



ENERGY WORLD CORPORATION LTD.

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

ABN 34 009 124 994

**Preliminary Final Report
30 June 2012**

Appendix 4E

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

Results for announcement to the market

		2012 \$US'000	2011 \$US'000
Revenue	Up 31.96%	145,572	110,319
Profit before extraordinary items after tax attributable to members	Down 24.04%	21,163**	27,859*
Net Profit before extraordinary items for the period attributable to members	Down 24.59%	20,448**	27,114*
Dividends	Amount per security	Franked Amount per security	
Interim dividend	NIL	Nil	
Previous corresponding period	NIL	Nil	
Record date for determining entitlements to the dividend:		N/A	
Commentary on the results for the period The commentary on the results of the period is contained in the Review and Results of Operations included in the Financial Report.			

* 2011 includes foreign currency gain US\$7,352,000.

** 2012 includes foreign currency loss US\$357,000.

	30 June 2012	30 June 2011
Net Tangible Asset Backing		
Net tangible asset backing per ordinary security	\$0.27	\$0.25

Energy World Corporation Limited

ABN 34 009 124 994

Preliminary Financial Report

30 June 2012

Review and Results of Operations

This financial report is presented in US Dollars, the functional currency for the parent entity of EWC. Sales Revenue for the financial year was US\$145,572,000 (2011: US\$110,319,000) representing an increase of 31.96% (mainly due to the previously announced increase in gas price from our Indonesia operations).

Gross profit for the financial year was US\$75,056,000 (2011: US\$61,867,000) representing an increase of 21.32%.

Consolidated net profit for the financial year after income tax (including foreign exchange loss of US\$357,000) was US\$21,163,000 (2011: US\$27,859,000 including foreign exchange gain of US\$7,352,000).

Energy World Corporation Ltd and Its Controlled Entities
Consolidated Statement of Comprehensive Income
For The Year Ended 30 June 2012

	Notes	2012 US\$000	2011 US\$000
Sales Revenue	2	145,572	110,319
Cost of Sales		(70,516)	(48,452)
Gross profit		75,056	61,867
Other income		214	68
Insurance proceeds		-	1,856
Depreciation and amortisation expenses		(22,848)	(20,440)
Other expenses		(16,323)	(11,417)
Results from operating activities		36,099	31,934
Financial income		1,544	1,198
Financing expenses		(7,411)	(5,016)
Net financing expenses		(5,867)	(3,818)
Foreign currency exchange gain/(loss)		(357)	7,352
Profit/ (loss) before related income tax expense		29,875	35,468
Income tax expense		(8,712)	(7,609)
Net profit/ (loss) for the period		21,163	27,859
Other comprehensive income			
Net movement in cash flow hedges transferred to trading profit		(6,150)	229
Foreign currency translation		(552)	11,618
Other comprehensive income/ (loss) for the period, net of tax		(6,702)	11,847
Total comprehensive income/ (loss) for the period		14,461	39,706
Profit/ (loss) for the period is attributable to:			
Non-controlling interest		715	745
Owners of the parent		20,448	27,114
		21,163	27,859
Total comprehensive income for the period is attributable to:			
Non-controlling interest		456	745
Owners of the parent		14,005	38,961
		14,461	39,706
		2012	2011
		Cents	Cents
Basic earnings/ (loss) per share attributable to ordinary equity holders	3	1.18	1.74
Diluted earnings/ (loss) per share attributable to ordinary equity holders	3	1.18	1.74

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

Energy World Corporation Ltd and Its Controlled Entities
Consolidated Statement of Financial Position
As At 30 June 2012

	Notes	2012 US\$000	2011 US\$000
Current Assets			
Cash assets	13(b)	128,008	47,743
Cash held in reserve accounts	4	-	125,002
Trade and other receivables		21,668	28,927
Inventories		1,994	2,730
Prepayment		12,986	2,845
Total Current Assets		164,656	207,247
Non-Current Assets			
Cash held in reserve accounts	4	184,021	51,000
Oil and gas assets	7	86,162	82,715
Exploration and evaluation expenditure	8	45,970	47,111
Property, plant and equipment	9	459,674	387,971
Total Non-Current Assets		775,827	568,797
Total Assets		940,483	776,044
Current Liabilities			
Trade and other payables		38,842	35,748
Income tax payable		3,488	1,450
Interest-bearing borrowings	10	21,192	142,352
Derivative liabilities		2,150	526
Provisions		1,961	1,925
Total Current Liabilities		67,633	182,001
Non-Current Liabilities			
Interest-bearing borrowings	10	256,613	76,726
Deferred tax liabilities		45,132	56,111
Derivative liabilities		4,814	334
Provisions		5,083	4,396
Total Non-Current Liabilities		311,642	137,567
Total Liabilities		379,275	319,568
Net Assets		561,208	456,476
Equity			
Issued capital	11	466,805	376,534
Asset revaluation reserve		19,211	19,211
Cash flow hedge reserve		(5,891)	-
Foreign currency translation reserve		8,471	9,023
Retained profits/ (Accumulated losses)		64,373	43,925
Shareholders' equity attributable to members of Energy World Corporation Ltd		552,969	448,693
Outside equity interest in controlled entities		8,239	7,783
Total Shareholder's Equity		561,208	456,476

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

Energy World Corporation Ltd and Its Controlled Entities
Consolidated Statement of Changes in Equity
For The Year Ended 30 June 2012

	Issued capital US\$'000	Asset revaluation reserve US\$'000	Cash flow hedge reserve US\$'000	Foreign currency translation reserve US\$'000	Accumulated profits / (losses) US\$'000	Owners of the Parent US\$'000	Non - Controlling Interest US\$'000	Total Equity US\$'000
Balance at 1 July 2011	376,534	19,211	-	9,023	43,925	448,693	7,783	456,476
Profit for the period	-	-	-	-	20,448	20,448	715	21,163
Other comprehensive income	-	-	(5,891)	(552)	-	(6,443)	(259)	(6,702)
Total comprehensive income for the period	-	-	(5,891)	(552)	20,448	14,005	456	14,461
Issue of ordinary shares	92,968	-	-	-	-	92,968	-	92,968
Transaction costs on shares issued	(2,697)	-	-	-	-	(2,697)	-	(2,697)
Balance at 30 June 2012	466,805	19,211	(5,891)	8,471	64,373	552,969	8,239	561,208
Balance at 1 July 2010	376,534	19,211	(229)	(2,594)	16,811	409,733	7,038	416,771
Profit for the period	-	-	-	-	27,114	27,114	745	27,859
Other comprehensive income	-	-	229	11,617	-	11,846	-	11,846
Total comprehensive income for the period	-	-	229	11,617	27,114	38,960	745	39,704
Balance at 30 June 2011	376,534	19,211	-	9,023	43,925	448,693	7,783	456,476

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

Energy World Corporation Ltd and Its Controlled Entities
Consolidated Statement of Cash Flows
For The Year Ended 30 June 2012

	Notes	2012 US\$000	2011 US\$000
Cash Flows From Operating Activities			
Receipts from customers (GST inclusive)		153,572	108,978
Payments to suppliers and employees (GST inclusive)		(93,203)	(53,043)
Income tax paid		(17,653)	(9,633)
Insurance proceeds		6,850	1,581
Interest received		965	1,213
Net Cash Flows From Operating Activities	13(a)	50,531	49,096
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(83,219)	(10,821)
Payments for exploration and evaluation		(101)	(220)
Payments for oil and gas assets		(10,843)	(7,817)
Interest paid – Capitalised in Asset under Construction		(9,944)	(4,933)
Net Cash Flows Used in Investing Activities		(104,107)	(23,791)
Cash Flows From Financing Activities			
Transfer from /(to) restricted deposit and reserve accounts		(8,019)	1,766
Proceeds from issues of shares		92,968	-
Transaction costs on issues of shares		(2,697)	-
Borrowing transaction costs		(6,181)	(1,078)
Repayment of borrowings – related parties		(12,589)	(11,397)
Repayment of borrowings – other		(99,403)	(56,848)
Proceeds from borrowings – other		169,489	33,745
Interest paid - expensed		-	(2,558)
Net Cash Flows (Used In)/Generated from Financing Activities		133,568	(36,370)
Net Increase/ (Decrease) In Cash Held			
Cash at the beginning of the year		79,992	(11,064)
Cash at the beginning of the year		47,743	58,696
Net foreign exchange differences		273	111
Cash at the end of the financial year	13(b)	128,008	47,743

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

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

Certain comparative information has been reclassified.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Energy World Corporation Ltd and its controlled entities as at 30 June 2012.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements, less any impairment charges.

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

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

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

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(iii) Jointly Controlled Entities

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount

The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the consolidated statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

In the Company's financial statements, investments in joint venture entities are carried at cost.

(iv) Jointly Controlled Operations and Assets

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

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(d) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010:

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] effective 1 January 2010.

Annual Improvements Project

In May 2009 and June 2010 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group as at 30 June 2012:

- AASB 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in note 2.
- AASB 107 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(d) New Accounting Standards and Interpretations (continued)

statement of cash flows such that only exploration and evaluation expenditure that results in the initial recognition of an asset is included in investing activities.

- AASB 136 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
- AASB 124 (Revised): The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
 - (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
 - (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other;

A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Other amendments resulting from the Annual Improvements Project did not have any material impact on the accounting policies, financial position or performance of the Group.

(ii) *Accounting Standards and Interpretations issued but not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods and have not yet been applied in the financial statements. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(d) New Accounting Standards and Interpretations (continued)

- (i) *AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income* (effective from 1 July 2012)
This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. The consolidated entity has assessed there will be no impact on any amounts disclosed in the financial statements.
- (ii) *AASB 10 Consolidated Financial Statements* (effective from 1 January 2013)
AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and *UIG-112 Consolidation – Special Purpose Entities*. 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, impact of potential voting rights and when holding less than a majority voting rights may give control. The consolidated entity has assessed there will be no impact on any amounts disclosed in the financial statements.
- (iii) *AASB 11 Joint Arrangements* (effective from 1 January 2013)
AASB11 replaces AASB 131 *Interests in Joint Ventures* and *UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures*. 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 using proportionate consolidation. The consolidated entity has assessed there will be no impact on any amounts disclosed in the financial statements.
- (iv) *AASB 12 Disclosure of Interests in Other Entities* (effective from 1 January 2013)
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 and structured entities and subsidiaries with non-controlling interests. The consolidated entity has assessed there will be no impact on any amounts disclosed in the financial statements.
- (v) *AASB 13 Fair Value Measurement* (effective from 1 January 2013)
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. 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. The consolidated entity has assessed there is not expected to be a material impact to any amounts disclosed in the financial statements.
- (vi) *AASB 119 Employee Benefits* (effective from 1 January 2013)
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. 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. The consolidated entity does not expect any material impact as a result.
- (vii) *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from 1 January 2013)
AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of information that will enable users of an entity's financial statements to evaluate 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. The consolidated entity has assessed there will be no impact on any amounts disclosed in the financial statements.

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(d) New Accounting Standards and Interpretations (continued)

- (viii) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2001 Cycle (effective from 1 January 2013)
AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The consolidated entity does not expect any impact as a result of adoption.
- (ix) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2014)
AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. The consolidated entity has assessed there will be no impact on any amounts disclosed in the financial statements.
- (x) AASB 9 Financial Instruments (effective from 1 January 2015)
AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The consolidated entity does not expect any impact as a result of adoption.

(e) Property, Plant and Equipment

(i) Owned Assets

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

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

(ii) Leased Assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy 1(l)). The property held under finance leases and leased out under operating lease is classified as investment property and stated at fair value. Lease payments are accounted for as described in accounting policy 1(s). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property.

(iii) Depreciation

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

Buildings	14 to 20 years
Plant and Equipment	5 to 20 years

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(f) Oil and Gas Assets

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

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

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

(g) Exploration and Evaluation Expenditure

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

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

(h) Investments

The fair value of financial instruments classified as held for trading and available-for-sale represent their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the consolidated entity.

In measuring fair value, revaluation increments on a class of assets basis are recognised in the revaluation reserve except that amounts reversing a decrement previously recognised as an expense are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Investments in subsidiaries held by Energy World Corporation Ltd are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

(i) Trade and Other Receivables

Trade receivables are on from 28 to 40 days terms. Other receivables range from 30 to 90 days terms. Receivables are recognized initially at fair value, usually based on the transaction cost or face value. An allowance for impairment of receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Bad debts are written off as incurred.

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(j) Inventories

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

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

(k) Financial Assets

Financial assets within the scope of AASB 139 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

(ii) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivable are subsequently carried at amortised cost using the effective interest method less any allowance for impairment.

(iii) *Fair Value*

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

(iv) *Cash and Cash Equivalents*

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

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

(l) Impairment

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

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(l) Impairment (continued)

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

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

(i) Calculation of Recoverable Amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of Impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

(m) Interest-Bearing Borrowings

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

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(i) *Borrowing costs (continued)*

part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(n) **Financial Liabilities at Fair Value through Profit or Loss**

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

(o) **Employee Benefits**

(i) *Defined Contribution Superannuation Funds*

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

(ii) *Long-Term Service Benefits*

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

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

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

(iv) *Defined Benefit Plan*

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

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

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(p) Provisions

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

(i) Site Restoration

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

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

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

(q) Trade and Other Payables

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

(r) Revenue

(i) Goods Sold and Services Rendered

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

(ii) Interest

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

(s) Expenses

(i) Operating Lease Payments

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(s) Expenses (continued)

(ii) Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net Financing Costs

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

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

(t) Income Tax

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

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

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

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

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(u) Operating Segments

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

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

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

(v) Value-Added and Goods and Services Tax

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

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

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

(w) Significant Accounting Judgements, Estimates and Assumptions

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

(i) *Estimates of Reserve Quantities*

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

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

(ii) *Exploration and Evaluation*

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

The carrying amount of exploration and evaluation assets is disclosed in Note 8.

(iii) *Provision for Restoration*

The consolidated entity's policy for providing for restoration is discussed in Note 1(p).

(iv) *Impairment of Oil and Gas Assets*

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

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

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

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

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

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

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

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(x) Derivative financial instruments and hedging (continued)

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

(i) Fair value hedges

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

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

(ii) Cash flow hedges

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

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

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

(y) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes To The Financial Statements

For The Year Ended 30 June 2012

1. Summary of Significant Accounting Policies (continued)

(y) Foreign currency translation (continued)

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

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

2. Operating Segments

(a) Identification of reportable segments

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

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

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

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

(b) Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in this half year financial report and the annual financial report for the year ended 30 June 2012.

(c) Major customers

The Group supplies Indonesian Government agencies that combined account for 95% of external revenue (2011: 94%) The next most significant customer accounts for 4% (2011: 5%).

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

	2012 US\$'000	2011 US\$'000
Indonesia	138,166	103,186
Australia	7,406	7,133
Total revenue	145,572	110,319

Notes To The Financial Statements

For The Year Ended 30 June 2012

2. Operating Segments (continued)

(d) Segment revenue, expenses, assets and liabilities

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

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

	<u>Australia</u>				<u>Indonesia</u>				<u>LNG project development</u>		<u>Total</u>	
	<u>Oil & Gas</u>		<u>Power</u>		<u>Oil & Gas</u>		<u>Power</u>		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>				
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Sales revenue	1,588	2,028	5,819	5,105	37,158	24,698	101,007	78,488	-	-	145,572	110,319
Result												
Segment result	606	1,128	606	238	28,731	17,458	31,897	34,803	-	-	61,840	53,627
Depreciation and amortisation	(738)	(704)	(906)	(818)	(8,234)	(6,033)	(12,970)	(12,837)	-	-	(22,848)	(20,392)
Net financing cost											(5,867)	(3,818)
Unallocated corporate result											(2,893)	(1,300)
Foreign currency exchange gain											(357)	7,351
Profit before income tax											29,875	35,468
Income tax expense											(8,712)	(7,609)
											21,163	27,859
Non-controlling interest											(715)	(745)
Net profit attributable to owners of the parent											20,448	27,114
Other Comprehensive income/(loss)											(6,702)	11,847
Segment assets	38,895	40,952	6,345	7,549	144,601	127,527	283,455	191,152	242,422	220,130	715,718	587,310
Segment liabilities	(1,416)	(1,499)	(918)	(305)	(32,202)	(13,128)	(114,575)	(49,233)	(1,582)	(11,591)	(150,693)	(75,756)

Notes To The Financial Statements

For The Year Ended 30 June 2012

2. Operating Segments (continued)

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

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

Reconciliation of segment operating assets to total assets:

	2012 US\$'000	2011 US\$'000
Segment operating assets	715,718	587,310
Cash - Corporate	82,881	20,550
Cash held in reserve accounts	126,109	160,320
Prepayments and other	15,775	7,864
Total assets per the statement of financial position	940,483	776,044

Reconciliation of segment operating liabilities to total liabilities:

	2012 US\$'000	2011 US\$'000
Segment operating liabilities	150,693	75,756
Deferred tax liabilities	45,132	56,111
Interest-bearing borrowings	175,385	186,325
Provisions and other	8,065	1,376
Total liabilities per the statement of financial position	379,275	319,568

3. Earnings per Share (EPS)

The calculation of basic earnings per share for the year ended 30 June 2012 was based on the profit attributable to ordinary shareholders of \$20,448,000 (2011: \$27,114,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2012 of 1,729,439,896 (2011: 1,561,166,672).

	2012 US\$'000	2011 US\$'000
Earnings reconciliation		
Profit attributable to ordinary shareholders, basic and diluted earnings	20,448	27,114
	2012 Number	2011 Number
Weighted average number of shares used as a denominator		
Number for basic and diluted earnings per share	1,729,439,896	1,561,166,672
	2012 Cent	2011 Cent
Earnings per share basic and diluted – cent per share	1.18	1.74

Notes To The Financial Statements

For The Year Ended 30 June 2012

4. Cash Held in Reserve Accounts

	2012 US\$'000	2011 US\$'000
Cash held in reserve accounts - current	-	125,002
Cash held in reserve accounts – non-current	184,021	51,000
	184,021	176,002

As at 30 June 2012, cash of \$184,020,431 is held in reserve accounts for the following purpose.

- \$75,031,757 as security for payment to Standard Chartered Bank of the corporate facility (Note 10(e)(ii))
- \$51,003,995 as security for payment to HSBC of the corporate facility (Note 10(e)(iii))
- \$29,682,738 as Debt Service Accrual and Debt Service Reserve Sub Accounts (\$14,171,293), Transit Trust Clearing Account (\$8,220,855) and other reserve account (\$7,290,590) for PT Energi Sengkang (Note 10(d))
- \$28,096,547 as Debt Service Accrual and Debt Service Reserve Sub Accounts (\$3,519,031) and Collection Account (\$24,577,516) for Energy Equity Epic (Sengkang) Pty Ltd (Note 10(f))
- \$205,395 as Security Deposits made by Energy World Corporation Ltd (\$2,604); Australian Gasfields Limited (\$129,045); Central Energy Australia Pty Ltd. (\$71,053) and Energy Equity Epic (Sengkang) Pty Ltd. (\$2,693)

As at 30 June 2011, cash of \$176,002,448 is held in reserve accounts for the following purpose.

- \$74,818,133 as security for payment to Standard Chartered Bank of the corporate facility
- \$76,000,141 as security for payment to HSBC of the corporate facility
- \$9,502,000 as security for a letter of credit issued by Standard Chartered Bank for a gas turbine generator contracted by the Company to Siemens
- \$ 13,592,477 as Debt Service Accrual and Debt Service Reserve Sub Accounts for PT Energi Sengkang
- \$ 1,796,303 as Debt Service Accrual and Debt Service Reserve Sub Accounts for Energy Equity Epic (Sengkang) Pty Ltd.
- \$293,394 as Security Deposits made by Australian Gasfields Limited (\$134,583); Central Energy Australia Pty Ltd. (\$72,498) and Energy Equity Epic (Sengkang) Pty Ltd (\$86,313)

Notes To The Financial Statements

For The Year Ended 30 June 2012

5. Consolidated Entities

	<u>Ownership Interest</u>	
	<u>2012</u>	<u>2011</u>
Parent Entity		
Energy World Corporation Ltd		
Subsidiaries		
Active Subsidiaries		
Australian Gasfields Limited ^{^ x}	100	100
Central Energy Australia Pty Ltd ^{^ * x}	100	100
Central Energy Power Pty Ltd ^{^ x}	100	100
Central Queensland Power Pty Ltd ^{^ x}	100	100
Energy Equity Epic (Sengkang) Pty Ltd ^{* x}	100	100
Energy Equity LNG Pty Ltd ^x	100	100
Energy Equity Holdings Pty Ltd ^{* x}	100	100
Energy World Holdings (Cayman) Ltd ^z	100	100
Energy World L.N.G. (Queensland) Pty Ltd ^x	100	100
Energy World Operations Pty Ltd ^x	100	100
Energy World Petroleum Pty Ltd ^x	100	100
Epic Sulawesi Gas Pty Ltd ^x	100	100
Galtee Limited ^z	100	100
Sulawesi Energy Pty Ltd ^{* x}	100	100
PT Energi Sengkang ^(Incorporated in Indonesia)	95	95
Ventures Holdings Pty Ltd ^x	100	100
PT South Sulawesi LNG ^{x (Incorporated in Indonesia)}	100	100
Kerbridge Energy Pty Ltd ^x	100	100
Energy World (Hong Kong) Ltd ^(Acquired 13 March 2012)	100	Nil
	<u>Ownership Interest</u>	
	<u>2012</u>	<u>2011</u>
Non-Active / Dormant Subsidiaries		
Australian Energy Equity Pty Ltd ^x	100	100
Energy Equity (Biru) Pty Ltd ^x	100	100
Energy Equity (Bone Bay) Pty Ltd ^{* x}	100	100
Energy Equity (Gajah Besar) Pty Ltd ^{* x}	100	100
Energy Equity (Talang Babat) Pty Ltd ^x	100	100
Energy Equity (West Kimberley) Pty Ltd ^{^ x}	100	100
Energy Equity Asia Petroleum Pty Ltd ^x	100	100
Energy Equity Asia Pty Ltd ^x	100	100
Energy Equity India Holdings Pty Ltd ^x	100	100
Energy Equity India Power Pty Ltd ^x	100	100
Energy Equity Lematang Pty Ltd ^x	100	100
Energy Equity Pty Ltd ^x	100	100
Energy Equity Technology Pty Ltd ^x	100	100

Notes To The Financial Statements

For The Year Ended 30 June 2012

6. Joint Venture Interests

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

		Ownership Interest	
		2012	2011
		%	%
ATP-549P (Australia)	- Cypress JV	55.0	55.0
	- Solitaire JV	100.0	100.0
ATP-269P (Australia)		19.604	19.604
PEL 96 (Australia)		33.3	33.3
ATP-259P (Australia)		2.0	2.0

The principal activity of these joint ventures is the exploration and development of oil and gas prospects. For the financial year ended 30 June 2012, the contribution of the joint venture to the operating profit of the consolidated entity was \$606 thousand (2011: \$1,128 thousand).

7. Oil and Gas Assets

	2012	2011
	US\$'000	US\$'000
Opening balance	82,715	69,933
Transfers from exploration and evaluation expenditure	-	10,648
Additions	11,543	8,167
Amortisation	(8,096)	(6,033)
Closing balance	86,162	82,715

8. Exploration and Evaluation Expenditure

	2012	2011
	US\$'000	US\$'000
Opening balance	47,111	51,700
Transfers to oil and gas assets	-	(10,648)
Additions	101	345
Foreign currency translation	(1,242)	5,714
Closing balance	45,970	47,111

Notes To The Financial Statements

For The Year Ended 30 June 2012

9. Property, plant and equipment

	Freehold land US\$'000	Buildings on freehold land US\$'000	Plant and equipment US\$'000	Assets under construction US\$'000	Total US\$'000
Assets at Cost					
Balance at 1 July 2010	3,711	2,665	237,791	206,403	450,570
Additions	687	-	2,898	18,109	21,694
Foreign currency translation	163	93	10,537	-	10,793
Balance at 30 June 2011	4,561	2,758	251,226	224,512	483,057
Balance at 1 July 2011	4,561	2,758	251,226	224,512	483,057
Transfer	-	-	(6,852)	6,852	-
Additions	-	-	3,583	83,775	87,358
Foreign currency translation	(1)	(2)	(975)	-	(978)
Balance at 30 June 2012	4,560	2,756	246,982	315,139	569,437
Depreciation					
Balance at 1 July 2010	-	(550)	(73,394)	-	(73,944)
Depreciation charge for the year	-	(46)	(14,361)	-	(14,407)
Foreign currency translation	-	(216)	(6,519)	-	(6,735)
Balance at 30 June 2011	-	(812)	(94,274)	-	(95,086)
Balance at 1 July 2011	-	(812)	(94,274)	-	(95,086)
Depreciation charge for the year	-	(94)	(14,658)	-	(14,752)
Foreign currency translation	-	(1)	76	-	75
Balance at 30 June 2012	-	(907)	(108,856)	-	(109,763)
Carrying amount					
At 30 June 2011	4,561	1,946	156,952	224,512	387,971
At 30 June 2012	4,560	1,849	138,126	315,139	459,674

The borrowing costs capitalised to property, plant and equipment assets during the period amounted to \$9.9 million (2011: to \$8.36 million).

The Assets under construction comprise of \$58.93 million applicable to the PTES 120 MW Sengkang power plant expansion; \$226.04 million applicable to the Sengkang LNG plant development and \$30.17 million applicable to other projects.

Notes To The Financial Statements

For The Year Ended 30 June 2012

10. Interest-Bearing Liabilities

		2012 US\$'000	2011 US\$'000
Current			
Sengkang bank loan	(d)	-	5,000
PTES US\$200 million with Standard Chartered Bank and Mizuho Corporate Bank	(d)	11,970	-
US\$60 million Facility Agreement with Standard Chartered Bank and Mizuho Corporate Bank Limited	(e)(i)	-	25,000
US\$75 million Revolving Loan Facility Agreement with Standard Chartered Bank	(e)(ii)	-	74,704
US\$51 million Revolving Loan Facility Agreement with The Hong Kong and Shanghai Banking Corporation Limited	(e)(iii)	-	25,000
EEES US\$88 million Secured Borrowing Base Facility with Standard Chartered Bank and Mizuho Corporate Bank	(f)	9,222	-
Related Party Loan - EWI	(g)	-	12,648
Total current		21,192	142,352
Non-current			
Sengkang bank loan	(d)	-	26,620
PTES US\$200 million with Standard Chartered Bank and Mizuho Corporate Bank	(d)	77,166	-
US\$75 million Revolving Loan Facility Agreement with Standard Chartered Bank	(e)(ii)	74,544	-
US\$51 million Revolving Loan Facility Agreement with The Hong Kong and Shanghai Banking Corporation Limited	(e)(iii)	50,425	50,106
EEES US\$88 million Secured Borrowing Base Facility with Standard Chartered Bank and Mizuho Corporate Bank	(f)	54,478	-
Total non-current		256,613	76,726
Total interest-bearing liabilities		277,805	219,078

(a) Fair Value

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value.

(b) Assets Pledged As Security

All assets of the consolidated entity are pledged as security to the consolidated entities lenders. The form of security is a floating charge over all of the consolidated entity assets. There are no specific conditions on value of assets pledged.

(c) Default and Breaches

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

10. Interest-Bearing Liabilities (continued)

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

On 15 July 2011, PTES executed documentation relating to a US\$200.0 million term loan facility (the “**PTES Facility**”) in connection with the Sengkang Power Plant and the Sengkang Expansion. The existing lenders under the PTES Facility are Standard Chartered Bank and Mizuho Corporate Bank, Ltd. (who together are the mandated lead arrangers) and various other commercial banks, with Standard Chartered Bank (Hong Kong) Limited as facility agent and security agent during the period of this report. DEG (Germany), Proparco (France) and FMO (Holland) leading development finance institutions also became lenders under this facility in May 2012.

The PTES Facility is subject to semi-annual repayments of principal and payments of interest and will be fully repaid on 22 April 2022. PTES has already drawn down Facility A under the PTES Facility. Facilities B and C under the PTES Facility are available for drawing by PTES when all of the conditions precedent to drawings for these facilities have been satisfied. US\$105.0 million has been advanced under the PTES Facility, of which US\$93.5 million was outstanding as at 30 June 2012.

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

(e) Corporate Bank Loans Terms and Conditions

(i) US\$60,000,000 Facility Agreement with Standard Chartered Bank and Mizuho Corporate Bank Limited

The balance of the loan was repaid on 14 July 2011.

On 25 July 2008, the Company entered into a corporate loan facility with Standard Chartered Bank (SCB) and Mizuho Corporate Bank Limited (Mizuho) whereby SCB and Mizuho agreed to provide US\$60 million to debt fund part of the capital expenditure for the Sengkang LNG project or related projects (such as Sengkang power plant further expansion for the supply of electricity to the LNG project). The Company utilised US\$50 million from the facility as part payment for capital expenditure already committed and US\$10 million to support a Letter of Credit facility.

Interest was payable semi-annually at the rate of 2.50% per annum above the quoted six month LIBOR for US dollars for the first year; 2.75% per annum above the quoted six month LIBOR for US dollars for the second year; 3.00% per annum above the quoted six month LIBOR for US dollars for the third year. The facility was secured by the assignment of major equipment contracts already placed with Chart.

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

We obtained the US\$75.0 million 2008 SCB Corporate Revolving Loan Facility from Standard Chartered Bank on 22 October 2008. This facility was for a term of 3 years, and the interest rate applicable to borrowings under the facility was 0.5% over the bank’s cost of funds. Part of the facility was drawn down to repay the 2007 SCB Project Finance Facility. In October 2011, we extended the facility for 2 years past its original due date. As at 30 June 2012, the aggregate amount owed under the 2008 SCB Corporate Revolving Loan Facility was US\$74.7 million, and we held US\$75.0 million in reserve accounts as security for the facility.

Notes To The Financial Statements

For The Year Ended 30 June 2012

10. Interest-Bearing Liabilities (continued)

(e) Corporate Bank Loans Terms and Conditions (continued)

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

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

In June 2012, we extended the facility for a further period of 2 years. As at 30 June 2012, the aggregate amount we owed under the HSBC Corporate Revolving Loan Facility was US\$50.5 million.

(f) EEES New Secured Borrowing Base Facility Terms and Conditions

US\$88,000,000 Secured Borrowing Base Facility Agreement with Standard Chartered Bank and Mizuho Corporate Bank Limited

On 30 June 2011, EEES executed documentation relating to an US\$88.0 million secured revolving borrowing base facility (the “**EEES Facility**”) in connection with the Sengkang PSC. The lenders under the EEES Facility are Standard Chartered Bank and Mizuho Corporate Bank, Ltd. (who together are the mandated lead arrangers), with Mizuho Corporate Bank, Ltd. as agent and security trustee.

The EEES Facility is a borrowing base facility subject to semi-annual repayments of principal (calculated by reference to EEES’s projected net cashflow from the Sengkang PSC from time to time) and semi-annual or quarterly payments of interest and will be fully repaid on 31 December 2017 (or, if earlier, the date on which the quantities of hydrocarbon reserves attributable to the Sengkang PSC are projected to fall below 25% of the value of such reserves calculated as at the date of the EEES Facility). As at 30 June 2012, US\$64,499,000 million had been advanced under the EEES Facility. On 17 July 2012, EEES drew down an additional amount of US\$18,723,000 under the facility (which was used to fund ongoing developments in connection with the Sengkang PSC).

The EEES Facility is secured by substantially all of the assets and shares of EEES. Such secured assets include EEES’ interest in the Sengkang PSC, EEES’ receivables pursuant to the Gas Supply Agreement, the Gas Sale and Purchase Agreement and the Sengkang PSC and EEES’ bank accounts. Further, the Company and Epic Sulawesi Gas Pty Limited have agreed to subordinate their rights against EEES pursuant to a subordination deed entered into in favour of Mizuho Corporate Bank, Ltd. as security trustee.

(g) Related Party Loan

The related party loan was repaid during the year ending 30 June 2012 (2011: US\$12.6 million). On 18 November 2005 the shareholders at a general meeting accepted a loan facility with the Company’s major shareholder, Energy World International Limited (“EWI”). On 16 December 2011 A\$12,588,746 was repaid to EWI as a final settlement of its outstanding debt. This included a break fee of \$2.67 million which was in accordance with the 2005 signed agreement.

Notes To The Financial Statements

For The Year Ended 30 June 2012

11. Share Capital and Reserves

	2012	2011
	US\$000	US\$000
Issued capital	466,805	376,534
	2012	2011
Number of ordinary shares, issued and fully paid	1,734,166,672	1,561,166,672

Holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary. Refer to note 1(y).

Cash flow Hedge Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Asset Revaluation Reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of property, plant and equipment, land and buildings to the extent that they offset one another.

12. Contingent Liabilities

(a) BPMIGAS Participation

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

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

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

Notes To The Financial Statements

For The Year Ended 30 June 2012

12. Contingent Liabilities (continued)

(a) BPMIGAS Participation (continued)

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

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

(b) Intra-Group Loans

The Company has given an undertaking that we will not require loans that we have made to wholly owned and controlled entities to be repaid within a 12-month period from 31 August 2010 if doing so would place those entities in a position where they could not pay their debts as and when they fall due.

13. Notes to the Statements of Cash Flows

	2012 US\$'000	2011 US\$'000
(a) Reconciliation of the profit from ordinary activities after tax to the net cash flows generated from operations		
Profit from ordinary activities after tax	21,163	27,859
Add/(less) non-cash items		
Depreciation of non-current assets	22,848	20,440
Foreign currency (gain)/ loss	281	(7,352)
Financing expenses classified as investing cash flow	-	7,491
Amortisation of borrowing costs	384	-
Changes in assets and liabilities during the financial year		
(Increase)/decrease in receivables	7,259	(1,996)
(Increase)/decrease in prepayments	(2,120)	(472)
(Increase)/decrease in inventories	736	1,319
(Decrease)/increase in payables	8,198	137
(Decrease)/increase in deferred tax liability	(10,979)	-
(Decrease)/increase in income tax payable	2,038	-
(Decrease)/increase in provisions	723	1,670
Net cash generated from operating activities	50,531	49,096
(b) Reconciliation of cash		
For the purpose of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:		
Cash assets	128,008	47,743
Closing cash balance	128,008	47,743

Notes To The Financial Statements

For The Year Ended 30 June 2012

13. Notes to the Statements of Cash Flows (continued)

Cash assets include cash at bank and short-term deposits. Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash assets is US\$128 million (2011: US\$47.7 million).

14. Subsequent Events

On 17 July 2012, an additional loan amount of US\$18,723,000 was remitted to EEES, which resulted in a total loan drawdown of US\$83,222,000.

Annual Meeting

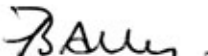
The annual meeting will be held as follows:

Place: Royal Automobile Club of Australia
89 Macquarie Street, Sydney NSW 2000
Date: 22 November 2012
Time: 10:00am

Approximate date the annual report will be available on or before 15 September 2012

Compliance Statement

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

Sign here:  Date: 31 August 2012
Director

Print name: Brian Allen