreciated during the year;
- Workover, geological and geophysical expenses of \$1.112M (2013: \$1.166M);
- Interest derivative expenses in relation to redemption of a convertible note of nil (2013: \$1.745M) due to the full redemption of the convertible note during the previous period;
- Travel expenses of \$0.329M (2013: \$0.442M);
- Exxon Mobil production revenue payments expense of \$0.103 (2013: \$0.124M);
- Due Diligence and project generation expenses reduced due to less activity \$0.049M (2013: \$0.164M);
- VAT receivable impairment reduced to \$0.054M (2013: \$0.304M) due to a large write down in the previous year.

DIRECTORS' REPORT (continued)

Financial position

The net assets of the Consolidated entity at 30 June 2014 decreased to \$0.898M (2013: \$2.177M). This resulted from:

- a reduction in cash and cash equivalents \$1.510M (2013: \$2.121M);
- the \$0.460M liability being held in trust at 30 June 2014 that converted to equity in July 2014 as described below.

The consolidated net assets consisting largely of the following:

- \$1.510M (2013: \$2.121M) held in cash assets;
- \$0.950M (2013: \$1.050M) being trade and other receivables;
- \$1.556M (2013: \$1.103M) in trade and other payables;
- \$0.460M being held in trust at 30 June 2014 pending the issue of shares.

At 30 June 2014 the Consolidated Group had working capital of \$1.107M (2013: \$2.022M). Additional funds will be required to finance Triangle's operations in 2014/15.

In September 2013, the group raised \$1.5M via a share placement to sophisticated investors.

In May 2014 Triangle undertook a Non-renounceable Pro Rata Entitlement Issue of approximately 817,237,729 New Shares on the basis of one (1) New Share for every two (2) Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.001 per New Share, to raise up to approximately \$0.817M. The Entitlements Offer raised a total of approximately \$0.188M (before costs). Post balance date, in July 2014 the Company advised that it had placed the remaining 629,218,043 Shortfall Shares under the Shortfall Offer that were not taken up by eligible shareholders under the Entitlement Issue to raise a further \$0.629M. At 30 June 2014, \$0.460M of this was held in trust.

In addition to closing the Entitlements Offer, in July 2014 the Company raised a further \$245,000 via a placement to sophisticated investors pursuant to Section 708 of the Corporations Act 2001 of 245,000,000 shares at \$0.001. The shares were issued pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1.

Dividends

During the financial year the Company did not pay a dividend (2013: nil).

Treasury Policy

The Board is responsible for the treasury function and managing the Group's finance facilities. Treasury management is a recurring agenda item at meetings of the Board.

Risk Management

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

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

Occupational Health and Safety

The Consolidated Entity's has an excellent safety record. Despite operating in a remote location in difficult operational conditions the Consolidated Entity had no Lost Time Incidents (LTIs) and zero recordable motor incidents in the financial year. The Consolidated Entity focuses on safety awareness and safe work processes especially in the field and occupational health and safety performance is continually monitored.

Environmental issues

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

State of Affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the year.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS

Company Activities

Triangle Energy (Global) Limited ("Triangle Energy") is a gas production and exploration company based in Perth with a wholly-owned subsidiary, Triangle Pase Inc. ("TPI"), based in Jakarta, Indonesia. TPI is the operator of the Pase PSC which covers two blocks which have a total area of 922km² in Aceh Province, North Sumatra, Indonesia.

TPI has produced gas and condensate from three wells at the Pase A&B Field from which Triangle Energy generates cash flow from the sale of gas through ExxonMobil's nearby facilities to the Arun LNG Plant. The majority of the gas produced is sold at premium LNG prices.

The Pase PSC has considerable exploration and development opportunities that Triangle Energy will pursue once a new PSC is granted. Triangle Energy is continuing to review participation in new opportunities within Indonesia and possible acquisition.

Company Objectives

Triangle Energy's objectives are to:

- Deliver high returns for shareholders by having a disciplined approach to technical and financial management;
- Optimise the Company's existing assets by improving gas production and reducing operating costs to generate positive cashflows and profits;
- Undertake exploration activities to enhance the Company's portfolio of leads and prospects, and reserves and resources; and
- Act in a socially responsible manner towards: employee safety; the environment; and the communities in which the Company operates.

Company Focus

Triangle Energy's focus is on:

- Establishing a new Pase PSC;
- Optimising gas production and reducing operating costs;
- Planning an exploration and development program;
- Growing cashflows and profits;
- Examining further growth strategies; and
- Operating safely and minimising environmental impact

Key Activities 2013/14

Pase PSC

Production continued throughout the year from three wells, A1, A5 and A6 from the Pase field located in Aceh. Production and maintenance activities were routinely conducted across the facilities and scale inhibitor injection continued on A1.

Triangle will partner with the Acehese Government to acquire a new long term Pase PSC. The parties have entered into a Joint Venture to operate the new long term Pase PSC. Triangle will be the first oil and gas company to partner with Aceh under the 2005 Helsinki Memorandum of Understanding.

Aceh Pase Global Energy Pte Ltd ("APGE") was incorporated in Singapore as the joint venture company to operate the new long term Pase PSC. APGE is 75% owned by Triangle and 25% by an Acehese Government owned company Perusahaan Daerah Pembangunan Aceh ("PDPA"). The Acehese Government has made a formal application to MIGAS on behalf of APGE requesting the award of a new PSC.

During the financial year the Company's technical team have identified drillable structures within the block that will be attractive to delineate and possibly boost reserves. Upon being awarded the long term Pase PSC, the Company is planning for immediate redevelopment work and a four well drilling program in 2015/16.

An excellent operating record has been maintained in 2013/14 by Triangle with zero Lost Time Incidents, zero environment incidents and zero recordable motor incidents.

During the year Triangle carried-out maintenance on local infrastructure, provided medical supplies for local clinics and continued its employment and training program of local village staff.

DIRECTORS' REPORT (continued)

Corporate Activities

Aceh Pase Global Energy Pte Ltd ("APGE") was incorporated in Singapore as the joint venture company to operate the new long term Pase PSC. APGE is 75% owned by Triangle and 25% by an Acehnese Government owned company Perusahaan Daerah Pembangunan Aceh ("PDPA").

Changes in capital structure

In October 2012, 27,000,000 Options exercisable at \$0.01 were issued to Standard Chartered Private Equity Limited pursuant to redemption of a Convertible Note Standstill Agreement.

Operational Activities

Overview of the Pase PSC

The Pase PSC was signed between the Government of Indonesia (GOI) and Mobil Pase Inc (MPI) on 12 February 1981. MPI is now known as TPI and is a wholly owned subsidiary of Triangle Energy (Global) Ltd (via Triangle Energy Limited).

At the time of the Pase PSC assignment, the PSC covered a 30 year term, which was due to expire in February 2011. An additional 377 day period was subsequently added to the contract period as a result of the PSC's Force Majeure provisions, extending the expiry date of the PSC to 23 February 2012.

Triangle was provided with a further extension to operate the Pase PSC by BPMIGAS in August 2012 until a definitive operator was selected. During the year, Triangle has continued to work closely with the Acehnese Government to be selected as Operator and has achieved several milestones during this period.

A committee of Acehnese industry experts were appointed to carry out a tender process to seek the most qualified partner to operate the PSC with the Aceh Government. Triangle's successful rejuvenation and operation of the Pase field over the past three and a half years has been recognised and rewarded by the Acehnese Government with Triangle being selected in February 2013 as the most qualified partner to operate the PSC with the Acehnese Government.

Triangle and the Acehnese Government have entered into a Joint Venture to operate the new long term Pase PSC. Triangle will be the first oil and gas company to partner with Aceh under the 2005 Helsinki Memorandum of Understanding.

Aceh Pase Global Energy Pte Ltd ("APGE") was incorporated in Singapore as the joint venture company to operate the new long term Pase PSC. APGE is 75% owned by Triangle and 25% by an Acehnese Government owned company Perusahaan Daerah Pembangunan Aceh ("PDPA"). The Acehnese Government has recently made a formal application to MIGAS on behalf of APGE requesting the award of a new long term Pase PSC. The Acehnese government is currently working with the Indonesian Government to execute the award of a new 30 year Pase PSC to APGE. When complete, Pase will be the first PSC awarded under the new collaborative regime between Indonesia and Aceh regional government.

The current Production Split between TPI and GOI under the PSC is:

	OIL	GAS
Operator (TPI)	34.0909%	68.1818%
Government of Indonesia (GOI)	65.9091%	31.8182%

Pase location

Pase covers two fields, Pase A and Pase B with a total area of 922km². Pase is located in North Sumatra with well established gas infrastructure and supply facilities to cater to the growing Asian energy markets as well as local gas markets.

SKK Migas estimates that Pase has estimated reserves of 75 BCF of gas. Pase also holds significant potential exploration upside given the Pase block is located in a highly prolific area, with the southern part of the Pase block located 12 km south of the Arun Gas Field. The Arun Gas Field was one of the world's largest onshore gas discoveries with original reserves of about 20 TCF of condensate-rich gas and at its peak supplied 6.5MT of LNG to Japan and Korea.

DIRECTORS' REPORT (continued)

The LNG and Local Gas Market

TPI has an agreement whereby ExxonMobil Oil Indonesia Inc (EMOI), markets and sells gas from the Pase A&B Field through its well-established and maintained gas infrastructure to PT Arun LNG.

TPI receives payment at premium LNG prices via EMOI based on the percentage of metered TPI gas of the total gas sold by EMOI to the Arun LNG Processing Plant and to the PIM Fertilizer Plant. The LNG Sales Prices received by TPI from Arun gas purchase consortia (Kogas) are linked to oil prices and are at a premium to local gas market prices. The Kogas LNG contract will expire during 2014, with final lift expected to be during October 2014.

Triangle Energy, through its wholly-owned subsidiary, TPI, is well positioned to continue to supply gas to the Aceh and North Sumatera growing domestic market via a newly constructed PLN 20" gas transmission line between Arun facility and Belawan Power station. Additionally local demand will continue with ongoing supply to PIM fertilizer operations.

Exploration History of the Pase A&B Field

Seismic coverage over the Pase A&B Field in the 1970s was very sparse and the data quality was poor. Only one strike and one dip line crossed the Pase A Field. In the early 1980s, approximately 1,000 km of seismic data was shot in the South Lhoksukon and Pase areas. This data provided a grid of data approximately 2.5 by 2.5 km across the Pase A Field and less dense elsewhere in the PSC area. During 1990 and 1991 a further 172 km of 2D seismic data was acquired over the Pase PSC area, just over half being specifically shot for the Pase A Field.

No further 2D seismic acquisition has occurred since the 1991 survey. Several vintages of reprocessing have been performed, both for the Pase A Field area and for the steeply dipping Mountain Front area, with mixed results. A further Pase Field area reprocessing project was completed in 2002.

TPI has the opportunity to apply more advanced 3D seismic techniques over this area to identify further prospects and leads.

Nine of the wells were drilled in the southern portion of the Pase South Block. Only two wells did not encounter hydrocarbons, with two others being classed as exhibiting hydrocarbon shows. No wells have been drilled in the western portion of the Pase North Block.

ExxonMobil's exploration program did not favour small oil and gas prospects as it was looking for "gas elephants" to supply to other potential Arun Plants. Several shallow hydrocarbon discoveries were considered "non-commercial" by ExxonMobil in pursuing their gas strategy.

Given ExxonMobil's high cut-off point for discoverable reserves, the relatively smaller and shallower discoveries, and potential new prospects and leads represent important opportunities for Triangle Energy.

Pase Production History

ExxonMobil finally brought the Pase A & B Gas Field into production, 15 years after the initial gas discovery, in January 1998, at rates of about 25 MMcf per day. The gas flow rates increased to about 140 MMcf per day in 2003 before water broke through into the wells and the production declined in about March 2004, which is not unusual for fields with fractured reservoirs. Subsequently, production at the Pase A & B Gas Field was suspended in late 2006 and ExxonMobil began a divestment process for the Pase PSC.

Pase Production

Production in 2013/14 was from three wells. A-5, A-6 and A-1 and totalled 276.8 MMcf (201/13: 514.3 MMcf) for the year. Operations and maintenance activities were routinely conducted across the facilities and continuous scale inhibitor injection initiated on A1 surface facilities. Production has recently decreased at A1 due to a suspected build up of down-hole scale. In September 2013, a hot rock acid treatment was undertaken to remove the down-hole scale and restore normal production from A1. Scale build up returned after 3-4 months and a more extensive program is required of which the Company will commence upon award of a PSC.

Pase Technical Work

During the year, the Company continued maturing in-fill drilling opportunities to access up-dip gas adjacent to existing producing wells. The technical team continued reprocessing of 2D seismic data for in-fill locations in the Pase A and B Field.

SKK MIGAS approved Triangle Energy's Work Programme and Budget for 2014 and the organisational structure until 2015.

DIRECTORS' REPORT (continued)

Future Work Program and Strategy

TPI has identified a number of infield opportunities in Pase A and B culmination that can be delineated and matured to potentially increase APGE gas reserves once a new Pase PSC is established.

There is also exploration potential available within the Pase PSC which has had no seismic shot over the area since 1991. Seismic acquisition (2D & 3D) will be used to assess identifiable leads and to mature into drillable prospects.

The proposed future work program for APGE involves:

- Redrill selected infill wells;
- Acquisition of new 2D and 3D seismic;
- G&G and remapping the entire Pase PSC;
- Exploration drilling of new prospects; and
- Appraisal drilling of new discoveries.

The latest technology will be used to generate new maps as part of the Geological & Geophysical (G&G), reprocessing and re-Interpretation of existing seismic data work programs.

Other Assets

Reids Dome Tenement (PL 231, Bowen Basin, Queensland)

The Reids Dome Tenement (PL 231) covers an area of 181 km² on the western flank of the Bowen Basin in Queensland. The Reid's Dome Gas Field is situated within Reids Dome Tenement and based on initial reservoir studies, a reserve of up to 1 Bcf of gas is indicated for the three wells drilled on the Reids Dome Gas Field prior to November 1994.

The 1993 appraisal well in the Reids Dome Gas Field, drilled by Victoria Petroleum N.L. Aldinga North-1, flowed gas at a rate of 1.2 million cubic feet per day.

In late June 2006 the Primero-1 well was drilled to 1,565 metres in the northern part of the Reids Dome Tenement, twinning the original shallow gas discovery well, AOE-1. Early success was encountered in July 2006 with Primero-1 testing a gas flow of 2.8 million cubic feet per day from the field's shallow gas sand at 150 metres. Drilling of the deeper target encountered numerous oil and gas shows in the original heavily mud invaded AOE-1. Additional gas zones were intersected in the Reid's Dome Beds around 1,500 metres.

Following the completion of drilling at Primero-1, an extensive testing program was commenced to determine the reserves of the Reids Dome Gas Field at the shallow horizon with a view to the potential commercialisation of the gas field, subject to sufficient gas reserves being proved.

The Reids Dome Tenement is 40% owned by Senex Energy N.L., 40% owned by Dome Petroleum Resources Plc and 20% owned by Triangle Energy (Global) Limited. Senex Energy Limited is the operator of the Reids Dome Tenement, by virtue of a joint venture agreement. In August 2013, Triangle signed a binding term sheet to acquire from Senex a 40% interest in, and operatorship of the Reid's Dome gas field in Queensland (PL-231), subject to Department of Natural Resources and Mines (DNRM) approval.

A Later Development Plan (LDP) has been submitted to the Queensland DNRM and the JV parties are awaiting approval of the LDP. On completion of the transfer of the 40% Interest to Triangle, interests in the Reids Dome JV will be:

- Triangle 60% (Operator); and
- Dome Petroleum Resources Plc 40%.

DIRECTORS' REPORT (continued)

Qualified Petroleum Reserves and Resources Evaluator Statement

Information in this report that relates to exploration has been reviewed and signed off by Mr Witan Odakar Ardjakusumah (Triangle Pase Inc. Exploration Manager). Information that relates to exploration is based on and fairly represents, information and supporting documentation prepared by or under the supervision of Mr Ardjakusumah and he has consented to the form and context in which the information that relates to exploration is presented. Witan's qualifications include: Master of Science in Petroleum Geology, Bandung Institute of Technology Bandung, Indonesia. Witan has over 34 years experience in the oil & gas industry working globally for KAPEX, EMP, Lasmo, Kondur and Semco. For in excess of 26 years, he has been working on significant New Ventures and Exploration projects in Indonesia and SE Asia. Witan is a Member of American Association of Petroleum Geologist, Indonesian Association of Geologist, Indonesian Association of Geophysicist and IPA (Indonesia Petroleum Association)

Information in this report that relates to operations has been reviewed and signed off by Mr Tony Anson (TEG Country Manager - Indonesia) who has over 28 years experience in the upstream oil & gas industry. Mr Anson's experience includes significant senior management and technical roles for major O&G operators within Asia, the ME region and West Africa. A member of the IPA and SPE and fully accredited IME (Institute of Mechanical Eng UK)

For further details on Triangle Energy and the Pase PSC, refer to the "Independent Geologist's Report on the Exploration and Production Assets of Triangle Energy Limited" by Roger Whyte, 22 September 2009. This report was published as part of BDO Kendalls' Independent Expert's Report for the Company (dated 8 October 2009), which was part of the Notice of Annual General Meeting that was released to the ASX on 19 October 2009. It is located on the company website under Investors / Corporate Presentations.

Tenement Schedule

Project Name	Tenement	Interest
Reids Dome	PL231	20%

Forward Looking Statements

This report contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause the actual results to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserves and resources estimates, loss of market, industry competition, environmental risks, physical risks, legislative changes, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

These risks should be considered within the context of Triangle Energy's operations in Australia and Indonesia (Jakarta and Aceh Province, North Sumatra). For example, there is a risk of a new Pase PSC not being granted or not granted on commercial terms that are sufficiently attractive for Triangle Energy (Global) Limited (TEG), its wholly-owned subsidiary, Triangle Pase Inc., and the TEG Board to justify the continuing commitment of capital and personnel.

CORPORATE SOCIAL RESPONSIBILITY

As part of TPI's "Licence to Operate" in the Aceh Province TPI, and TEG, are very aware of their Corporate Social Responsibilities (CSR) in the local communities near the Pase Fields. Numerous CSR activities have been undertaken during the year, including:

- Medical supplies were provided for a local clinic;
- Assistance with grading of land for a proposed high school;
- Employing staff from local villages to support families and communities.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for the key management personnel of Triangle Energy (Global) Limited (the "Company") for the financial year ended 30 June 2014. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company, and includes the five executives in the Parent and the Group receiving the higher remuneration.

No remuneration consultants were used during the year.

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

	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Revenue from continuing operations	\$13.882M	\$16.817M	\$8.749M	\$6.637M	\$4.756M
Net profit/(loss)	\$6.638M	\$0.395M	(\$5.610M)	(\$3.530M)	(\$3.354M)
Share price	\$0.021	\$0.052	\$0.009	\$0.007	\$0.001

Key Management Personnel

(i) Directors

Edward Farrell	Non-executive Chairman	(appointed 26 May 2014)
Robert Towner	Executive Director	(appointed 9 July 2014)
Darren Bromley	Executive Director	(appointed 9 July 2014)
John Towner	Executive Chairman	(appointed 20 November 2009, resigned 9 July 2014)
Steven Hamer	Non-executive Director	(appointed 20 November 2009, resigned 9 July 2014)
Lewis Johnson	Non-executive Director	(appointed 20 November 2009, resigned 9 July 2014)
Robert Lemmey	Non-executive Director	(appointed 28 January 2010, resigned 18 November 2013)

(ii) Executives

Duncan Nuttall	Chief Executive Officer	(appointed 1 July 2011, resigned 3 March 2014)
Darren Bromley	Chief Financial Officer	(appointed 12 April 2010)
	Company Secretary	(appointed 29 June 2012)
Robert Towner	Corporate and Strategy	(appointed 1 January 2013)

Remuneration Philosophy

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

(i) **Non-Executive Directors**

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

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The shareholder share determined the maximum aggregate remuneration amount to be \$250,000 per year. The Directors have resolved that the fees payable to Non-executive Directors for all Board activities are \$30,000 per year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

(ii) **Key management personnel**

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

- (i) competitiveness and reasonableness;
- (ii) acceptability to shareholders;
- (iii) performance linkage / alignment of executive compensation;
- (iv) transparency; and
- (v) capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. There is no relationship between remuneration and Company performance, except for the performance rights noted in the following sections that only vest upon renewal of the groups PSC.

Alignment to shareholders' interests:

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

Base pay and benefits

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

Incentive compensation

Incentive compensation is provided to executives by way of the Triangle Energy employee rights plan. Each year the remuneration committee reviews the appropriate incentive compensation to be awarded to each executive.

The Triangle Energy Employee Rights Plan is designed to provide incentives for executives to deliver shareholder returns. Under the plan, participants are granted rights which vest if certain performance targets are met and the employees are still employed by the group at the end of the vesting period unless the Board determines otherwise. Participation is at the board's discretion and no individual has a contractual right to receive any guaranteed benefits.

Current vesting conditions for rights issued under the Triangle Energy employee rights plan with performance criteria is the renewal of the Pase PSC, other project acquisition criteria, and 12 months service to 31 August 2014. Although the Board may vest some or all of the Rights of a participant even if a performance condition or other vesting condition has not been satisfied. No other conditions have been attached to these rights. Due to the timeframe of the Pase PSC renewal, these have been categorised as Short Term incentives. There are no Long Term incentives.

The relative proportions of executive remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - STI	
	2014	2013	2014	2013
Directors of Triangle Energy (Global) Limited				
Edward Farrell	100%	-	-	-
Robert Towner	100%	100%	-	-
Darren Bromley	77%	96%	23%	4%
John Towner	100%	91%	-	9%
Robert Lemmey	100%	95%	-	5%
Steve Hamer	67%	100%	33%	-
Lewis Johnson	100%	100%	-	-
Other key management personnel of the group				
Duncan Nuttall	69%	60%	31%	40%

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Service agreements

There are no retirement allowances or other benefits paid to Non-executive Directors.

Remuneration and terms of employment for other Key Management Personnel are formalised in consultancy and employment agreements. The major provisions relating to remuneration to existing Directors are set out below.

Darren Bromley, Executive Director / Company Secretary

- Term of agreement – expired 12 April 2014;
- Base fee of \$190,000;
- Superannuation of 9.25% is payable under the agreement; and
- Performance based benefits may be payable under the agreement.
- Contract may be terminated early by either party with three months notice, subject to termination payments as outlined below.

Robert Towner, Executive Director

- The agreement between the Company and Mr Robert Towner is for an indefinite period and no formal contract is in place.
- There are no retirement allowances or other benefits paid.

Termination benefits

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

Employee Incentive Plan

The Company has an Employee Rights Plan approved by shareholders in November 2013 under which the Directors are able to offer rights in respect of ordinary shares in the Company to eligible persons.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Details of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

	Cash Salary & fees	Non-cash benefits	Super-annuation	Termination	Security-based payments *	Total
	\$	\$	\$	\$	\$	\$
2013/14						
Directors						
E Farrell	2,833	-	-	-	-	2,833
R Towner	208,333	-	-	-	-	208,333
D Bromley	215,200	-	25,150	-	71,678	312,028
J Towner	354,167	-	-	-	-	354,167
R Lemmey	217,124	169,306 ¹	-	-	-	386,430
S Hamer	50,000	-	-	-	24,233	74,233
L Johnson	45,278	-	-	-	-	45,278
Executives						
D Nuttall	187,500	-	-	-	82,425	269,925
	1,280,435	169,306	25,150	-	178,336	1,653,227

¹ Jakarta house rental, Indonesian income tax, golf club membership, private health insurance, car and driver.

* The value at date of grant calculated in accordance with AASB 2 Share-based Payment vested during the year as part of remuneration.

	Cash Salary & fees	Non-cash benefits	Super-annuation	Termination	Security-based payments *	Total
	\$	\$	\$	\$	\$	\$
2012/13						
Directors						
J Towner	425,000	-	-	-	44,575	469,575
R Lemmey	352,893	251,614 ¹	-	-	29,717	634,224
S Hamer	50,000	-	-	-	-	50,000
L Johnson	50,000	-	-	-	-	50,000
Executives						
D Nuttall	250,000	-	-	-	169,602	419,602
D Bromley	190,000	-	24,300	-	9,344	223,644
R Towner ²	125,000	-	-	-	-	125,000
	1,442,893	251,614	24,300	-	253,238	1,972,045

¹ Jakarta house rental, Indonesian income tax, golf club membership, private health insurance, car and driver.

² Appointed 1 January 2013

* The value at date of grant calculated in accordance with AASB 2 Share-based Payment vested during the year as part of remuneration.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Share-based compensation

Details of rights in relation to ordinary shares in the Company provided as remuneration to each Director of Triangle Energy and each of the key management personnel of the parent entity and the group are set out below. When the performance rights vest each right converts into one ordinary share of Triangle Energy (Global) Limited. Further information on the rights is set out in note 16 to the financial statements.

	Number of rights granted during the year	Value of rights at grant date* \$	Number of rights vested during the year	Value of rights at vesting date* \$	Number of rights lapsed during the year	Value at lapse date ** \$
Directors of Triangle Energy (Global) Limited						
Edward Farrell	-	-	-	-	-	-
Robert Towner	-	-	-	-	-	-
Darren Bromley	15,000,000	-	7,000,000	56,000	-	-
John Towner	-	-	-	-	-	-
Robert Lemmey	-	-	-	-	-	-
Steve Hamer	5,000,000	-	2,000,000	18,000	-	-
Lewis Johnson	-	-	-	-	-	-
Other key management personnel of the group						
Duncan Nuttall	15,000,000	-	5,000,000	55,000	-	-

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

** The value at lapse date of rights that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

The assessed fair value at grant date of rights granted to the individual is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes pricing model that takes into account the vesting conditions, the term of the right, the share price at grant date and expected price volatility of the underlying share.

Details of remuneration: Share based compensation benefits

For each grant of rights included in the table below, the percentage of the available grant that vested in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The unvested rights will vest upon the award of the Pase PSC and other project acquisition criteria providing the service conditions are met. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed.

Share-based compensation benefits (rights)					
	Year granted	Vested %	Forfeited %	Financial years in which rights may vest	Maximum total value of grant yet to vest \$
Darren Bromley	2013/14	59.73%	-	2014/15	48,322
Steve Hamer	2013/14	53.85%	-	2014/15	20,767
Duncan Nuttall	2013/14	49.95%	-	2014/15	82,575

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the consolidated entity including their personally related parties, is set out below:

Ordinary Shares	Balance at beginning of year or appointment date	Granted as remuneration	Issued on exercise of options	Other changes	Balance at end of year or date of resignation
2014					
Directors					
E Farrell	500,000	-	-	500,000	1,000,000
R Towner	23,618,587	-	-	22,866,800	46,485,387
D Bromley	2,000,000	7,000,000	-	8,250,000	17,250,000
J Towner	346,463,932	-	-	14,083,040	360,546,972
R Lemmey	13,333,333	-	-	-	13,333,333
L Johnson	10,493,261	-	-	1,250,000	11,743,261
S Hamer	81,849,207	2,000,000	-	-	83,849,207
Executives					
D Nuttall	7,806,060	5,000,000	-	-	12,806,060
	486,064,380	14,000,000	-	46,949,840	547,014,220

Option holding

The number of options over shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the consolidated entity including their personally related parties, is set out below:

Options over ordinary shares	Balance at beginning of year or appointment date	Granted as remuneration	Options exercised	Net change Other	Balance at end of period	Total	Vested as at end of period	
							Exercisable	Not Exercisable
2014								
Directors								
E Farrell	-	-	-	-	-	-	-	-
R Towner	-	-	-	-	-	-	-	-
D Bromley	-	-	-	-	-	-	-	-
J Towner	-	-	-	-	-	-	-	-
R Lemmey	-	-	-	-	-	-	-	-
L Johnson	-	-	-	-	-	-	-	-
S Hamer	-	-	-	-	-	-	-	-
Executives								
D Nuttall	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Share rights

The number of options over shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the consolidated entity including their personally related parties, is set out below:

Share rights	Balance at beginning of year or appointment date	Granted as remuneration	Rights vested to shares	Net change	Other	Balance at end of year or date of resignation
2014						
Directors						
E Farrell	-	-	-	-	-	-
R Towner	-	-	-	-	-	-
D Bromley	2,000,000	15,000,000	(7,000,000)*	-	-	10,000,000
J Towner	15,000,000	-	-	-	-	15,000,000
R Lemmey	10,000,000	-	-	-	-	10,000,000
L Johnson	-	-	-	-	-	-
S Hamer	-	5,000,000	(2,000,000)*	-	-	3,000,000
Executives						
D Nuttall	23,000,000	15,000,000	(5,000,000)*	-	-	33,000,000
Total	50,000,000	35,000,000	(14,000,000)*	-	-	71,000,000

* Immediate vesting of share rights

This concludes the remuneration report, which has been audited.

Directors' Meetings

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

	Directors' Meetings		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Towner	12	12	-	-
R Lemmey	3	3	-	-
S Hamer	12	12	1	1
L Johnson	8	8	1	1
E Farrell	4	3	-	-

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

Indemnification and insurance of Directors and Officers

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

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

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

DIRECTORS' REPORT (continued)

Matters subsequent to the end of the financial year

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

- In July 2014, the Company advised that it had placed the remaining 629,218,043 Shortfall Shares under the Shortfall Offer that were not taken up by eligible shareholders under the Entitlement Issue at \$0.001 that closed in June 2014 undersubscribed. The Shortfall Shares raised a further \$629,218.
- In addition to closing the Entitlements Offer, in July 2014 the Company raised a further \$245,000 via a placement to sophisticated investors pursuant to Section 708 of the Corporations Act 2001 of 245,000,000 shares at \$0.001. The shares were issued pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1.
- On 16 July 2014, the Company held a general meeting of shareholders who approved the issue of shares to related parties and non-related parties in relation to the above capital raisings.
- In August 2014, the Indonesian Upstream Oil & Gas Regulator SKK Migas has confirmed that TPI should continue to operate the Pase PSC for a further 6 months or until a definitive operator is selected, what ever occurs first.

Proceedings

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 26 and forms part of this Directors' report for the year ended 30 June 2014.

Non-audit services provided by our auditors, BDO Audit (WA) Pty Ltd, and their related entities, are set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and APES 110: Code of Ethics for Professional Accountant. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Audit (WA) Pty Ltd and their related entities received or are due to receive the following amounts for the provision of non-audit services:

	2014 \$	2013 \$
BDO Corporate Tax (WA) Pty Ltd:		
Tax Compliance and advice	26,622	8,329
Corporate Advice	2,320	-
	<u>28,942</u>	<u>8,329</u>

Signed in accordance with a resolution of the Directors.



Edward Farrell
Chairman

Date: 23 September 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Triangle Energy (Global) Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council ('CGC') published guidelines as well as its corporate governance principles and recommendations.

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Triangle Energy (Global) Limited ('Triangle Energy' or the 'Company') is an advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations 2nd edition" (Recommendations) where considered appropriate for a company of Triangle Energy's size and nature.

This document describes the progress by Triangle Energy in addressing these guidelines. The Company's Corporate Governance Statement is structured below with reference to the eight principles, and in a table which references the recommendations to each of these principles.

The CGC's published guidelines are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Remunerate fairly and responsibly

Principle 1 – Lay Solid Foundations for Management and Oversight

"Companies should establish and disclose the respective roles and responsibilities of the Board and Management."

The main function of the Board is to set strategic objectives for the Company, supervising and guiding management through the implementation process. The aim is for the Board to provide the entrepreneurial leadership required for the Company to evolve within a framework of prudent and effective risk management.

Triangle Energy has adopted a formal Board Charter delineating the roles, responsibilities, practices and expectations of the Board collectively, the individual Directors and senior management. A copy of the Board Charter is on the Company's website: www.triangleenergy.com.au under the "Corporate Governance" section.

The Board of Triangle Energy ensures that each member understands their roles and responsibilities and ensures regular meetings (formally approximately 10 times a year but no less than six times per year, and informally with regular phone calls with the Executive Chairman) so as to retain full and effective control of the Company.

The Board specifically applies an emphasis on the following:

- Setting the strategic aims of Triangle and overseeing management's performance within that framework;
- Making sure that the necessary resources (financial and human) are available to the Company and its senior executives to meet its objectives;
- Overseeing management's performance and the progress and development of the Company's strategic plan;
- Selecting and appointing suitable Executive Directors with the appropriate skills to help the Company in the pursuit of its objectives;
- Determining the remuneration policy for the Board members, Company Secretary and Senior Management;
- Controlling and approving financial reporting, capital structures and material contracts;
- Ensuring that a sound system risk management and internal controls are in place;
- Setting the Company's values and standards;
- Undertaking a formal and rigorous review of the Corporate Governance policies to ensure adherence to the ASX Corporate Governance Council;
- Ensuring that the Company's obligations to shareholders are understood and met;
- Ensuring the health, safety and well-being of employees in conjunction with the senior management team, including developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to assure the well-being of all employees;

CORPORATE GOVERNANCE STATEMENT (continued)

- Ensuring an adequate system is in place for the proper delegation of duties for the effective operative day to day running of the Company without the Board losing sight of the direction that the Company is taking; and
- Any other matter considered desirable and in the interest of the Company.

The Executive Directors are responsible for:

- The executive management of the Company's operations;
- Policy direction of the operations of Triangle;
- The efficient and effective operation of Triangle; and
- Ensuring all material matters affecting Triangle are brought to the Board's attention.

In addition to these responsibilities, the Non-executive Chairman is responsible for the following:

- Providing the necessary direction required for an effective Board;
- Ensuring that all the Directors receive timely and accurate information so that they can make informed decisions on matters of the Company;
- Ensuring that the Board collectively and individual Directors' performance is assessed annually; and
- Encouraging active engagement from all members of the Board.

The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

- Ensuring a good flow of information between the Board, its committees, non-executive Directors and executive Directors;
- Monitoring policies and procedures of the Board;
- Advising the Board through the Chairman of corporate governance policies;
- Providing support and advice to individual Directors, various board committees, senior executives and the Board in general;
- Conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes;
- Ensuring that compliance systems relating ASX Listing Rules and the Corporations Act are maintained and the Company and Board adhere to those; and
- Disseminating regulatory news announcement to the ASX.

Principle 2 - Structure the Board to Add Value

"Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties."

The Triangle Energy board has been structured in such a way so as to provide an adequate mix of proficient Directors that lead the Board with enterprise, integrity and judgement. The Board acts in the best interest of the Company and its stakeholders. The Board is directed on the principles of transparency, accountability and responsibility.

In determining whether a Director is independent, according to the Board Charter, the Board considers whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with the Company or other group member other than as a Director of the Company.

The ASX council guidelines recommend that ideally the Board should constitute a majority of independent Directors. The Board currently consists of three Directors. One is considered to be a Non-Executive Director of Triangle Energy (Global) Limited: Mr Edward Farrell who is considered to be an independent Director. The Executive Directors Mr Robert Towner and Mr Darren Bromley are non-independent Executive Directors.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board believes the composition of the Board is appropriate at this stage of the Company's development. The Board endeavours to review this policy from time to time.

A copy of the Board Charter and the Board Performance Evaluation Policy are on the Company's website: www.triangleenergy.com.au under the "Corporate Governance" section.

Principle 3 - Promote Ethical and Responsible Decision-Making

"Companies should actively promote ethical and responsible decision-making"

Triangle Energy is aware that law and regulations alone is no guarantee of fair practice and thus to ensure the integrity of its operations, it has adopted a code of ethics and conduct to sustain its corporate culture.

Triangle Energy's ethical rules demand high standards of integrity, fairness, equity and honesty from all Directors, Senior Management and Employees. Triangle Energy expects its employees to understand that the Company acts morally and that the main goal of the Company is to maximise shareholders value.

The Code of ethics and conduct include the following issues:

- Avoiding conflicts of interest and reporting of any related-party transactions;
- Ensuring protection and proper use of company assets;
- Discharging Directors and Officer's duties responsibly and ethically;
- Maintaining commercial sensitive information confidential;
- Dealing fairly with customers, suppliers, employees and competitors;
- Ensuring effective relationships and a safe working environment;
- Ensuring compliance with laws and regulations (including Environment, Health and Safety); and
- Encouraging the reporting of illegal and unethical behaviour.

The Company has adopted a Company Code of Conduct, Continuous Disclosure Policy and Share Trading Policy which can be accessed on the Company's website: www.triangleenergy.com.au under "Corporate Governance". The Share Trading Policy has been changed to ensure compliance with the new ASX Listing Rules on "Trading Policy" (LR 12.9 to 12.11) and "Content of Trading Policy" (LR 12.12).

When the Company progresses its operations and acquires a long term project requiring further staff, the Board will develop a "Diversity" Policy to address the ASX Corporate Governance Council's three new recommendations on diversity. The Oil & Gas Industry is known for its limited gender diversity. However, Triangle Energy has attracted female employees to a number of significant positions within the Group. The Indonesian office's accounting, procurement and exploration teams both have female staff members.

Principle 4 - Safeguard Integrity in Financial Reporting

"Companies should have a structure to independently verify and safeguard the integrity of the Company's financial reporting."

Triangle Energy has a financial reporting process which includes half year and full-year results which are signed off by the Board before they are released to the market.

The Audit Committee has been developed as per the guidelines of good corporate governance and its responsibilities are delineated in the Audit Committee Charter. Current members of the Audit Committee are Messer's Farrell (Chairman) and Bromley who has been the Chief Financial Officer of the Group since April 2010.

The Board and Audit Committee fulfils its corporate governance and oversight responsibilities, as well as advises on the modification and maintenance of the Company's financial reporting, internal control structure, external audit functions, and appropriate ethical standards for the management of the Company.

The Board and Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

CORPORATE GOVERNANCE STATEMENT (continued)

The Director / CFO reports in writing on the propriety of compliance on internal controls and reporting systems and ensures that they are working efficiently and effectively in all material respects.

The Committee also advises on the modification and maintenance of the Company's risk management systems, the Company's risk profile, compliance and control and assessment of effectiveness.

The Company has adopted an Audit Committee Charter, which can be accessed on the Company's website: www.triangleenergy.com.au under "Corporate Governance".

Principle 5 - Make Timely and Balanced Disclosure

"Companies should promote timely and balanced disclosure of all material matters concerning the Company."

Triangle Energy has adopted a formal policy dealing with its disclosure responsibilities.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The policy also addresses the Company's obligations to prevent the creation of a false market in its securities. Triangle Energy ensures that all information necessary for investors to make an informed decision is available on its website.

The Executive Directors Have ultimate authority and responsibility for approving market disclosure which, in practice, is exercised in consultation with the full Board and executives of the Company.

In addition, the Board will also consider whether there are any matters requiring continuous disclosure in respect of each and every item of business that it considers.

The Company has adopted a Continuous Disclosure Policy, which can be accessed on the Company's website: www.triangleenergy.com.au under "Corporate Governance".

Principle 6 - Respect the Rights of Shareholders

"Companies should respect the rights of shareholders and facilitate the effective exercise of those rights."

Triangle Energy is aware that regular and constructive two-way communications between the Company and its shareholders can help investors understand what the Board of Directors is planning to achieve and how the Company intends to set about achieving its objectives.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights, the Company is committed to:

- communicating effectively in a timely and accurate way with shareholders through releases to the market via the ASX, Quarterly Activities and Cashflow Reports, Half-Yearly Reports, Annual Reports, the general meetings of the Company and any information mailed to shareholders;
- sending a notice of any general meetings to which they are entitled to attend together with an explanatory memorandum of proposed resolutions (as appropriate). If shareholders cannot attend the General Meeting, they are entitled to lodge a proxy in accordance with the Corporations Act and the Company's Constitution.
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The address made by the Chairman and/or the Executive Director to the Annual General Meeting is released to the ASX.

CORPORATE GOVERNANCE STATEMENT (continued)

All ASX announcements are accessible via the Company's website.

The Company has adopted a Shareholder Communication Policy, which can be accessed on the Company's website: www.triangleenergy.com.au under "Corporate Governance".

Principle 7 - Recognise and Manage Risk

"Companies should establish a sound system of risk oversight and management and internal control."

Triangle Energy's policy is to regularly review processes and procedures to ensure the effectiveness of its internal systems control, so as to keep the integrity and accuracy of its reporting and financial results at a high level at all times.

Internal controls are devised and enforced to ensure, as far as practicable in the given circumstances, the orderly and efficient conduct of the business. They include measures to safeguard the assets of the Company, prevent and detect fraud and error, ensure the accuracy and completeness of accounting records and ensure the timely preparation of reliable financial information.

The Board's Charter clearly establishes that it is responsible for ensuring that a sound system risk management and internal controls are in place.

The Board has decided that due size, composition and structure of the Board, there is no current requirement for the formation of a separate Risk Committee outside the Board forum. As such, the roles of this Committee will be performed by the Board, as and when necessary, but with an Independent Director as the Chairman.

The Executive Directors and CFO are required to state to the Board, in writing, that to the best of their knowledge the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

The Executive Directors and CFO are also required to report at board meetings on the areas they are responsible for, including material business risks and provide an annual written report to the Board summarizing the effectiveness of the Company's management of material business risks.

Given the speculative nature of the Company's business it is subject to general risks and certain specific risks. Triangle Energy recognises that the risks which could affect the results of the Company include:

- Share market;
- Economic and government risks (Indonesia and Australia);
- Future capital needs;
- Oil & Gas Sector risks;
- Insurance risks;
- Competition risk;
- Exploration and development risks;
- Commercialisation;
- Environmental risks;
- Commodity price volatility and exchange rate risks;
- Acquisitions; and
- Sustainability of future profitability.

The Company has adopted a Risk Management Policy, which can be accessed on the Company's website: www.triangleenergy.com.au under "Corporate Governance".

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 8 - Remunerate Fairly and Responsibly

“Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.”

The Company is committed to remunerating its executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders.

Consequently, the Board ensures that executive remuneration follows the guidelines of good governance and the criteria for remuneration are as follows:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the Performance Rights Plan (which was last approved by shareholders in November 2013); and
- statutory superannuation.

The Company's objective is to establish and maintain a Board that consists of experienced and motivated Directors who possess appropriate skills and expertise to promote the Company's success. The policy of the Company is to seek to ensure a clear relationship between Director performance, the role they perform and remuneration received.

In relation to the payment of bonuses, issue of securities and other incentive payments, discretion is exercised by the Board having regard to both the Company's performance and the performance of the Director concerned. Details of the Company's remuneration policy are contained in the Remuneration Report section of the Directors' Report in this Annual Report.

The Company has adopted a Remuneration and Nomination Committee Charter, which can be accessed on the Company's website: www.triangleenergy.com.au under "Corporate Governance".

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF TRIANGLE ENERGY
(GLOBAL) LIMITED

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

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

This declaration is in respect of Triangle Energy (Global) Limited and the entities it controlled during the period.



Brad McVeigh

Director

BDO Audit (WA) Pty Ltd

Perth, 23 September 2014

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated

	Notes	2014 \$	2013 \$
Revenue	2	4,755,548	6,636,993
Total revenue		4,755,548	6,636,993
Operating expenses	2	(2,438,998)	(2,408,044)
Gross profit from operating activities		2,316,550	4,228,949
Exploration write off	2	(15,339)	(15,425)
Finance Costs	2	-	(1,598,475)
Other expenses	2	(5,655,614)	(6,145,034)
Profit/(loss) before income tax expense		(3,354,403)	(3,529,985)
Income tax expense	3	-	-
Profit/(loss) after tax from continuing operations		(3,354,403)	(3,529,985)
Net Profit/(loss) for the year		(3,354,403)	(3,529,985)
Other comprehensive Income			
<i>Items that may be realised through profit and loss</i>			
Exchange differences on translation of foreign operations	14	101,482	(5,411)
Other comprehensive income for the year, net of tax		(3,252,921)	(5,411)
Total comprehensive income/(loss) for the year attributable to:			
Owners of Triangle Energy (Global) Limited		(3,252,921)	(3,535,396)
Non-controlling interest		-	-
		(3,252,921)	(3,535,396)
Basic earnings per share (cents per share)	5	(0.21)	(0.25)
Diluted earnings per share (cents per share)	5	N/A	N/A

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

		Consolidated	
		2014	2013
	Notes	\$	\$
Current Assets			
Cash and cash equivalents	7	1,509,987	2,120,609
Trade and other receivables	8	950,065	1,050,355
Other assets		202,815	303,127
Total Current Assets		2,662,867	3,474,091
Non-Current Assets			
Property, plant and equipment	9	12,775	27,563
PSC interest		127,551	127,551
Exploration and evaluation expenditure	12	-	-
Total Non-Current Assets		140,326	155,114
Total Assets		2,803,193	3,629,205
Current Liabilities			
Trade and other payables	10	1,555,710	1,102,984
Total Current Liabilities		1,555,710	1,102,984
Non-Current Liabilities			
Provisions	11	349,013	349,013
Total Non-Current Liabilities		349,013	349,013
Total Liabilities		1,904,723	1,451,997
Net Assets		898,470	2,177,208
Equity			
Issued capital	13	8,949,870	7,101,732
Reserves	14	1,010,124	782,597
Accumulated losses	14	(9,061,524)	(5,707,121)
Total Equity		898,470	2,177,208

The accompanying notes form part of these financial statements

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

		Consolidated	
	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		4,832,953	8,124,368
Payments to suppliers and employees		(7,554,812)	(8,490,088)
Interest received		10,539	8,135
VAT refund received		133,649	807,484
Net cash inflow/(outflow) from operating activities	7	(2,577,671)	449,899
Cash flows from investing activities			
Purchase of non-current assets		(71,321)	(15,982)
Net cash inflow/(outflow) from investing activities		(71,321)	(15,982)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		1,630,138	-
Proceeds from borrowings – convertible note funding (net of costs)		-	(3,739,425)
Payment of dividends		-	(1,654)
Funds held pending share issues		460,986	-
Net cash inflow/(outflow) from financing activities		2,091,124	(3,741,079)
Net increase/(decrease) in cash and cash equivalents		(557,868)	(3,307,160)
Cash and cash equivalents at beginning of period		2,120,609	5,190,292
Effect of exchange rate fluctuations on cash held		(52,754)	237,477
Cash and cash equivalents at end of period		1,509,987	2,120,609

The accompanying notes form part of these financial statements

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

	Consolidated				
	Issued Capital \$	Accumulated Losses \$	Foreign Currency Exchange Reserves \$	Share Based Payment Reserve \$	Total Equity \$
Balance at 1 July 2012	7,101,732	(2,177,136)	(1,260,187)	1,699,184	5,363,593
<i>Transactions with shareholders in their capacity as shareholders</i>					
Share rights issued during the year which have not yet vested	-	-	-	349,012	349,012
<i>Comprehensive Income</i>					
Profit/(Loss) for period	-	(3,529,985)	-	-	(3,529,985)
Exchange differences arising on translation of foreign operations	-	-	(5,411)	-	(5,411)
<i>Total comprehensive income/(loss) for the year</i>	-	(3,529,985)	(5,411)	349,012	(3,186,384)
Balance at 30 June 2013	7,101,732	(5,707,121)	(1,265,598)	2,048,196	2,177,209
	Consolidated				
	Issued Capital \$	Accumulated Losses \$	Foreign Currency Exchange Reserves \$	Share Based Payment Reserve \$	Total Equity \$
Balance at 1 July 2013	7,101,732	(5,707,121)	(1,265,598)	2,048,196	2,177,209
<i>Transactions with shareholders in their capacity as shareholders</i>					
Shares issued during the year: capital raising, net of transaction costs	1,442,120	-	-	-	1,442,120
Shares issued during the year: entitlements issue	188,018	-	-	-	188,018
Shares issued during the year immediate vesting of rights	218,000	-	-	-	218,000
Share rights issued during the year which have not yet vested	-	-	-	126,044	126,044
<i>Comprehensive Income</i>					
Profit/(Loss) for period	-	(3,354,403)	-	-	(3,354,403)
Exchange differences arising on translation of foreign operations	-	-	101,482	-	101,482
<i>Total comprehensive income/(loss) for the year</i>	-	(3,354,403)	101,482	-	(3,252,921)
Balance at 30 June 2014	8,949,870	(9,061,524)	(1,164,116)	2,174,240	898,470

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial report has also been prepared on a historical cost basis which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is a gas production and exploration company based in Perth with a wholly-owned subsidiary, Triangle Pase Inc. ("TPI"), based in Jakarta, Indonesia. TPI is the 100% holder and operator of the Pase PSC which covers two blocks which have a total area of 922km² in Aceh Province, North Sumatra, Indonesia.

Going Concern

When preparing financial statements, management make an assessment of an entity's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties are disclosed. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

The financial statements have been prepared on the going concern basis of accounting which assumes that the Group will be able to meet its commitments, realise its assets, discharge its liabilities in the ordinary course of business and meet the production budgets. In arriving at this position, the Directors recognise the ability of the Group to continue as a going concern is dependent upon the grant of a new Pase PSC and various funding alternatives to meet these commitments including share placements, rights issues, share purchase plans, convertible notes, debt or other sources of finance.

The Directors believe that at the date of signing the financial statement there are reasonable grounds to believe that having regard to matter set out above, the Group will be able to raise sufficient funds to meet its obligations as and when they fall due.

In the event that the Group does not achieve the matters as set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial statements.

Rounding

The Company presents these financial statements rounded to the nearest dollar.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year. From 1 July 2013, the Consolidated Entity has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 July 2013. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Consolidated Entity. The Consolidated Entity has not elected to early adopt any new standards or amendments.

The following standards and interpretations would have been applied for the first time for entities with period ending 30 June 2014 (unless early adopted):

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 10	<p>Consolidated Financial Statements</p> <p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation - Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.</p>	1 January 2013	1 July 2013
AASB 11	<p>Joint Arrangements</p> <p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly-controlled Entities - Non-monetary Contributions by Ventures</i>.</p> <p>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. Amendments made by the IASB in May 2014 add guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.</p>	1 January 2013	1 July 2013
AASB 12	<p>Disclosure of Interests in Other Entities</p> <p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	1 July 2013
AASB 13	<p>Fair Value Measurement</p> <p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	1 July 2013
AASB 119	<p>Employee Benefits</p> <p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: <ul style="list-style-type: none"> ▶ Repeat application of AASB 1 is permitted (AASB 1) ▶ Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 <i>Presentation of Financial Statements</i>) 	1 January 2013	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039 AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> .	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 July 2013

New accounting standards and interpretations issued but yet effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2014. They have not been adopted in preparing the financial statements for the year ended 30 June 2014 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table on the next page.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB reference	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010 and June 2014)	<p>Financial Instruments</p> <p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:</p> <ul style="list-style-type: none"> • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. <p>The following requirements have generally been carried forward unchanged from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> into AASB 9:</p> <ul style="list-style-type: none"> • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.
AASB 2013-9 (issued December 2013)	<p>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</p> <p>Makes two amendments to AASB 9:</p> <ul style="list-style-type: none"> • Adding the new hedge accounting requirements into AASB 9, and • Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. <p>Under the new hedge accounting requirements:</p> <ul style="list-style-type: none"> • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI • When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting. 	Annual reporting periods beginning on or after 1 January 2018	The application date of AASB 9 has been deferred to 1 January 2018. The entity has not yet made an assessment of the impact of these amendments.
IFRS 15 (issued June 2014)	<p>Revenue from Contracts with Customers</p> <p>An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.</p>	Annual reporting periods beginning on or after 1 January 2017	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB reference	Nature of Change	Application date:	Impact on Initial Application
IFRS 9 (issued July 2014)	Financial Instruments Introduces a third measurement category of financial assets (fair value through other comprehensive income) and adds additional application guidance to the contractual cash flows characteristics test and the business model assessment. Includes the requirements for accounting for expected credit losses on financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised. Credit losses will be recognised from initial recognition and updated at the each of each reporting period.	Annual reporting periods beginning on or after 1 January 2018	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.
AASB 2014-3 (issued August 2014)	Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations When an entity acquires an interest in a joint operation whose activities meet the definition of a 'business' in AASB 3 Business Combinations, to the extent of its share of assets, liabilities, revenues and expenses as specified in the contractual arrangement, the entity must apply all of the principles for business combination accounting in AASB 3, and other IFRSs, to the extent that they do not conflict with AASB 11 Joint Arrangements. This means that it will expense all acquisition-related costs and recognise its share, according to the contractual arrangements, of: <ul style="list-style-type: none"> Fair value of identifiable assets and liabilities, unless fair value exceptions included in AASB 3 or other IFRSs, and Deferred tax assets and liabilities that arise from the initial recognition of an asset or liability as required by AASB 3 and AASB 112 <i>Income Taxes</i>. Goodwill will then be recognised as the excess consideration over the fair value of net identifiable assets acquired.	Annual periods beginning on or after 1 January 2016	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to acquisitions of interests in joint operations.
AASB 2014-1 (issued June 2014)	Amendments to Australian Accounting Standards – Part C - Materiality Amends particular Accounting Standards to delete references to AASB 1031 Materiality	Annual reporting periods beginning on or after 1 July 2014	N/A
AASB 2	Share-based Payment Definition of vesting condition The amendment clarifies the definition of vesting conditions and market conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition without themselves being specifically defined.	Share-based payments transactions for which grant date is on or after 1 July 2014	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB reference	Nature of Change	Application date:	Impact on Initial Application
AASB 124	Related Party Disclosures Key management personnel The amendment clarifies that an entity that provides key management personnel services ('management entity') to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity. The amendment also requires separate disclosure of amounts recognised as an expense for key management personnel services provided by a separate management entity (but not in the categories set out in AASB 124.17).	Annual periods beginning on or after 1 July 2014	There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only. As the group does not currently engage the services of a management entity, it is also unlikely that any additional disclosures will be required when this amendment is adopted for the first time for the year ended 30 June 2015.
AASB 138	Intangible Assets Revaluation method - proportionate restatement of accumulated amortisation The amendment clarifies the computation of accumulated amortisation when intangible assets are subsequently measured using the revaluation model.	Annual periods beginning on or after 1 July 2014	If as a result of the clarification, the entity determines that it will subsequently change its accounting treatment, disclosure will need to be made (if the effect is material) about: <ul style="list-style-type: none"> • Whether the change is an error, change in estimate, or change in accounting policy • The effect on the financial statements.
AASB 13	Fair Value Measurement Scope of paragraph 52 (portfolio exception) The amendment clarifies that the portfolio exception applies to all contracts within the scope of AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments if this has been adopted early), regardless of whether they meet the definition of financial assets or financial liabilities in AASB 132 Financial Instruments: Presentation.	Annual periods beginning on or after 1 July 2014	The amendment widens the scope of contracts that qualify for the portfolio exception. If, as a result of the clarification, the entity determines that it will subsequently change its accounting treatment, disclosure will need to be made (if the effect is material) about: <ul style="list-style-type: none"> • Whether the change is an error, change in estimate, or change in accounting policy • The effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(c) Statement of Compliance

The financial report was authorised for issue on in accordance with a resolution of Directors on 23 September 2014.

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

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2014 and the results of all subsidiaries for the year then ended. The Parent and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in a adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Triangle Energy (Global) Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Critical accounting judgements and key sources of estimation uncertainty

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the Directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimated future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

(f) Segment Reporting

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

(g) Foreign Currency Translation

Both the functional and presentation currency of Triangle Energy (Global) Limited and its Australian subsidiaries is Australian dollars. The functional currency of the foreign operations, Triangle Pase Inc., is United States dollars (US\$).

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 date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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

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

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

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

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

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

(h) **Revenue Recognition**

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

(i) Sale of goods

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

(ii) Sale of Condensate

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

(iii) Interest income

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

(iv) Dividends

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

(i) **Leases**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(j) **Income Tax**

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Triangle Energy (Global) Limited recognises both its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

(k) Other taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

(l) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets

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

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

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

(n) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(o) Trade and other receivables

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

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

(p) Inventories

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

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

Oil and gas production activities

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

(q) Derivative financial instruments and hedging

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial assets

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

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

(t) Investment in associated entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The balance dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(u) **Interest in a jointly controlled operation**

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

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

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

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

- Machinery and equipment - over 5 - 15 years depending upon the nature of the asset, or over the term of the PSC
- Plant and equipment - over 2 - 15 years depending upon the nature of the asset, or over the term of the PSC
- Oil and gas properties - over the term of the PSC

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

(i) Impairment

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

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

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

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance date.

(iii) Derecognition and disposal

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

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

(w) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the segment reported in accordance with AASB 8 *Segment Reporting*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(x) Trade and other payables

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

(y) Provisions

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

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

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

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

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

(z) Employee leave benefits

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

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

(ii) Long service leave

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

(aa) Share-based payment transactions

Share-based compensation benefits are provided to employees via the TEG Employee Rights Plan. Information relating to these schemes is set out in Note 16.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(bb) Issued capital

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

(cc) Earnings per share

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

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

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

(dd) Exploration and evaluation

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

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ee) Development expenditure

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2014	2013
	\$	\$
(a) Revenue		
Sale of gas	4,217,454	6,135,441
Sale of condensate	527,555	493,417
Bank interest	10,539	8,135
	<u>4,755,548</u>	<u>6,636,993</u>
(b) Other income (expense)		
Foreign exchange gains (losses)	95,166	(71,374)
	<u>95,166</u>	<u>(71,374)</u>
(c) Operating expenses		
Production operating costs	1,026,342	758,282
Field office administration	1,412,656	1,649,762
	<u>2,438,998</u>	<u>2,408,044</u>
(d) Impairment losses		
Reid's Dome impairment	15,339	15,425
	<u>15,339</u>	<u>15,425</u>
(e) Financing costs		
Convertible note interest expense	-	1,745,205
Financial derivative income	-	(146,730)
	<u>-</u>	<u>1,598,475</u>
(f) Other expenses		
Jakarta administration	726,328	699,160
Consulting expenses	239,599	336,179
Accounting expenses	29,967	19,720
Audit fees	73,054	71,667
Legal expenses	48,163	18,292
Employee benefits expense	1,909,553	2,219,855
Share based payments	344,043	349,012
Superannuation	31,450	27,900
Directors fees	98,111	100,000
Depreciation of non-current assets	86,109	90,521
ASX and share registry fees	37,928	37,600
Telecommunications	36,352	54,063
Exxon Mobil production revenue payments expense	103,457	124,431
Travel	328,533	441,743
Work-over preparation geological and geophysical expenses	1,111,762	1,166,272
Due Diligence and project generation expense	48,693	163,937
Payroll tax	17,364	6,002
Rental expense	66,571	48,033
Convertible note FX revaluation	-	(188,638)
VAT receivable impairment	53,561	304,596
Provision for impairment of receivable	40,155	-
Other administration expenses	129,696	126,063

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: INCOME TAX

	Consolidated	
	2014	2013
	\$	\$
Income tax recognised in profit or loss		
The components of tax expense comprise:		
Statement of comprehensive income		
<i>Current income</i>		
Current income tax	-	-
Adjustments in respect of previous current income tax	-	-
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	-	-
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	-	-
Income tax expense (benefit) reported in statement of comprehensive income	-	-
A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2014 and 30 June 2013 is as follows:		
Accounting profit/(loss) before tax from continuing operations	(3,354,403)	(3,529,985)
Accounting profit/(loss) before income tax	(3,354,403)	(3,529,985)
At the statutory income tax rate of 30% (2013: 30%)		
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:	(1,006,321)	(1,058,995)
Non-deductible expenses	110,840	112,008
NANE related expenses	764,598	962,278
Effect of tax rate in Indonesia	-	-
Temporary differences and tax loss not recognised	130,883	235,803
Other Items	-	(251,093)
Adjustments in respect of previous current income tax	-	-
At effective income tax rate of 0% (2013: 0%)	-	-
Income tax expense reported in statement of comprehensive income	-	-
<i>Deferred tax assets have not been recognised in respect of the following items:</i>		
Accruals	116,545	128,706
Business Related Costs	12,731	468
Capitalised Expenditure	-	54,668
Property plant and equipment	434	-
Accounts receivable impairment provision	12,047	-
Tax Losses	2,474,205	2,360,311
	2,615,962	2,544,152
<i>Deferred tax liabilities have not been recognised in respect of the following items:</i>		
Prepaid expenditure	-	150
Financial derivative income	911	-
	911	150
Net deferred tax asset not recognised	2,615,051	2,544,002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: INCOME TAX (continued)

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

The potential deferred tax asset has not been brought to account at 30 June 2014 as the Directors do not believe it is appropriate to regard the realisation of the asset as probable. This asset will only be obtained if:

- (a) The Company and its controlled entity derive future assessable income of an amount and type sufficient to enable the benefit from the deductions for the tax losses to be realised;
- (b) The Company and its controlled entity continue to comply with the conditions for deductibility imposed by tax legislation; and
- (c) No changes in tax legislation adversely affect the Company and its controlled entity in realising the benefit from the deductions for the tax losses.

NOTE 4: SEGMENT REPORTING

Description of segments

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

- Indonesian exploration
- Australian corporate

The Board monitors performance of each segment.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2014 and 30 June 2013.

	Indonesian Exploration \$	Australian Corporate \$	Consolidated \$
Year ended 30 June 2014			
Revenue			
Sales to external customers	4,745,009	-	4,745,009
Interest	2,773	7,766	10,539
Inter-segment sales	-	-	-
Total segment revenue	4,747,782	7,766	4,755,548
Segment net operating profit/(loss) after tax	(487,735)	(2,866,668)	(3,354,403)
Expenses			
Interest expense	-	-	-
Depreciation and amortisation	(71,321)	(14,788)	(86,109)
Impairment assets	-	(15,339)	(15,339)
Segment assets			
Total assets	1,858,943	944,251	2,803,193
Segment liabilities			
Total liabilities	(687,335)	(1,217,388)	(1,904,723)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: SEGMENT REPORTING (continued)

	Indonesian Exploration \$	Australian Corporate \$	Consolidated \$
Year ended 30 June 2013			
Revenue			
Sales to external customers	6,628,858	-	6,628,858
Interest	5,863	2,272	8,135
Total segment revenue	6,634,721	2,272	6,636,993
Segment net operating profit/(loss) after tax	836,978	(4,366,963)	(3,529,985)
Expenses			
Interest expense	-	(1,745,205)	(1,745,205)
Depreciation and amortisation	(77,195)	(13,326)	(90,521)
Impairment assets	-	(15,425)	(15,425)
Segment assets			
Total assets	2,976,307	652,898	3,629,205
Segment liabilities			
Total liabilities	(720,188)	(731,809)	(1,451,997)

Reconciliation of reportable segment loss

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:

Reportable segment loss 2014	(487,735)	(2,866,668)	(3,354,403)
Reportable segment loss 2013	836,978	(4,366,963)	(3,529,985)

	Consolidated	
	2014 \$	2013 \$
Total loss for reportable segment	(3,354,403)	(3,529,985)
Sales to external customers	4,745,009	6,628,858
Interest	10,539	8,135
Foreign exchange gains (losses)	95,166	(71,374)
Operating expenses	(2,438,998)	(2,408,044)
Exploration write off	(15,339)	(15,425)
Finance Costs	-	(1,598,475)
Employee benefits expense	(1,909,553)	(2,219,855)
Work-over preparation geological and geophysical expenses	(1,111,762)	(1,166,272)
Jakarta administration	(726,328)	(699,160)
Consulting expenses	(239,599)	(336,179)
Share based payments	(344,043)	(349,012)
Other expenses	(1,419,496)	(1,303,182)
Loss before income tax from continuing operations	(3,354,403)	(3,529,985)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5: EARNINGS PER SHARE

	Consolidated	
	2014 Cents	2013 Cents
(a) Basic Earnings Per Share		
Profit/(Loss) from continuing operations attributable to the ordinary equity holders of the Company	(0.21)	(0.25)
(b) Diluted Earnings Per Share		
Profit/(Loss) from continuing operations attributable to the ordinary equity holders of the Company	N/A	N/A
(c) Weighted Average Number of Shares Used as the Denominator	2014 Number	2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,580,595,321	1,424,975,458
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,580,595,321	1,424,975,458

(d) Information Concerning the Classification of Securities

Rights

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6: DIVIDENDS

No dividend has been paid by the Group in respect of the year ended 30 June 2014. (2013: Nil)

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	2013
	\$	\$
(a) Reconciliation to cash at the end of the year		
Cash at bank and in hand	1,049,001	2,120,609
Restricted cash	460,986	-
Balances per statement of cash flows	1,509,987	2,120,609
(b) Interest rate risk exposure		
Weighted average interest rate exposure for 2014 is 2.525% (2013: 3.125%). The Group's and the Parent Entity's exposure to interest rate risk is discussed in Note 15.		
(c) Reconciliation of profit/(loss) after income tax to net cash flows provided by operating activities		
Profit / (loss) for the year	(3,354,403)	(3,529,985)
Non cash flows in operating loss:		
- Depreciation	86,109	90,521
- Impairment loss	55,494	15,425
- VAT refund rejections	53,561	170,179
- Effective interest charge	-	1,745,205
- Derivative non-cash charges	-	(335,369)
- Foreign exchange loss's	45,182	(237,477)
- Share based payments expense	344,043	349,012
Changes in operating assets and liabilities		
- (Increase)/decrease in trade debtors	(37,023)	1,176,337
- (Increase)/decrease in other receivables	237,625	805,953
- Increase/(decrease) in trade and other payables	(67,306)	(116,846)
- Increase/(decrease) in other provisions	59,046	316,944
Net cash (outflow)/inflow from operating activities	(2,577,672)	449,899

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014	2013
	\$	\$
Trade receivables		
Deferred gas sales and oil proceeds	841,231	804,207
GST recoverable	9,168	12,837
VAT recoverable	99,667	233,311
	<u>950,065</u>	<u>1,050,355</u>

- (i) the average credit period on sales of goods and rendering of services is 75 days and therefore all trade debtors are within their terms. No allowance has been made for estimated irrecoverable trade receivable amounts arriving from the past sale of goods and rendering of services, determined by reference to past default experience. No receivables have been impaired during the year.
- (ii) Due to the short term nature of these receivables, their fair value is deemed to be their carrying value.
- (iii) The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.
- (iv) Refer to Note 15 for more information on the risk management policy of the group and the credit quality of the group's trade receivables.

Past due but not impaired

As at 30 June 2014, VAT recoverable of \$0.100M (2013: \$0.233M) and condensate sales receivable \$0.249M (2013: nil) were past due but not impaired. These relate to VAT Tax receivable from operations in Indonesia. The ageing analysis of these trade and other receivables is as follows:

Up to 3 months	29,598	29,260
3 to 6 months	18,459	33,332
6 months and over	307,143	170,719
	<u>355,200</u>	<u>233,311</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	Plant and equipment \$	Total \$
Year ended 30 June 2013		
At 1 July 2012, net of accumulated depreciation and impairment	100,335	100,335
Additions	17,749	17,749
Disposals	-	-
Depreciation charge for the year	(90,521)	(90,521)
At 30 June 2013, net of accumulated depreciation and impairment	27,563	27,563
Year ended 30 June 2014		
At 1 July 2013, net of accumulated depreciation and impairment	27,563	27,563
Additions	71,321	71,321
Disposals	-	-
Depreciation charge for the year	(86,109)	(86,109)
At 30 June 2014, net of accumulated depreciation and impairment	12,775	12,775
At 30 June 2013		
Cost or fair value	2,090,790	2,090,790
Accumulated depreciation and impairment	(1,995,514)	(2,063,227)
Foreign exchange loss	(67,713)	-
Net carrying amount	27,563	27,563
At 30 June 2014		
Cost or fair value	2,123,953	2,123,953
Accumulated depreciation and impairment	(2,045,255)	(2,045,255)
Foreign exchange loss	(65,922)	-
Net carrying amount	12,775	12,775

Capital Expenditure Workover

All costs related with workover program in 2012/13 and capitalised additions in 2013/14 were expensed directly because there is no future economic benefit that flow to the entity due to expiry of the PSC. The 2012/13 workover program didn't increase the wells performance. Workover expenditure is allocated to TPI's cost recovery pool.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2014	2013
	\$	\$
Trade and Other Payables		
Trade payables (i)	300,777	365,666
Accrued expenses	99,925	137,867
Payroll liabilities	70,942	38,699
Under lifting – gas sales	444,140	319,173
Dividend payable in trust	7,044	7,044
Share buy-back funds in trust	6,771	6,771
Government share of oils sales	-	84,979
2% production revenue royalty payment	22,993	28,723
Employee entitlements (ii)	142,131	114,062
Funds held in trust pending share issues (iii)	460,986	-
	<u>1,555,710</u>	<u>1,102,984</u>

- (i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
- (ii) Employee entitlements have been classified as current as the group expects that all employee's will take their accrued leave within 12 months of balance date
- (iii) Post balance date, in July 2014 the Company placed the remaining 629,218,043 Shortfall Shares under the Shortfall Offer of the Non-renounceable Pro Rata Entitlements Issue that were not taken up by eligible shareholders under that Entitlement Issue at \$0.001 to raise a further \$629,218. At 30 June 2014, \$460,986 was held in trust relating to that issue.

NOTE 11: PROVISIONS

Non-current		
Provision for rehabilitation	349,013	349,013
	<u>349,013</u>	<u>349,013</u>

No additional provisions have been raised during the year

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2014	2013
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	-	-
Acquired as part of Triangle Energy Limited transaction	-	-
Expenditure incurred	15,399	15,425
Impairment of deferred exploration expenditure	(15,399)	(15,425)
Total deferred exploration and evaluation expenditure	-	-

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas. During the prior year, it was determined that the group's exploration targets were impaired, and therefore the full amount has been provided for. No further expenditure has been incurred on this asset during the year.

NOTE 13: ISSUED CAPITAL

Ordinary shares

1,424,975,458 (2013: 1,424,975,458) issued and fully paid shares	7,101,732	7,101,732
Share issues	1,906,018	-
Capital raising costs	(57,880)	-
Net equity	8,949,870	7,101,732

Movements in ordinary shares on issue

	No.	\$
At 1 July 2012	1,424,975,458	7,101,732
No share issues	-	-
At 30 June 2013	1,424,975,458	7,101,732
At 1 July 2013	1,424,975,458	7,101,732
Shares issued during the reporting period:		
September 2013 share placement	173,750,000	1,390,000
Capital raising costs	-	(57,880)
September 2013 vested performance rights	20,000,000	200,000
November 2013 share placement	13,750,000	110,000
December 2013 vested performance rights	2,000,000	18,000
June 2014 entitlements issue	188,018,881	188,018
At 30 June 2014	1,822,494,339	8,949,870

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: ACCUMULATED LOSSES AND RESERVES

	Consolidated	
	2014 \$	2013 \$
(a) Accumulated losses		
Movements in retained earnings / (accumulated losses) were as follows:		
Balance at beginning of financial year	(5,707,121)	(2,177,136)
Net profit for the year	(3,354,403)	(3,529,985)
Dividends	-	-
Balance at end of financial year	(9,061,524)	(5,707,121)
(b) Reserves		
Foreign currency translation reserve		
Balance at beginning of financial year	(1,265,598)	(1,260,187)
Gain/(loss) on translation of foreign controlled entities	101,482	(5,411)
Balance at end of financial year	(1,164,116)	(1,265,598)
Share based payment reserve		
Balance at beginning of financial year	2,048,196	1,699,184
Issue of 27,000,000 unlisted \$0.01 options	-	44,696
Amortisation of vested share rights	126,044	304,316
Balance at end of financial year	2,174,240	2,048,196
	1,010,124	782,598

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

Share Based Payment Reserve

The share based payment reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: FINANCIAL RISK MANAGEMENT

(a) Capital risk management

The Group's principal financial instruments comprise trade receivables, cash and short-term deposits. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

	Consolidated	
	2014	2013
	\$	\$
<hr/>		
(b) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	1,509,987	2,120,609
Trade and other receivables	841,231	804,207
Other financial assets	-	-
Financial liabilities		
Trade and other payables	1,413,579	988,922

(c) Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk) and liquidity risk. The Group seeks to minimise the effect of these risks, however it has not used derivative financial instruments to hedge these risk exposures to date. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and commodity prices.

(e) Foreign currency risk management

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

	Liabilities		Assets	
	2014	2013	2014	2013
	\$	\$	\$	\$
US dollars	-	-	107,207	238,768
Singapore dollars	11,133	54,073	-	-
	11,133	54,073	107,207	238,768

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis

The Group's core operations are located in Indonesia and are mostly exposed to US Dollar (USD). The group operates in South East Asia and there are occasional material transactions in Singapore Dollars (SGD).

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

	Impact +10% Consolidated		Impact -10% Consolidated	
	2014	2013	2014	2013
	\$	\$	\$	\$
Profit or loss				
US dollars ¹	11,358	26,107	(11,358)	(26,107)
Singapore dollars ²	943	6,849	(943)	(6,849)

¹ This is mainly attributable to the exposure outstanding on USD receivables and payables at year end in the Group. The Group's sensitivity to foreign currency during the period has increased due to the production in Indonesia where the oil and gas industry transacts in USD.

² This is attributable to the exposure outstanding on SGD payables at year end in the Group

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates non-derivative instruments at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At balance date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net profit would increase by \$2,087 and decrease by \$2,087 (2013: \$1,302) calculated on a weighted average interest rate of 2.525% (2013: 3.125%). This is mainly attributable to the Group's exposure to interest rates on cash deposits.

(f) Commodity price risk

The group is exposed to commodity price risk. This arises from being a producer of oil and gas and revenues will be determined by the market price of commodities.

Gas

- net profit would increase by \$421,745 and decrease by \$421,745 (2013: \$613,544) calculated on 10% variation in the price of crude oil. This is mainly attributable to the TPI's exposure to the market price for the commodity.

Oil

- net profit would increase by \$52,755 and decrease by \$52,755 (2013: \$49,342) calculated on 10% variation in the price of crude oil. This is mainly attributable to the TPI's exposure to the market price for the commodity.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading record to rate its major customers. Cash is only held with institutions of a rating of AA or above

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: FINANCIAL RISK MANAGEMENT (continued)

The Group trades only with recognised, credit worthy third parties. In Indonesia, trade receivables, (balances with oil and gas purchasers) have not exposed the Group to any bad debts to date.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(h) Liquidity risk management

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise.

The Group's liquidity position is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost effective manner. The Group is primarily funded through on-going cash flow, debt funding and equity capital raisings, as and when required. All cash and cash equivalents, debtors and trade and other payables mature within 6 months of balance date, and therefore their carrying value is the same as their contractual cashflows.

Management also regularly monitors actual and forecast cash flows to manage liquidity risk.

Contractual maturities of financial liabilities

	Less than 6 months \$	6 – 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 Years \$	Total contractual cash flows \$	Carrying Amount (assets)/ liabilities \$
At 30 June 2014							
Non-derivatives							
Trade payables	(1,413,579)	-	-	-	-	(1,413,579)	(1,413,579)
Total non-derivatives	(1,413,579)	-	-	-	-	(1,413,579)	(1,413,579)
At 30 June 2013							
Non-derivatives							
Trade payables	(988,922)	-	-	-	-	(988,922)	(988,922)
Total non-derivatives	(988,922)	-	-	-	-	(988,922)	(988,922)

(i) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments Measured at Fair Value

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

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

The Group does not have any financial instruments carried at fair value, and consequently does not have any Level 1, Level 2 or Level 3 financial instruments. There were no transfers between Level 1, Level 2 or Level 3 during the current or previous period.

NOTE 16: SHARE BASED PAYMENTS

TEG Employee Rights Plan

The establishment of the TEG Employee Rights Plan was approved by shareholders at the 2010 Annual General Meeting and approval was renewed at the 2013 Annual General Meeting. The Plan is designed to provide incentives for Directors, employees and consultants to deliver long-term shareholder returns. Under the plan, participants are granted share rights, some which may vest immediately and the remainder have vesting conditions with performance criteria. Current vesting criteria is as follows:

- The renewal of the PASE PSC;
- Other project acquisition criteria, and;
- 12 months service to 31 August 2014.

Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The share based payments expense recognised for employee and consultant services received during the year is shown in the table below:

	Consolidated	
	2014	2013
	\$	\$
Expense arising from equity-settled share-based payment transactions	344,043	349,012
Total expense arising from share-based payment transactions	<u>344,043</u>	<u>349,012</u>

During the 2014 year, the board granted rights to employees and consultants as per the following table:

Recipient	Number of Rights
(a) Rights that vest to ordinary shares immediately	22,000,000
(b) Rights that vest to ordinary shares upon PSC renewal*	14,000,000
(c) Rights that vest to ordinary shares upon other project acquisition criteria*	18,000,000
(d) Rights that vest to ordinary shares upon 12 months service to 31 August 2014*	5,000,000
	<u>59,000,000</u>

*The rights with performance criteria granted during the 2014 year all had 12 month expiry dates to 31 August 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 16: SHARE BASED PAYMENTS (continued)

Vesting criteria (b) and (c) above lapsed on 31 August 2014 and were cancelled. Vesting criteria (d) all vested to ordinary shares immediately.

During the 2013 year, the board did not grant any rights to Directors, employees or consultants.

Valuation

Rights granted to employees and consultants vesting immediately are valued at the closing share price of Triangle Energy (Global) Limited on the ASX on the acceptance date of the offer to recipients.

Rights issued in 2010 and 2011 to vest upon the award of the Pase PSC have been calculated proportionally from the acceptance date, to the expiry of the first extension of the PSC extended to 23 August 2012. Those rights were fully amortised to that date in the 2012/13 year.

Valuation inputs of Rights issued during the year are as follows:

Acceptance Date	Closing Share Price	Expiry Date	Vesting probability
19/08/2013	0.011	31/08/2014	30%
20/08/2013	0.011	31/08/2014	30%
21/08/2013	0.011	31/08/2014	30%
22/08/2013	0.011	31/08/2014	30%
29/08/2013	0.011	31/08/2014	30%
27/09/2013	0.008	31/08/2014	30%

NOTE 17: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on office premises. These leases have an average life of between 0 and 1 year with an option to renew. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Within one year	101,230	249,307	-	-
After one year but not more than five years	-	99,913	-	-
More than five years	-	-	-	-
	101,230	349,220	-	-

Finance lease and hire purchase commitments

The Group has no finance leases or hire purchase contracts for items of plant and machinery.

Remuneration commitments

The Group has no remuneration commitments arising from service contracts of key management personnel referred to in the Remuneration Report that are not recognised as liabilities and are not included in the key management personnel compensation.

Contingent Liabilities

The Directors are not aware of any contingent liabilities as 30 June 2014 (2013: none)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Triangle Energy (Global) Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest		Investment (\$'000)	
		2014	2013	2014	2013
Triangle Energy Limited	Australia	100	100	-	-
Triangle Pase Inc.	Cayman Islands	100	100	-	-
Triangle Energy (QLD) Pty Ltd	Australia	100	100	-	-
Aceh Global Energy Pte Ltd	Singapore	100	100	-	-

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

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

		Income from Related Parties	Expenditure Related Parties	Amounts Owed by Related parties	Amounts Owed to Related parties
Related party		\$	\$	\$	\$
Consolidated					
Entities with significant influence over the Group:					
Triangle Energy Limited	2014	-	-	-	3,204,301
Triangle Pase Inc		-	-	-	11,557,655
Triangle Energy Limited	2013	-	-	-	2,533,419
Triangle Pase Inc		-	-	-	11,294,377

Key management personnel compensation

	30 June 2014	30 June 2013
	\$	\$
Short-term employee benefits	1,449,741	1,694,506
Post-employment benefits	25,150	24,300
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	178,336	253,238
	1,653,227	1,972,045

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18: RELATED PARTY DISCLOSURE (continued)

	Consolidated	
	2014 \$	2013 \$
Transactions with related parties		
<i>Mandolin Pty Ltd</i> (Messers John Towner and Robert Towner are Directors)		
Management and consulting fees	354,167	425,000
Office rent (Perth)	-	25,000
<i>Cornerstone Corporate Pty Ltd</i> (Mr Robert Towner is a Director)		
Consulting fees	270,833	166,503
<i>PT Prestige Petroleum</i> (a company associated with Mr Steven Hamer)		
Consulting fees	13,345	22,000
<i>PT Himalaya Assets</i> (a company associated with Mr Steven Hamer)		
Consulting fees	22,242	22,000

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

For the year ended 30 June 2014, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties due to solid payment history (2013: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

Loans to related parties

At Balance Date, Triangle Energy (Global) Limited had borrowed \$3.204M from its wholly owned subsidiary Triangle Energy Limited to fund on-going operations (2013: \$2.533M). The loan is non-interest bearing and has no specific repayment date nor is it subject to any contract. The balance is eliminated on Group consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: PARENT ENTITY DISCLOSURES

Financial position

	Consolidated	
	30 June 2014	30 June 2013
	\$	\$
Assets		
Current assets	5,195,706	5,275,150
Non-current assets	-	-
Total assets	5,195,706	5,275,150
Liabilities		
Current liabilities	1,122,340	564,910
Non-current liabilities	3,204,301	2,533,419
Total liabilities	4,326,641	3,098,329
Equity		
Issued capital	20,331,726	18,483,587
Accumulated losses	(21,840,086)	(18,558,149)
Reserves		
Share based payment reserve	2,174,239	2,048,196
Foreign currency translation	203,186	203,186
Total equity	869,065	2,176,820

Financial performance

	Year ended 30 June 2014	Year ended 30 June 2013
	\$	\$
Loss for the year	(3,281,937)	(3,324,963)
Other comprehensive income	-	-
Total comprehensive loss	(3,281,937)	(3,324,963)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: EVENTS AFTER THE BALANCE DATE

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

- In July 2014, the Company advised that it had placed the remaining 629,218,043 Shortfall Shares under the Shortfall Offer that were not taken up by eligible shareholders under the Entitlement Issue at \$0.001 that closed in June 2014 undersubscribed. The Shortfall Shares raised a further \$629,218.
- In addition to closing the Entitlements Offer, in July 2014 the Company raised a further \$245,000 via a placement to sophisticated investors pursuant to Section 708 of the Corporations Act 2001 of 245,000,000 shares at \$0.001. The shares were issued pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1.
- On 16 July 2014, the Company held a general meeting of shareholders who approved the issue of shares to related parties and non-related parties in relation to the above capital raisings.
- In August 2014, the Indonesian Upstream Oil & Gas Regulator SKK Migas has confirmed that TPI should continue to operate the Pase PSC for a further 6 months or until a definitive operator is selected, what ever occurs first.

NOTE 21: AUDITOR'S REMUNERATION

The auditor of Triangle Energy (Global) Limited BDO Audit (WA) Pty Ltd

	Consolidated	
	2014	2013
	\$	\$
Assurance Services		
<i>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:</i>		
An audit or review of the financial report of the entity and any other entity in the Group	73,054	71,667
Non- Assurance Services		
<i>Amounts received or due and receivable by BDO Corporate Tax (WA) Pty Ltd for:</i>		
Australian Tax Compliance	26,622	8,329
Corporate advice	2,320	-
	101,996	79,996

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Triangle Energy (Global) Limited (the 'Company'):
 - a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

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



Edward Farrell
Chairman

Dated this 23th day of September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Triangle Energy (Global) Limited

Report on the Financial Report

We have audited the accompanying financial report of Triangle Energy (Global) Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Triangle Energy (Global) Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Opinion

In our opinion:

- (a) the financial report of Triangle Energy (Global) Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(c).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) to the financial statements, which indicate that the ability of the consolidated entity to continue as a going concern is dependent upon the grant of a new Pase PSC and various funding alternatives to meet its commitments including equity raising, convertible notes, debt or other sources of finance. These conditions, along with other matters as set forth in Note 1(a), 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 extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Triangle Energy (Global) Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Brad McVeigh

Director

Perth, 23 September 2014

ADDITIONAL INFORMATION

Additional information in accordance with Listing Rules of the ASX Limited.

Substantial Shareholder Information

Holder Name	Securities	%
MARILEI INTNL LTD	345,000,000	12.76%
JARRAD STREET CORP PL	317,547,860	11.74%
UCAN NOM PL	250,788,807	9.27%
SAS SOCHRASTEM	200,000,000	7.39%
ARNETT MICHAEL NORMAN	150,000,000	5.55%
	<u>1,263,336,667</u>	<u>46.71%</u>

The number of shares held by the substantial shareholders as at 9 September 2014.

Voting Rights

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

Distribution of Shareholders as at 9 September 2014

Spread of Holdings	Holders	Securities
NIL holding	0	0
1 - 1,000	76	25,459
1,001 - 5,000	60	154,495
5,001 - 10,000	28	207,485
10,001 - 100,000	318	17,021,221
100,001 - 9,999,999	591	2,687,303,722
TOTAL ON REGISTER	<u>1,073</u>	<u>2,704,712,382</u>

On 9 September 2014, 743 holders held less than a marketable parcel of \$500 worth of shares in the Company.

Top Twenty Shareholders as at 9 September 2014

Rank	Holder Name	Securities	%
1	MARILEI INTNL LTD	345,000,000	12.76%
2	JARRAD STREET CORP PL	317,547,860	11.74%
3	UCAN NOM PL	250,788,807	9.27%
4	SAS SOCHRASTEM	200,000,000	7.39%
5	ARNETT MICHAEL NORMAN	150,000,000	5.55%
6	PT PRESTIGE GLOBAL PETROL	81,849,207	3.03%
7	BULL KENNETH JOHN	72,000,000	2.66%
8	KKSH HLDGS LTD	64,138,249	2.37%
9	MAYBURY'S PL	51,459,090	1.90%
10	GLIZE S/F PL	50,000,000	1.85%
11	POUVOIR PL	40,066,667	1.48%
12	MANDOLIN PL	33,999,112	1.26%
13	CITICORP NOM PL	31,340,127	1.16%
14	WHITE DANIEL C M	30,000,000	1.11%
15	MILWAL PL	28,033,334	1.04%
16	J P MORGAN NOM AUST LTD	26,604,684	0.98%
17	ALL BAR 1 PL	26,571,792	0.98%
18	NATIONAL NOM LTD	20,973,800	0.78%
19	MSF NOM PL	19,499,999	0.72%
20	DARINA ENTPS PL	19,499,999	0.72%
	Twenty Largest Shareholders	<u>1,859,372,727</u>	<u>68.75%</u>
	Others	<u>845,339,655</u>	<u>31.25%</u>
		<u>2,704,712,382</u>	<u>100.00%</u>

ADDITIONAL INFORMATION cont'd

Employee Share Rights Holdings

Distribution of Rights holders as at 9 September 2013

Spread of Holdings	Holders	Securities
NIL holding	0	0
1 - 1,000	0	0
1,001 - 5,000	0	0
5,001 - 10,000	0	0
10,001 - 100,000	0	0
100,001 - 9,999,999	11	59,500,000
TOTAL ON REGISTER	11	59,500,000

Share Rights granted under Employee Rights Plan subject to performance vesting criteria.

Holder of 20% or more:

John Towner	15,000,000	25.21%
Duncan Nuttall	15,000,000	25.21%

Top Twenty Rights Holders as at 9 September 2014

Rank	Holder Name	Securities	%
1	JOHN TOWNER	15,000,000	25.21%
2	DUNCAN NUTTALL	15,000,000	25.21%
3	ROBERT LEMMEY	10,000,000	16.81%
4	DUNCAN NUTTALL	8,000,000	13.45%
5	TONY ANSON	3,000,000	5.04%
6	DARREN BROMLEY	2,000,000	3.36%
7	JEANETTE RADICI	2,000,000	3.36%
8	DJAKFAR HUSEIN	2,000,000	3.36%
9	WITAN ODAKAR	1,000,000	1.68%
10	ERRY GUNARSO	1,000,000	1.68%
11	IQBAL ASSAAT	500,000	0.84%
		59,500,000	100.00%

Unlisted Option Holdings

27,000,000 Unlisted Options exercisable at \$0.01 expiring 26 September 2014 are held by Standard Chartered Private Equity Limited.