

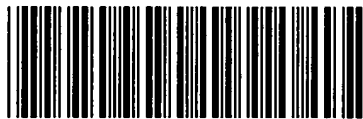
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ALTONA ENERGY PLC

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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ALTONA ENERGY PLC

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ALTONA ENERGY PLC

CORPORATE INFORMATION

DIRECTORS	Qinfu Zhang (Executive Chairman and Chief Executive Officer) Phillip Sutherland (Non-Executive Director) Nicholas Lyth (Non-Executive Director) Chi Ma (Non-Executive Director)
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SECRETARY AND REGISTERED OFFICE	Stephen Ronaldson Third Floor 55 Gower Street London WC1E 6HQ
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INDEPENDENT AUDITOR	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
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NOMINATED ADVISER & BROKER	Northland Capital Partners Ltd 131 Finsbury Pavement London EC2A 1NT
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BANKERS	HSBC Bank Plc 39 Tottenham Court Road London W1T 2AR
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REGISTRARS	Share Registrars Limited Suite E, First Floor 9 Lion & Lamb Yard, Farnham Surrey GU9 7LL
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ALTONA ENERGY PLC

Chairman's Statement

The 12 months under review was a period of mixed fortunes for the Company, with a number of important milestones reached, offset against the delay caused by the need for the JV Company to obtain a Petroleum Exploration Licence ("PEL") before work can commence at the Arckaringa Project. The JV Company submitted the relevant application after the year end on 17 October 2016.

The Company's main investment in the Arckaringa Basin, South Australia, remains a world class coal asset, exceeding 7.8 billion tonnes of coal (1.3 billion tonnes JORC compliant) and the Company, along with Sino-Aus and Wintask (together the "JV Partners") continue to have the support of The Honourable Tom Koutsantonis MP, the South Australian Minister for Mineral Resources and Energy, and Minister for State Development.

The past 12 months have been focused on securing adequate funding for the project and by engaging with the appropriate experts who will work alongside the JV Company to ensure a timely delivery of the test drilling programme and bankable feasibility study ("BFS"), once all approvals are received from the South Australian Government.

Following an agreement by the JV Partners in April of this year to commence the BFS, the JV Company appointed mining engineering specialists, Parsons Brinckerhoff (Australia), tasking them to develop a programme to assess the quantum and quality of the coal resource at varying depths and also to undertake a technology review to determine the best Underground Coal Gasification ("UCG") technology available and applicable to the project, once it commences. These reports were completed over the summer leaving the JV Company in a position of immediate readiness, once the PEL is granted.

As per the Deed of Variation, which was signed on 5 November 2015, and is an amendment to the original Joint Venture Agreement, Sino-Aus completed a subscription for £0.5 million of Altona shares on 28 January 2016. Further, Sino-Aus completed its first tranche financial contribution to the JV Company between 12 and 21 April 2016, of AUD\$5.4 million. Due to the delays mentioned above associated with the PEL application, on 28 July 2016 the JV Company agreed that Sino-Aus could remove AUD\$5 million from the JV bank account, to invest in short-term instruments, until the PEL is granted.

On 24 March 2016, Mr Chi Ma, a representative of Sino-Aus was appointed to the board of Altona, strengthening the ties between the two companies.

Financial Review

During the period under review the Group made a profit of £38,000 (2015: loss £1,312,000), which was principally created by two non-cash credits to the income statement. The first followed the confirmation from HMRC that its enquires, in relation to potentially underpaid tax estimated at approximately £790,000 concerning fees paid on a gross basis to a company controlled by a previous board member, have concluded with the Company having no outstanding liabilities to HMRC in the matter. Accordingly the Company has released the provision in full resulting in a non-cash credit to the income statement.

Eliminating this non-cash entry results in an adjusted loss for the year ended 30 June 2016 of £765,000 (2015: loss of £1,312,000). This was in line with expectations having initiated cost cutting initiatives during the year that were planned to ensure shareholder's funds stretch as far as possible. As at 30 June 2016, the Group had cash of £362,000 (2015: £543,000).

ALTONA ENERGY PLC

Chairman's Statement (continued)

Financial Review (continued)

In addition to the cost cutting initiatives undertaken in the year the Group has reviewed its cost base and has cut further cost from the business in order to allow the Group to continue to meet its obligations whilst it secures the necessary PEL. The impact of these cost cutting measures is expected to result in a business that is appropriately structured to continue to control and influence its interest in the activities of the joint venture project.

Post Balance Sheet Events

A new Deed of Variation was signed by the JV Partners on 6 September 2016, providing revised terms for Sino-Aus to subscribe for a second tranche of Altona shares and also return AUD\$5 million of funding into the JV Company. Both events will be triggered by the granting of the PEL, confirmation from WSP-Parson Brinckerhoff that all permits necessary to commencing a UCG test drilling project have been received, and consent from the South Australian Government. A second tranche contribution by Sino-Aus (AUD\$ 5.4 million) and Wintask (AUD\$ 600,000) into the JV Company will happen within 180 days following the above actions.

Outlook

The Altona board, despite the setback to the JV Company in the year, remain confident that it will be granted the necessary PEL by the South Australian Government. The region is currently undergoing an economic downturn and regularly experiences power shortages, suggesting that a significant asset such as Arckaringa would be given high priority by the government in order to provide a large number of new jobs for the lifetime of the project and to provide a long-term energy supply for the region.

While the board is unable to provide an accurate timetable of events for the next six months, it is hopeful that by the end of Q1 2017 it will be in a position to update shareholders with a plan for the initial test drilling programme at Arckaringa.

Qinfu Zhang

Executive Chairman

1 December 2016

ALTONA ENERGY PLC

STRATEGIC REPORT

PRINCIPAL ACTIVITY

The principal activity of the Group is the development of its Arckaringa Coal Project in South Australia.

BUSINESS RISK REVIEW

Principal business risks

The Directors have identified the following principal risks in relation to the Group's future. The relative importance of risks faced by the Group can, and is likely to, change as the Group executes its strategy and as the external business environment evolves.

Strategic

Strategy risk

The Group's strategy may not deliver the results expected by shareholders. The Directors regularly monitor the appropriateness of the strategy, taking into account both internal and external factors, together with progress in implementing the strategy, and modify the strategy as may be required based on developments. Key elements of this process are the Group's monthly reporting and regular Board meetings.

Concentration risk

The Group has one core asset being the Arckaringa Project. The Board has entered into the joint venture with Sino-Aus and Wintask to share the risk of a single-asset portfolio.

Operational

Development risk

The Arckaringa Project may not result in commercial development. There is no certainty of success from the existing portfolio of licences. The Group seeks to mitigate the development risk through the experience and expertise of the Group's specialists and the Group's partners in the Arckaringa joint venture.

Other business risks

In addition to the current principal risks identified above and general business risks, the Group's business is subject to risks inherent in hydrocarbon development and production activities. There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. The Group has identified certain risks pertinent to its business including:

Strategic and Economic

- Failure to deliver on strategy and plans
- Business environment changes
- Limited diversification

Operational

- Failure to add value through development
- Difficulty in obtaining, maintaining or renewing Licences/ Approvals

Commercial

- Failure to maximise value from Arckaringa
- Loss of interest in key assets
- Regulatory compliance and legal

Human Resources and Management Processes

- Failure to recruit and retain key personnel
- Human error or deliberate negative action
- Inadequate management processes

Financial

- Restrictions in capital markets impacting available financial resource
- Cost escalation and budget overruns
- Fraud and corruption

ALTONA ENERGY PLC

STRATEGIC REPORT (continued)

The Directors regularly monitor such risks, using information obtained or developed from external and internal sources, and will take actions as appropriate to mitigate these. Effective risk mitigation may be critical to the Group in achieving its strategic objectives and protecting its assets, personnel and reputation. The Group assesses its risk on an ongoing basis to ensure it identifies key business risks and takes measures to mitigate these. Other steps include regular Board review of the business, monthly management reporting, financial operating procedures and anti-bribery management systems. The Group reviews its business risks and management systems on a regular basis.

BUSINESS REVIEW

The developments during the year are detailed in the Chairman's Statement on pages 3 to 5.

KEY PERFORMANCE INDICATORS

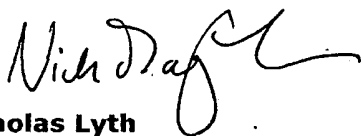
The key performance indicators in assessing the completion of this activity that are monitored on a regular basis are:

- Progress of Bankable Feasibility Study and monitoring licence commitments and environmental compliance
- Cash management – sufficient to meet its commitments

Pursuant to the signing of the recently announced JV, it has been agreed that Sino-Aus and Wintask will fund the initial A\$33million of expenditure towards the BFS.

The Group cash at 30 June 2016 was £362,000 (2015: £543,000).

On behalf of the Board:



Nicholas Lyth

Director

1 December 2016

ALTONA ENERGY PLC

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited financial statements of the Group and the Company for the year ended 30 June 2016. Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes the principal activity, business review and principal risks and uncertainties.

COMPANY FORMATION

Altona Energy Plc is a publicly listed company incorporated and domiciled in England & Wales. The Group's principal subsidiaries are all registered in Australia. The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange.

DIVIDENDS

The Directors do not recommend payment of a dividend (2015: £Nil).

FINANCIAL RISK MANAGEMENT

Note 2 of the financial statements details the financial risk factors affecting the Group and summarises the Group's policies for mitigating such risks through holding and issuing financial instruments. These policies have been followed during the current and prior year.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Group and the Company during the year and their interests in the ordinary share capital of the Company were:

	Number of ordinary shares		Number of Options	
	30 June 2016*	30 June 2015*	30 June 2016*	30 June 2015*
Phillip Sutherland	-	940,564	-	3,000,000
Qinfu Zhang ¹	-	-	-	3,500,000
Nicholas Lyth	-	-	-	-
Chi Ma ²	-	-	-	-

¹ Qinfu Zhang is beneficially interested in 230,000,000 shares through Wintask Group Limited

² Chi Ma was appointed on 24 March 2016 and is the representative Director of Sino-Aus Energy Group Limited, which is interested in 100,000,000 shares.

*Or later date of appointment

THIRD PARTY INDEMNITY INSURANCE

The Company and Group provides Directors' and Officers' liability insurance at a cost of £6,500 (2015: £6,500).

POST REPORTING DATE EVENTS

Details of post reporting date events are disclosed in Note 19 of the financial statements.

FUTURE DEVELOPMENTS

The future developments are detailed in the Chairman's Statement on pages 3 to 4.

ALTONA ENERGY PLC

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company raises money for exploration and capital projects as and when required. There can be no assurance that the Group's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects, the levels of production and financial returns arising therefrom may be adversely affected by factors outside the control of the Group.

On 5 November 2015 the Company announced that the Group had entered into a conditional agreement with Sino-Aus and Wintask to enter into a joint venture for the development of the Arckaringa Project, whereby they undertook to fund the BFS for the Arckaringa Project and the Group's licence commitments up to A\$33million, and to subscribe to acquire up to 100,000,000 shares to raise an additional £0.75million. As at the date of the approval of these financial statements, the ability of the Company, and therefore the Group, to continue as a going concern is dependent on securing shareholder approval for this transaction and completing the process to obtain the Petroleum Exploration Licence ("PEL") which will trigger the JV Partners investment into the JV entity (further details of this are included in note 19 to the financial statements) as well as ensuring that there are sufficient funds in place in the interim period. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. However, the Directors are confident that the PEL will be secured and fundraising will therefore complete as anticipated and, alongside existing working capital, the resources at the Group's and Company's disposal will be sufficient for the Group and Company to be able to meet their working capital requirements for a period of not less than 12 months from the date of the approval of this report.

The financial statements have therefore been prepared on a going concern basis and do not include the adjustments that would result if the Group and Company were unable to continue in operation. The auditor's report draws reference to this by way of an emphasis of matter.

AUDITOR

The Directors review the terms of reference for the auditor and obtain written confirmation that the firm has complied with its ethical code on ensuring independence. The level of fees charged is reviewed by the Board to ensure they remain competitive and to ensure no conflicts of interest arise. PKF Littlejohn LLP has indicated its willingness to continue in office as auditor of the Group.

REMUNERATION

The Group remunerates the Board at a level commensurate with the size of the Group and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Group with regard to this issue. Details of Directors' emoluments are set out in Note 6 to the Financial Statements.

CORPORATE GOVERNANCE

The Board of Directors is committed to the principles of good corporate governance, integrity and business ethics for all its activities. Under the rules of AIM, the Group is not required to comply with the UK Corporate Governance Code ("the Code"). Nevertheless, the Group has identified areas of the Code it considers relevant to the current size and nature of its operations. It does not seek to comply with all requirements of the Code. The Board is continuing to consider other aspects of the Code for appropriateness and these may be introduced when it becomes relevant for the Group to do so.

ALTONA ENERGY PLC

DIRECTORS' REPORT (continued)

The Board

The Board meets regularly throughout the year. To enable the Board to perform its duties, each of the Directors has full access to all relevant information and to the services of the Company Secretary. If necessary the Non-Executive Directors may take independent professional advice at the Group's expense. The Board currently includes three Non-Executive Directors. The Board has delegated specific responsibilities to the committees described below.

The Audit Committee

The Audit Committee currently comprises Phillip Sutherland (Chairman) and Nicholas Lyth, with two meetings held during the year ended 30 June 2016. The Committee reviews the Group's annual and interim financial statements before submission to the Board for approval. The Committee also reviews reports from Management and the external auditor on accounting and internal control matters. When appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment of, and reviews the fees of, the external auditor.

The Remuneration Committee

The Remuneration Committee currently is made up of Phillip Sutherland (Chairman) and Nicholas Lyth, with two meetings held during the year ended 30 June 2016. It is responsible for reviewing the performance of the Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the Group.

CONTROL PROCEDURES

The Board has approved financial budgets and cash forecasts. In addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

PROVISION OF INFORMATION TO AUDITOR

As far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken appropriate steps to ensure that they are aware of such relevant information, and that the Company's auditor is aware of that information.

ANNUAL GENERAL MEETING

This report and the Financial Statements will be presented to shareholders for their approval at the Company's Annual General Meeting ("AGM"). The Notice of the AGM will be distributed to shareholders together with the Annual Report.

On behalf of the Board:



Nicholas Lyth

Director

1 December 2016

ALTONA ENERGY PLC

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.



Nicholas Lyth

Director

1 December 2016

ALTONA ENERGY PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTONA ENERGY PLC

We have audited the Financial Statements of Altona Energy Plc for the year ended 30 June 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2016 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

ALTONA ENERGY PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTONA ENERGY PLC

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements in relation to the Group's and Company's ability to continue as a going concern. The ability of the Company, and therefore the Group, to continue as a going concern is dependent on raising further funds to meet its operational and capital commitments over the next twelve months. Although the Directors expect to obtain the Petroleum Exploration Licence and to raise funds within the necessary timeframe, there can be no guarantee that they will be able to do so.

As at the date of the approval of these financial statements, the ability of the Company, and therefore the Group, to continue as a going concern is dependent on conditions outside of the Company's direct control. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and Company to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were not to continue as a going concern.

Emphasis of matter – development and intangible asset

In forming our opinion on the financial statements which again is not modified in this respect, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the ability of the Group, through its JV Company, to obtain a Petroleum Exploration Licence so that work can commence at the Arckaringa project. In the event that this is unsuccessful, the expenditure capitalised (£11,221,000) in respect of this project will be subject to impairment testing. No adjustment has been made in relation to the carrying value of this capitalised expenditure in the financial statements of the Group or the carrying value of the Company's investment in and receivable from subsidiary undertakings if the expenditure capitalised is required to be impaired.

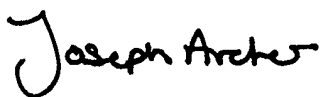
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Joseph Archer (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
1 December 2016

1 Westferry Circus
Canary Wharf
London E14 4HD

ALTONA ENERGY PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2016

		Group	
	Notes	2016 £'000	2015 £'000
Revenue		-	-
Administrative expenses		(765)	(1,313)
Reversal of provision	14	790	-
Total administrative expenses and profit/(loss) from operations	5	25	(1,313)
Finance income	4	1	1
Profit/(loss) before taxation		26	(1,312)
Tax credit	9	12	-
Profit/(loss) for the year attributable to the equity holders of the parent		38	(1,312)
Other comprehensive income			
Exchange differences on translating foreign operations that may be subsequently reclassified to profit or loss		1,471	(1,341)
Total comprehensive income attributable to the equity holders of the parent		1,509	(2,653)
Earnings per share expressed in pence per share			
- Basic attributable to the equity holders of the parent	8	0.005p	(0.17p)
- Diluted attributable to the equity holders of the parent	8	0.005p	(0.17p)

All of the above operations during the year are continuing.

The notes on pages 17 to 35 form part of these financial statements.

ALTONA ENERGY PLC

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
ASSETS					
Non-current assets					
Intangible assets	10	11,221	9,739	-	-
Investment in subsidiaries	11	-	-	1,432	1,432
Other receivables	12	3	2	10,712	9,091
Total non-current assets		11,224	9,741	12,144	10,523
Current assets					
Trade and other receivables	12	17	122	16	58
Cash and cash equivalents		362	543	357	509
Total current assets		379	665	373	567
TOTAL ASSETS		11,603	10,406	12,517	11,090
LIABILITIES					
Current liabilities					
Provisions	14	-	790	-	790
Trade and other payables	13	68	108	55	94
Total current liabilities		68	898	55	884
TOTAL LIABILITIES		68	898	55	884
NET ASSETS		11,535	9,508	12,462	10,206
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	15	892	792	892	792
Share premium	15	18,178	17,778	18,178	17,778
Merger reserve		2,001	2,001	2,001	2,001
Foreign exchange reserve		1,449	(22)	-	-
Retained deficit		(10,985)	(11,041)	(8,609)	(10,365)
TOTAL EQUITY		11,535	9,508	12,462	10,206

The financial statements were approved by the Board and authorised for issue on 1 December 2016 and signed on its behalf by:



Nicholas Lyth
Director

Registered number 05350512
(Incorporated in England and Wales)

The notes on pages 17 to 35 form part of these financial statements.

ALTONA ENERGY PLC

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2016

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Operating activities				
Profit/(Loss) for the year before taxation	26	(1,312)	1,738	(2,590)
Income tax	12	-	-	-
Finance income	(1)	(1)	(1)	(1)
Share based payments	18	(128)	18	(128)
Foreign exchange on loans to controlled entities	-	-	(1,592)	1,439
Decrease in receivables	43	113	42	113
(Decrease) / increase in payables	(40)	(47)	(40)	25
(Decrease) / increase in provisions	(790)	-	(790)	-
Cash used in operations	(733)	(1,375)	(625)	(1,142)
Income tax benefit received	63	43	-	-
Net cash used in operating activities	(670)	(1,332)	(625)	(1,142)
Investing activities				
Payments to acquire intangible assets	-	(35)	-	-
Loans to subsidiaries	-	-	(28)	(219)
Interest received	1	1	1	1
Net cash generated from/(used in) investing activities	1	(34)	(27)	(218)
Financing activities				
Proceeds from issue of shares	500	-	500	-
Net cash inflow from financing	500	-	500	-
Net decrease in cash and cash equivalents	(169)	(1,366)	(152)	(1,360)
Cash and cash equivalents at beginning of the year	543	1,913	509	1,869
Effect of exchange rate changes on cash and cash equivalents	(12)	(4)	-	-
Cash and cash equivalents at 30 June	362	543	357	509

The notes on pages 17 to 35 form part of these financial statements.

ALTONA ENERGY PLC

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2016

All attributable to equity holders of the parent

	Share capital	Share Premium	Merger reserve	Foreign exchange reserve	Retained deficit	Total equity
Group	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 July 2014	792	17,778	2,001	1,319	(9,601)	12,289
Loss for the year	-	-	-	-	(1,312)	(1,312)
Other comprehensive income	-	-	-	(1,341)	-	(1,341)
Share based payments	-	-	-	-	(128)	(128)
Balance at 30 June 2015	792	17,778	2,001	(22)	(11,041)	9,508
Profit for the year	-	-	-	-	38	38
Other comprehensive income	-	-	-	1,471	-	1,471
Issue of share capital	100	400	-	-	-	500
Share based payments	-	-	-	-	18	18
Balance at 30 June 2016	892	18,178	2,001	1,449	(10,985)	11,535

Company	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2014	792	17,778	2,001	-	(7,647)	12,924
Loss for the year	-	-	-	-	(2,590)	(2,590)
Share based payments	-	-	-	-	(128)	(128)
Balance at 30 June 2015	792	17,778	2,001	-	(10,365)	10,206
Profit for the year	-	-	-	-	1,738	1,738
Issue of share capital	100	400	-	-	-	500
Share based payments	-	-	-	-	18	18
Balance at 30 June 2016	892	18,178	2,001	-	(8,609)	12,462

The following described the nature and purpose of each reserve within owners' equity:

Reserve	Description and Purpose
Share Capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years.
Foreign exchange reserve	Cumulative translation differences of net assets of subsidiaries.
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

The notes on pages 17 to 35 form part of these financial statements.

ALTONA ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL INFORMATION

Altona Energy PLC is a public company which is listed on the Alternative Investment Market ('AIM') and is incorporated and domiciled in England & Wales, with registered number 05350512. The Company's financial statements for the year ended 30 June 2016 were authorised for issue by the Board on 1 December 2016 and the Statements of Financial Position were signed on the Board's behalf by Mr Nicholas Lyth.

The principal accounting policies are summarised below. They have been applied consistently throughout the year. The financial statements have been prepared on the historical cost basis.

BASIS OF PREPARATION

The financial statements are presented in Sterling, being the presentational currency of the Group and the functional and presentational currency of the Company. All values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

These financial statements have been prepared in accordance with IFRS as adopted for use in the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

GOING CONCERN

The Company raises money for exploration and capital projects as and when required. There can be no assurance that the Group's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects, the levels of production and financial returns arising therefrom may be adversely affected by factors outside the control of the Group.

On 5 November 2015 the Company announced that the Group had entered into a conditional agreement for Sino-Aus and Wintask to enter into a joint venture for the development of the Arckaringa project, whereby they undertake to fund the BFS for the Arckaringa Project and thereby the Group's licence commitments up to A\$33million, and to subscribe to acquire up to 100,000,000 shares to raise an additional £0.75million. As at the date of the approval of these financial statements, the ability of the Company, and therefore the Group, to continue as a going concern is dependent on securing shareholder approval for this transaction and completing the process to obtain the necessary regulatory and government approvals ensuring that there are sufficient funds in place for the interim period. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. However, the Directors are confident that the necessary shareholder approval will be secured and fundraising will therefore complete as anticipated and, alongside existing working capital, the resources at the Company's disposal will be sufficient for the Company to be able to meet its working capital requirements for a period of not less than 12 months from the date of the approval of this report.

The financial statements have therefore been prepared on a going concern basis and do not include the adjustments that would result if the Group was unable to continue in operation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NEW STANDARDS AND INTERPRETATIONS

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

(i) The following new standards, interpretations and amendments to published standards effective in the year have been adopted by the Group and Company:

International Accounting Standards (IAS/IFRS)		Effective date
IAS 27	Separate Financial Statements (2011)	1 Jan 2015
IAS 28	Investments in Associates and Joint Ventures (2011)	1 Jan 2015
IFRS 10	Consolidated Financial Statements	1 Jan 2015
IFRS 11	Joint Arrangements	1 Jan 2015
IFRS 12	Disclosure of Interests in Other Entities	1 Jan 2015

The adoption of these new standards did not have an impact on the financial statements other than in respect of disclosure.

(ii) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements and which have not been adopted early:

Standard	Impact on initial application	Effective date
IAS 1 (Amendments)	Presentation of Financial Statements - Disclosure Initiative	*1 January 2016
IAS 16 (Amendments)	Property, plant and equipment - Clarification of Acceptable Methods of Depreciation	*1 January 2016
IAS 27 (Amendments)	Separate Financial Statements	*1 January 2016
IAS 28 (Amendments)	Investments in Associates and Joint Ventures	*1 January 2016
IAS 28 (Amendments)	Accounting for Investments - Applying the Consolidation Exception	*1 January 2016
IAS 38 (Amendments)	Intangible Assets - Clarification of Acceptable Methods of Amortisation	*1 January 2016
IFRS 9 (Amendments)	Financial Instruments	1 January 2018
IFRS 10 (Amendments)	Consolidated Financial Statements - Investments in Associates and Joint Ventures	*1 January 2016
IFRS 10 (Amendments)	Consolidated Financial Statements: Applying the Consolidation Exception	*1 January 2016
IFRS 11 (Amendments)	Joint Arrangements - Accounting for Acquisition of Interests in Joint Operations	*1 January 2016
IFRS 12 (Amendments)	Disclosure of Interests in Other Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 15 (Amendments)	Revenue from Contracts with Customers	*1 January 2018
Annual Improvements	2012 - 2014 Cycle	*1 January 2016
IFRS 16	Leases	*1 January 2019

* Not yet endorsed by European Union.

The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material effect on the presentation, classification, measurement and disclosures of the Group's and Company's financial instruments; however its impact on the financial statements has not yet been assessed. The Group and Company are evaluating the impact of the remaining new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the Group's and Company's results or shareholders' funds.

NOTES TO THE FINANCIAL STATEMENTS (continued)

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as if they formed a single entity. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. Transactions and balances between group companies are eliminated.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Revised Business Combinations are recognised at their fair values at the acquisition date.

FOREIGN CURRENCIES

The presentation currency of the Group is UK Pounds Sterling. The functional and presentation currency of the Company is UK Pounds Sterling whereas the functional currencies of all other subsidiaries is Australian Dollars. Transactions entered into by Group entities in currency other than the currency of the primary economic environment in which they operate (the "functional" currency) are recorded at rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, the results of the operations are translated into Pounds Sterling at average rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at closing rate are recognised directly in equity (the "foreign exchange reserve").

Exchange differences recognised in the statement of comprehensive income of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Company or the overseas operation concerned.

NOTES TO THE FINANCIAL STATEMENTS (continued)

TAXATION

Current and deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the related tax is also dealt with in equity. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised, except for differences arising on investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of the deferred tax assets is restricted to those instances where it is probable that A taxable profit will be available against which the difference can be utilised.

Deferred tax is calculated based on rates enacted or substantively enacted at the reporting date and expected to apply when the related deferred tax asset is realised or liability settled.

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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

INTANGIBLE ASSETS - EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation expenditure in relation to each separate area of interest is recognised as an exploration and evaluation asset in the year in which it is 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 expenditure is expected to be recovered through successful development and exploration of the area of interest, or alternatively, by its sale, or
 - b) Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

INTANGIBLE ASSETS - EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation assets are assessed for impairment when facts or 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 (or the cash-generating unit(s) ('CGU') 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).

LEASING

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

FINANCIAL ASSETS

The only financial assets currently held by the Group are classified as loans and receivables and cash and cash equivalents. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in profit or loss. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents include cash in hand and other short term highly liquid investments with a maturity of three months or less. Any interest earned is accrued monthly and classified as finance income. Short term deposits comprise deposits made for varying periods of between one day and three months.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the asset and substantially all the risk and rewards of ownership of the asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FINANCIAL LIABILITIES

The Group classifies its financial liabilities into one category being other financial liabilities. At present, the Group does not have any liabilities classified as fair value through profit or loss or any of the other categories.

The Group's accounting policy for the other financial liabilities category is as follows:

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. All interest and other borrowing costs incurred in connection with the above are expensed as incurred and reported as part of financing costs in profit or loss.

Derecognition

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

INVESTMENTS IN SUBSIDIARIES

In its separate financial statements the Company recognises its investments in subsidiaries at cost, less any provision for impairment. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition. It also includes share based payments issued to employees of the Company for services provided to subsidiaries.

FINANCE INCOME

Finance income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial assets and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

MERGER RESERVE

The difference between the fair value of an acquisition and the nominal value of the shares allotted in a share exchange has been treated in accordance with the merger relief provisions of the Companies Act 2006 and accordingly no share premium for such transactions was required to be recognised, resulting in a credit to the merger reserve.

SHARE BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The equity-settled share-based payments are expensed to profit or loss or capitalised to investments or intangibles in the statement of financial position over a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

Where equity instruments are granted to persons other than employees, the profit or loss is charged with the fair value of goods and services received over a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest, except where it is in respect to costs associated with the issue of securities, in which case it is charged to the share premium account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

JOINT ARRANGEMENTS

Joint arrangements are when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interest in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement;
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the following are considered:

- The structure of the joint arrangement;
- The legal form of the joint arrangements structure through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Interests in joint operations are accounted for by accounting for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant IFRSs.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

1. Joint Arrangements

During the year the Group transferred its interest in its Arckaringa Coal Project tenements to a 100% owned entity called Arckaringa Coal Chemical Joint Venture Company Pty Limited ("Joint venture company"), which followed the signing of the revised joint venture agreement in November 2015 with Sino-Aus and Wintask ("the joint venture partners") to develop the Arckaringa coal project, pending receipt of the Petroleum Exploration License from the South Australian Government.

Also during the year under review, the joint venture company received the initial cash contributions from the joint venture partners but had not yet issued shares to the joint venture partners and at the year-end Altona continued to own 100% of the shares in the joint venture Company. As a result of this it was not considered that the joint venture has been formed as the required conditions had not been met. Therefore, the joint arrangement has been accounted for as a joint operation at the year end and the Group has accordingly not de-recognised the intangible assets held whilst at the same time it has not recognised its share of the cash contributions by the other parties.

2. Impairment of intangibles

In order for work to commence on the Arckaringa Project (the Group's key asset) a Petroleum Exploration Licence is required. The Group has not received any indication that they will not be successful in its application and develop this project. As such, the intangible assets capitalised in respect of this asset continue to be recognised in full and the Directors do not believe that an impairment charge is required.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The financial instruments were categorised as follows:

	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total £'000
Group 30 June 2016			
Assets as per statement of financial position			
Trade and other receivables	2	-	2
Cash and cash equivalents	362	-	362
	<u>364</u>	<u>-</u>	<u>364</u>

Liabilities as per statement of financial position

Trade and other payables	-	68	68
	<u>-</u>	<u>68</u>	<u>68</u>

Group 30 June 2015

	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total £'000
Assets as per statement of financial position			
Trade and other receivables	45	-	45
Cash and cash equivalents	543	-	543
	<u>588</u>	<u>-</u>	<u>588</u>

Liabilities as per statement of financial position

Other financial liabilities – non-current	-	790	790
Trade and other payables	-	108	108
	<u>-</u>	<u>898</u>	<u>898</u>

Company 30 June 2016

	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total £'000
Assets as per statement of financial position			
Trade and other receivables	2	-	2
Cash and cash equivalents	357	-	357
	<u>359</u>	<u>-</u>	<u>359</u>

Liabilities as per statement of financial position

Trade and other payables	-	55	55
	<u>-</u>	<u>55</u>	<u>55</u>

Company 30 June 2015

	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total £'000
Assets as per statement of financial position			
Trade and other receivables	-	-	-
Cash and cash equivalents	509	-	509
	<u>509</u>	<u>-</u>	<u>509</u>

Liabilities as per statement of financial position

Provisions	-	790	790
Trade and other payables	-	13	13
	<u>-</u>	<u>803</u>	<u>803</u>

The Group's financial instruments comprise cash and sundry receivables and payables that arise directly from its operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. FINANCIAL INSTRUMENTS (continued)

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below. There have been no substantial changes to the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

There is no significant difference between the carrying value and fair value of receivables, cash and cash equivalents and payables.

Credit Risk

Credit risk refers to the risk that a counter party 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, as assessed by the Directors using relevant available information.

Credit risk also arises on cash and cash equivalents and deposits with banks and financial institutions. The Group's cash deposits are only held in banks and financial institutions which are independently rated with a minimum credit agency rating of A.

There were no bad debts recognised during the year and there is no such provision required at the reporting date.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Short term payables are classified as those payables that are due within 30 days. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain liquid cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

Currency risk

The functional currencies of the companies in the Group are Pounds Sterling and Australian Dollars. The Group does not hedge against the effects of movements in exchange rates. These risks are monitored by the Board on a regular basis.

The following table discloses the year end rates applied by the Group for the purposes of producing the financial statements:

Foreign currency units to £1.00 GBP	Australian Dollar
At 30 June 2016	1.79
At 30 June 2015	2.05

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Australian Dollar	14	95	8	46

The impact of a 20% (2015: 20%) fluctuation in the value of the Australia Dollar would result in net translation gains or losses of £1,200 (2015: £9,800) movement in profit or loss and net assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2. FINANCIAL INSTRUMENTS (continued)**

The only monetary asset the Company has is the intercompany loan. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	
	2016 £'000	2015 £'000
Australian Dollar	11,144	9,826

A 20% (2015: 20%) fluctuation in the value of the Australian Dollar would result in a net translation gain or loss of £2,229,000 (2015: £1,638,000).

Interest rate risk

The Group and Company finance operations through the issue of equity share capital.

The Group and Company manages the interest rate risk associated with the Group and Company cash assets by ensuring that interest rates are as favourable as possible, whether this is through investment in floating or fixed interest rate deposits, whilst managing the access the Group and Company requires to the funds for working capital purposes.

The interest rate profile of the Group's cash and cash equivalents was as follows:

	Pound Sterling £'000	Australian Dollar £'000	Total £'000
30 June 2016			
Cash at bank floating interest rate	357	5	362
	Pound Sterling £'000	Australian Dollar £'000	Total £'000
30 June 2015			
Cash at bank floating interest rate	509	34	543

At the reporting date, cash at bank floating interest rate is accruing weighted average interest of 0.05% (2015: 0.05%) As required by IFRS 7, the Group has estimated the interest rate sensitivity on year end balances and determined that a two percentage point increase or decrease in the interest rate earned on floating rate deposits would have caused a corresponding increase or decrease in net income in the amount of £7,000 (2015: £27,000).

Capital Management

The Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained losses as well as the reserves (consisting of the foreign currency translation reserve and merger reserve).

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company meets its capital needs by equity financing. The Group sets the amount of capital it requires to fund the Group's project evaluation costs and administration expenses. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

ALTONA ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. FINANCIAL INSTRUMENTS (continued)

The Company and Group do not have any derivative instruments or hedging instruments. It has been determined that a sensitivity analysis will not be representative of the Company's and Group's position in relation to market risk and therefore, such an analysis has not been undertaken.

Fair values

The fair values of the Group and Company's financial instruments approximates to their carrying value.

3. REVENUE AND SEGMENTAL INFORMATION

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 segment and that make strategic decisions, has been identified as the Board of Directors. The Group had no revenue during the period.

During the year ended 30 June 2016 the Group operated in one segment, being the evaluation of the Arckaringa coal to chemicals project in South Australia. The Parent Company serves as an administrative head office and is based in the United Kingdom. During the year ended 30 June 2016 the Group's operations spanned three countries, Australia, China and the United Kingdom. Included within the results of the administrative and corporate operations are the results of the Chinese branch. The activity of the Chinese branch did not breach the 10% level required to be separately analysed. As at 30 June 2016 the Chinese branch had closed.

Segment result

Continuing operations

Coal and Coal to chemicals project (Australia)
Administration and Corporate (United Kingdom)

Finance income
Profit/(Loss) before tax
Income tax credit
Profit/(Loss) after tax

Segment result	
2016	2015
£'000	£'000
(109)	(160)
178	(2,245)
69	(1,313)
1	1
70	(1,312)
12	-
82	(1,312)

The current and prior year share based payment charges are included within the UK and China segment result.

ALTONA ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. REVENUE AND SEGMENTAL INFORMATION (continued)

Segment assets and liabilities

	Non-Current Assets		Non-Current Liabilities	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Coal and Coal to chemicals project (Australia)	11,224	9,741	-	-
Administration and Corporate (United Kingdom)	-	-	-	-
Total of all segments	11,224	9,741	-	-

	Total Assets		Total Liabilities	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Coal and Coal to chemicals project (Australia)	11,229	9,839	13	13
Administration and Corporate (United Kingdom)	374	567	55	885
Total of all segments	11,603	10,406	68	898

Other segment information

	Depreciation and amortisation		Capital expenditure	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Continuing operations				
Coal and Coal to chemicals project (Australia)	-	-	-	35
Administration and Corporate (United Kingdom)	-	-	-	-
	-	-	-	35

4. FINANCE INCOME

	Group	
	2016 £'000	2015 £'000
Bank interest receivable	1	1

5. PROFIT/LOSS FROM OPERATIONS

	Group	
	2016 £'000	2015 £'000
This has been arrived at after charging/(crediting):		
Fees payable to the Company's auditor for the audit of the consolidated financial statements	16	16
Fees payable to the Company's auditor for other services:	4	4
Audit of subsidiaries		
Share based payments – Staff and Directors	18	(85)
Share based payments – Consultants	-	(2)
Staff (credit)/costs ¹	(367)	653
Operating lease charges – land and buildings	-	111

¹ Included in Staff costs is a credit for the reversal of the PAYE and national insurance provision. Further details on this provision are included in note 14.

ALTONA ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. STAFF COSTS (INCLUDING DIRECTORS)

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Salaries and fees	412	637	412	637
Release provision for PAYE/NIC	(790)	-	(790)	-
National insurance	11	16	11	16
Total staff costs	(367)	653	367	653

The Group averaged 7 employees during the year ended 30 June 2016 (2015:7 employees). The Company averaged 7 employees during the year (2015: 7 employees). Directors have been assessed as the only key management of the Group.

	Short term benefits £'000	Share based payments £'000	National insurance £'000	Total	
				2016 £'000	2015 £'000
Former Directors:					
Michael Zheng ¹	-	-	-	-	132
Christopher Lambert ²	-	-	-	-	51
Current Directors:					
Qinfu Zhang ⁵	180	7	-	187	128
Phillip Sutherland ⁵	60	3	-	63	67
Nicholas Lyth ³	30	7	3	40	2
Chi Ma ⁴	8	-	-	8	-
Total Key Management 2016	278	17	3	267	-
Total Key Management 2015	467	(87)	-	-	380

¹ Michael Zheng resigned as a Director on 17 April 2015; accordingly his share options were cancelled

² Christopher Lambert resigned as a Director 14 October 2014; accordingly his share options were cancelled

³ Nick Lyth was appointed as a Director on 15 June 2015

⁴ Chi Ma was appointed as a Director on 24 March 2016

⁵ Options granted in 2014 to Phil Sutherland and Qinfu Zhang were cancelled in the year resulting in a share based payment credit in the current year in respect of those cancelled options of £11,230 and £16,429 respectively.

The total amount payable to the highest paid director in respect of emoluments was £180,000 (2015: £132,000). No Directors exercised any share options during the year. The pension expense relates to compulsory superannuation in Australia.

7. PROFIT FOR THE FINANCIAL YEAR

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The Company's profit for the year was £1,738,000 (2015: loss of £2,590,000).

ALTONA ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. EARNINGS PER SHARE

The profit for the year attributed to shareholders is £38,000 (2015: loss of £1,312,000).

This is divided by the weighted average number of Ordinary shares outstanding calculated to be 835.1 million (2015: 792.0 million) to give a basic earnings per share of 0.005 pence (2015: basic loss per share of 0.17 pence).

In the current YEAR there were no potentially dilutive ordinary shares at the year end because the share price at year end was below the strike price of the potentially dilutive options and warrants. The potential future share issues that may dilute the profit/(loss) per share relate to options in issue disclosed at note 16.

In the prior year the inclusion of the potential ordinary shares would result in a decrease in the loss per share, which would be anti-dilutive and, as such, the effect of the dilution has not been applied in the calculation.

9. TAX

	Group	
	2016 £'000	2015 £'000
Current taxation		
Tax credit	12	-
Deferred taxation	-	-
Total tax credit	12	-
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before tax	38	(1,312)
Loss on ordinary activities at the Group standard rate of 22.40% (2015: 21.22%)	9	(278)
Effects of:		
Non-deductible expenses	(5)	(23)
Difference in overseas tax rates	(8)	(14)
Tax concession (research & development)	12	-
Tax losses (utilised)/ carried forward	4	315
Total tax credit for the year	12	-
Unprovided deferred tax asset:		
Group tax losses carried forward of £18,868,000 (2015: £18,895,000) multiplied by the standard rate of corporation tax 20% (2015: 20%) when it is probable that a taxable profit will be available in the foreseeable future, but in view of the uncertainty as to future profits, no deferred tax asset has been recognised as at 30 June 2016 (30 June 2015: nil).	3,773	3,779

Changes in tax rates and factors affecting the future tax charge

The Finance Act 2016 includes legislation reducing the main rate of corporation tax from 21% to 20% from 1 April 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)**10. INTANGIBLE ASSETS**

	Group	
	2016	2015
	£'000	£'000
Exploration and evaluation		
Cost		
At beginning of year	9,739	11,040
Additions	-	35
Currency translation adjustment	1,482	(1,336)
Carrying value at 30 June	<u>11,221</u>	<u>9,739</u>

During the year the Group transferred its interest in its Arckaringa Coal Project tenements to a 100% owned entity called Arckaringa Coal Chemical Joint Venture Company Pty Limited ("Joint venture company"), which followed the signing of the modified joint venture agreement in November 2015 with Sino-Aus and Wintask ("the joint venture partners") to develop the Arckaringa Coal Project.

During the year under review, the joint venture company received the initial cash contributions from the joint venture partners but had not yet issued shares to the joint venture partners. Accordingly at the year-end Altona continued to own 100% of the shares in the joint venture Company. Accordingly because the shares had not yet been issued to partners as at 30 June 2016, management consider that the appropriate accounting is to treat the joint arrangement as a joint operation.

Potential impairment

Intangible assets relate solely to the Arckaringa coal project. Before work can commence at this project a Petroleum Exploration Licence must be obtained. In the event that this is unsuccessful, there may be an indication of impairment of capitalised expenditure which could significantly reduce the carrying amount of this asset.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
	£'000	£'000
Cost		
Investments in subsidiaries – opening and closing balance	<u>1,432</u>	<u>1,432</u>

Subsidiaries of Altona Energy Plc	Country of Registration	Holding		Nature of Business
		2016	2015	
		%	%	
Direct				
Altona Australia Pty Ltd	Australia	100	100	Dormant holding Company
Indirect				
Arckaringa Energy Pty Ltd	Australia	100	100	Prior year evaluation of the Arckaringa Project
Arckaringa Coal Chemical Joint Venture Co Pty Ltd	Australia	100	100	Current year evaluation of the Arckaringa Project

NOTES TO THE FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Current				
Tax credit receivable	-	63	-	-
Taxes & Social security receivable	7	12	7	11
Prepayments and other receivables (i)	10	47	9	47
	<u>17</u>	<u>122</u>	<u>16</u>	<u>58</u>
Non-current				
Loans due from Group companies (ii)	-	-	10,712	9,091
Tenement bond	3	2	-	-
	<u>3</u>	<u>2</u>	<u>10,712</u>	<u>9,091</u>

- (i) Other receivables are non-interest bearing and generally repayable between 30-60 days. Included within other receivables is an amount for rent deposit which is refundable upon expiry of the lease.
- (ii) The loans to wholly owned subsidiaries are non-interest bearing and are repayable on demand, however payment is not anticipated to be within one year.

The other receivables remain within their contractual maturity at 30 June 2016 (30 June 2015).

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade payables	37	78	31	70
Accruals and other payables	31	30	24	24
	<u>68</u>	<u>108</u>	<u>55</u>	<u>94</u>

Trade and other payables are non-interest bearing and are normally settled on terms of 30 days from month end. The trade and other payables remain within their contractual maturity at 30 June 2016 and 30 June 2015.

ALTONA ENERGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROVISIONS

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current provision				
Taxes & Social Security	-	790	-	790

Following the cancellation of the enquiries with HMRC in respect of potentially underpaid tax the provision was released during the period.

15. SHARE CAPITAL

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<u>Allotted, called up and fully paid</u>				
891,956,853 ordinary shares of 0.1p each (2015: 791,956,853)	892	792	892	792

During the year the Company issued the following Ordinary 0.1 pence fully paid shares:

Date	Issue Price	Number of Shares	Nominal Value £'000	Share premium £'000
1 July 2014 and 2015	Closing balance	791,956,853	792	17,778
24 January 2016	Placing shares at 0.5p per share	100,000,000	100	400
30 June 2016	Closing balance	891,956,853	892	18,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued**16. SHARE-BASED PAYMENTS**

The Company periodically grants share options to employees, consultants and Directors, as approved by the Board. At 30 June 2016 and 30 June 2015, the following share options were outstanding in respect of the ordinary shares:

Year ended 30 June 2016

Grant Date	Expiry Date	Number of Options Outstanding at beginning of the year	Issued in Year	Forfeited / Expired / Cancelled	Exercised in Year	Number of Options Outstanding at end of the year	Exercise Price per Option
28.01.13	28.01.18	4,515,000	-	-	-	4,515,000	1.50p ¹
08.04.13	08.04.16	4,500,000	-	(4,500,000)	-	-	1.56p ¹
28.03.14	28.03.19	5,750,000	-	(5,750,000)	-	-	1.50p ²
28.03.14	28.03.19	5,750,000	-	(5,750,000)	-	-	3.00p ²
01.04.16	01.04.21	-	6,500,000	-	-	6,500,000	1.50p ³
01.04.16	01.04.21	-	6,500,000	-	-	6,500,000	1.50p ³
		20,515,000	13,000,000	(16,000,000)	-	17,515,000	

Year ended 30 June 2015

Grant Date	Expiry Date	Number of Options Outstanding at beginning of the year	Issued in Year	Forfeited / Expired / Cancelled	Exercised in Year	Number of Options Outstanding at end of the year	Exercise Price per Option
30.03.10	29.03.15	1,300,000	-	(1,300,000)	-	-	10.00p ¹
28.01.13	28.01.18	4,515,000	-	-	-	4,515,000	1.50p ¹
08.04.13	08.04.16	4,500,000	-	-	-	4,500,000	1.56p ¹
28.03.14	28.03.19	27,000,000	-	(21,250,000)	-	5,750,000	1.50p ²
28.03.14	28.03.19	27,000,000	-	(21,250,000)	-	5,750,000	3.00p ²
		64,315,000	-	(43,800,000)	-	20,515,000	

¹ – no vesting conditions or are fully vested at year end.

² – these options were subject to certain vesting conditions but were cancelled in the current year.

³ – The first 6,500,000 options vest on the first anniversary after the date of grant and the second 6,500,000 vests on the second anniversary of the date of grant.

The weighted average contractual life of share options outstanding at the end of the period was 3.9 years (2015: 3.5 years).

The highest and lowest market price of the Company's shares during the year was 0.275p and 1.3p respectively (2015: 1.225p and 0.39p). The share price at year end was 0.75p (2015: 0.5p).

17. COMMITMENTS

As at 30 June 2016, the Group had the following material exploration commitments:

The Group has three exploration tenements in South Australia. The exploration commitments relating to EL 4512 Wintinna, to EL 4511 Westfield and to EL 4513 Murloocoppie were transferred to the joint venture company. Under its recently signed joint venture agreement the Group expects that the exploration commitments of the licences will continue to be met by the joint venture company in the coming financial year. The total commitment under the existing licences is AU\$2,760,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. RELATED PARTY TRANSACTIONS

The key management personnel are considered to be the Directors. Details of their remuneration are included in Note 6 to the financial statements.

19. CONTROLLING PARTY

The directors consider that there is no controlling party.

20. POST REPORTING DATE EVENTS

On 28 July 2016 the Company announced that the Joint Venture Partners have agreed not to proceed with the second subscription by Sino-Aus for 100 million ordinary shares of Altona at the subscription price of 0.75 pence per share (to raise £750,000). Furthermore it was agreed among the Joint Venture Partners to return to Sino-Aus its first tranche payment of AUD\$5.4 million (less what has been already spent on the project). Sino-Aus will deposit the funds into short-term investment instruments, allowing it to generate a return.

On 6 September 2016 the Company entered into a deed of variation to the Joint Venture Agreement; the main amendments are detailed below.

Sino-Aus Second Tranche Subscription for Altona Shares

The JV Partners agreed that the second tranche subscription for Altona shares by Sino-Aus provides for Sino-Aus is to subscribe in cash 180 days from the Effective Date (as defined below) for 100 million Altona Shares:

- (i) at the average market price per share during a specified period preceding the Effective Date; or
- (ii) such other subscription price (if any) as shall have been agreed in writing between Sino-Aus and Altona.

Returned Funds

The AUD\$5 million temporarily returned to Sino-Aus by the JV Company in July 2016 will be repaid to the JV Company within 90 days of the Effective Date. The Effective Date is the earliest date on which the following conditions precedent are satisfied:

- (i) The continuance in force and effect of all necessary Australian Government consents which have been granted or issued prior to the date of the Deed of Variation and which relate to any of the transactions contemplated by the JV Agreement or the Arckaringa Project.
- (ii) The acquisition by the JV Company by whatever means of a PEL applicable to the Licensed Area or such part or parts of it as the JV Company may accept.
- (iii) Receipt by the parties of written confirmation from WSP-Parson Brinkerhoff that the JV Company has the necessary permits, including a PEL, to permit it to exploit coal deposits using UCG technology.
- (iv) The grant or issue of any additional Australian Governmental consents which may be necessary to implement the Arckaringa Project.

Further Contributions to the JV Company

Subject to satisfaction of the conditions precedent, the Second Contribution by Sino-Aus (AUD \$5.4 million, or such lesser figure as the Board of the JV Company may determine subject to a minimum of AUD \$4.86 million) and the Second Contribution by Wintask (AUD \$600,000), into the JV Company, will take place 180 days from the Effective Date or such earlier date as the Board of the JV Company may determine. The Third and Fourth Contributions by Sino-Aus and Wintask are payable in accordance with the current JV Agreement.