

TRIANGLE ENERGY

2012 ANNUAL REPORT



Triangle Energy (Global) Limited

And its controlled entities

ABN 52 110 411 428

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CORPORATE DIRECTORY

Directors

John E T Towner (Executive Chairman)
Robert Lemmey (Non-Executive Director)
Steven Hamer (Non-Executive Director)
Lewis Johnson (Non-Executive Director)

Company Secretary

Darren Bromley

Registered Office

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Email: admin@triangleenergy.com.au
Website: www.triangleenergy.com.au

Principal Places of Business

Australia: Unit 7, 589 Stirling Highway Cottesloe WA 6011 (Head Office)
Indonesia: Graha Mandiri 18th Floor, Jl. Imam Bonjol no. 61, Jakarta Pusat 10310

Bankers

Westpac Banking Corporation
275 Kent Street Sydney NSW 2000
Australia

National Australia Bank
197 St Georges Terrace Perth WA 6000
Australia

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

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

Securities Exchange Listing

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

Share Registry

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

Auditors

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

Solicitors

Resources Legal
1A Rosemead Road Hornsby NSW 2077
Australia

EXECUTIVE CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Board of Directors of your Company, I am very pleased to present the annual report of Triangle Energy (Global) Limited ("Triangle Energy") for 2011/12.

The 2011/12 year was one in which Triangle Energy focussed on production while also executing a significant work-over program and pursuing the continued renewal of the Pase PSC.

Production for the year was from three wells, A-1, A-5 and A-6 and totalled 842 MMcf, The scheduled work-over program commenced in late June 2011 and was successfully completed in early August 2011. The entire program was completed inside AFE days and within BP Migas budget constraints. The AFE has been officially closed out and audited with 95% cost recovery allocated to the PSC.

Throughout 2011/12 additional remedial work has continued in an attempt to increase gas production and reduce water production. Cement zonal isolation plugs have been inserted into Pase A1 in an attempt to reduce water flow, while stimulation with organic acid injection has been completed to open gas-bearing fractures.

Triangle Energy's wells are some of the highest temperature wells in Asia and are located in remote locations. Triangle Energy is extremely proud of its excellent safety record, having recorded no Lost Time Incidents since assuming production operations in July 2009, completing a full work over program and multiple live well intervention / stimulation projects.

Triangle Energy has also developed a reputation as a local employer of choice in Aceh. Triangle Energy is actively involved in corporate social responsibility activities in Aceh including education and medical facilities and directly employs more than 40 Acehnese workers

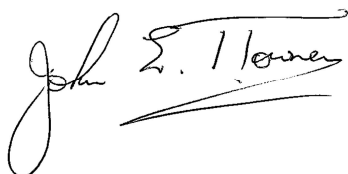
Pase PSC's exciting potential and exploration opportunities were a key factor in the decision to acquire this PSC. Triangle Energy's technical team have made significant progress during the financial year preparing an in field development well drilling program, with new wells from existing facilities targeting additional up dip gas reserves. These will commence upon a new Pase PSC being granted. The prospect and lead inventory is also undergoing a review, with 2D seismic reprocessing and 3D reprocessing of extensive infill prospects soon to be completed.

The Company's other significant focus during the years was its PSC renewal. Numerous discussions were held with regulatory bodies including BP Migas, Migas and the Aceh Government bodies regarding the renewal of the Pase PSC. Following the expiry of the PSC in February it was decided to pursue a new PSC rather than attempt to renew the existing PSC and a new company Aceh Global Energy Pte Ltd (AGE) was registered in Singapore for this purpose. It is a jointly owned by Triangle Energy (80%) and an Aceh Government Investment Company (20%) an entity wholly owned by the Government of Aceh for the operation of the Pase Block. This is the first partnership of this kind established with the Government of Aceh to exploit hydrocarbon resources in Aceh.

I wish to take this opportunity to thank my fellow directors, the management team, employees and contractors for all their hard work and dedication in 2011/12.

I especially thank all shareholders of your continuing support.

Yours sincerely



John E T Towner

Executive Chairman

DIRECTORS' REPORT

Your directors submit the annual financial report of the consolidated entity consisting of Triangle Energy (Global) Limited and the entities it controlled during the period for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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



John Towner

Executive Chairman – Appointed 20 November 2009

John Towner has experience in the resources industry combined with knowledge and expertise in public company capital raising and finance. He is renowned for taking oil and gas industry assets from start to public listing as exemplified by companies such as Sydney Gas Ltd (director 1999-2000), Sunshine Gas Limited (2002-2003) and New Guinea Energy Ltd (2005-2008), all of which he founded and are successfully listed on the ASX.

Through his private company, he acquired all the oil and gas assets of Amoco Australia and founded Sydney Gas Ltd, the first company to produce and retail gas in New South Wales from coal seams. John was also instrumental in the restructure of Anzon Investments to Anzon Energy Limited, a company that has successfully carried out oil exploration and production in South-East Asia. In 2005, John formed New Guinea Energy Ltd, focusing on oil and gas exploration and production in Papua New Guinea. New Guinea Energy listed on the ASX in December 2007.

In the three years immediately before the end of the financial year, John also served as a director of the following listed companies:

- Ord River Resources Limited 4 May 2004 – 24 December 2008
- New Guinea Energy Limited 4 February 2005– 24 December 2008



Robert Lemmey

Non-Executive Director – Appointed 28 January 2010

Robert (Rob) Lemmey is an experienced business development manager with in depth knowledge of the Indonesian Oil and Gas industry. Rob has more than thirty five years experience in the Oil and Gas industry across nineteen countries. Rob joined Halliburton in 1977 as an Engineer and remained with the company for thirty two years until the end of 2009. During this time Rob worked for many Halliburton companies in numerous locations, progressing from Engineer to Superintendent and ultimately to management positions including, District, Regional Managing Director, Country Manager, Country Business Development Manager and Technical Manager.

Rob has worked in Indonesia for more than twelve years over the past thirty years. He has developed a deep understanding of Indonesian business structures and Indonesian Oil and Gas procurement regulations. Rob is a member of the Society of Petroleum Engineers and the Western Australia Petroleum Club.



Steven Hamer

Non-Executive Director – Appointed 20 November 2009

Steven (Steve) Hamer has forty years of business experience working in both Australia and Indonesia. After completing a Bachelor of Science at Sydney University, Steve spent ten years with the Commonwealth Bank of Australia. After leaving the Commonwealth Bank, Steve pursued hotel ownership, home unit-townhouse development and mining activities. His activities in the mining industry and commodity trading continue today with particular involvement in energy and mining in Indonesia.

Special responsibilities: Member of the Audit Committee.

DIRECTORS' REPORT (continued)



Lewis Johnson

Non-Executive Director – Appointed 20 November 2009

Lewis Johnson has almost forty years experience in all Australian and International investment sectors, involving institutional investment / funds management, development banking (corporate / project finance, private equity / venture capital), property, and stockbroking. He has been a member of numerous investment committees, advisory and corporate boards, and a director of several non-profit organisations. He is a graduate of the University of Melbourne (B.Comm) and a graduate of the Australian Institute of Company Directors (GAICD).

For more than twenty years he had direct investment management responsibility for a large successful balanced retirement fund and remains actively involved in stockbroking. He is currently an Advisor with Bell Potter Securities Limited - a Member Firm of the ASX - and recently retired as a Director and Investment Manager of Bell Asset Management.

Special responsibilities: Chairman of the Audit Committee.

Adam Sierakowski

Non-Executive Director – Appointed 9 October 2009 – Resigned 5 October 2011

Adam Sierakowski is a lawyer and partner of the legal firm Price Sierakowski. He has over 15 years' experience in legal practice, much of which he has spent as a corporate lawyer consulting and advising on a range of transactions to a variety of large private and listed public entities. He is the co-founder and director of Perth based corporate advisory business, Trident Capital. Adam has held a number of board positions with ASX listed companies. He is a member of the Australian Institute of Company Directors and the Association of Mining and Exploration Companies.

Alastair Morrison

Non-Executive Director – Appointed 7 December 2011 – Resigned 28 June 2012

Alastair Morrison is the global head of Standard Chartered Private Equity. He has worked in private equity for over 25 years in the UK and Asia, and has board experience of growing companies across a range of industrial sectors.

Peter Godfrey

Alternate Director – Appointed 7 December 2011 – Resigned 28 June 2012

Peter Godfrey is head of Oil and Gas Private Equity at Standard Chartered Bank and was Alternate Director to Mr Morrison.

DIRECTORS' REPORT (continued)

Company Secretary



Darren Bromley – Appointed 29 June 2012

Darren Bromley was appointed Company Secretary of the Company on 29 June 2012 and has been Chief Financial Officer of the Group since April 2010. Darren holds a Bachelor of Business Degree in Finance, a Master of e-Business and has a great depth of business management and financial experience. He has previously held CFO positions at ASX listed entities Prairie Downs Metals Ltd and QRSciences Holdings Ltd as numerous Company Secretary positions.



Raewyn Clark (CA, ACIS) – Appointed 20 November 2009 - Resigned 29 June 2012

Raewyn (Rae) Clark was appointed Company Secretary of the Company on 20 November 2009. Rae holds a Bachelor of Business (with distinction) majoring in Accounting from the University of Technology, Sydney, a Graduate Diploma (ICAA) and a Graduate Diploma in Applied Corporate Governance. She is a member of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia.

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

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

Directors	Number of performance rights	Number of fully paid ordinary shares
John Towner	10,000,000	346,463,932
Robert Lemmey	15,000,000	13,333,333
Steven Hamer	-	81,849,207
Lewis Johnson	-	10,493,261

Principal Activities

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

Operating results

The net loss of the Consolidated Entity after income tax for the year was **\$5.598M (2011 net profit: \$0.395M)**. The loss consisted mostly of:

- Oil and gas sales revenues of \$8.749M (2011: \$16.817M);
- Operating expenses of \$3.693M (2011: \$4.044M);
- Employee benefits expenses of \$2.288M (2011: \$2.176M);
- Share based payments of \$1,135M (2011: 2.023M);
- Depreciation of \$1.107M (2011: \$0.510M);
- Workover, geological and geophysical expenses of \$5.337M (2011: \$3.749).

DIRECTORS' REPORT (continued)

Financial position

The net assets of the Consolidated entity at 30 June 2012 decreased to \$5.364M (2011: \$7.297M). This resulted mostly from workover, geological and geophysical expenses of \$5.386M (2011: \$3.749M) for wells in the Pase field. These costs are forecast to be markedly lower in the 2013 financial year. The write-down of fixed assets of \$1.221M (2011: \$0.510M) due to accounting standards requiring the Group to depreciate assets fully to the PSC expiry date contribute substantially to the financial position.

The consolidated net assets consisting largely of the following:

- \$5.190M (2011: \$8.968M) held in cash assets;
- \$3.197M (2011: \$2.338M) being trade and other receivables;
- \$0.617M (2011: \$2.176M) being trade and other payables;
- \$2.330M (2011: nil) in convertible note debt;
- Nil (2011: \$2.248M) in tax liabilities.

Triangle Pase Inc. ("TPI") has received taxation advice allowing it to write down the Indonesian "Corporate and Dividends Tax" liability of \$2.529M and penalty interest as the tax is to be deferred and only calculated upon the PSC achieving the "equity split" stage in relation to cost recovery. TPI does not expect to achieve "equity split" prior to a new PSC being awarded and hence has written off the liability.

At 30 June 2012 the Consolidated Group had working capital of \$7.404M (2011: \$6.507M). There was a capital injection of \$2.0M on the issue of 66,666,667 shares in December 2011 via sophisticated placement.

In August 2012 TEG repaid USD2.0M to Standard Chartered Private Equity Limited ("SCPEL") representing 1,880,238 convertible notes. At the date of this report SCPEL continues to hold 1,619,762 Tranche 1 Notes. Additional funds will be required to finance its operations in 2012/13.

Dividends

During the financial year the Company did not pay a dividend (2011: paid a maiden dividend of 0.2316 cents per share in respect of the prior financial year).

Treasury Policy

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

Risk Management

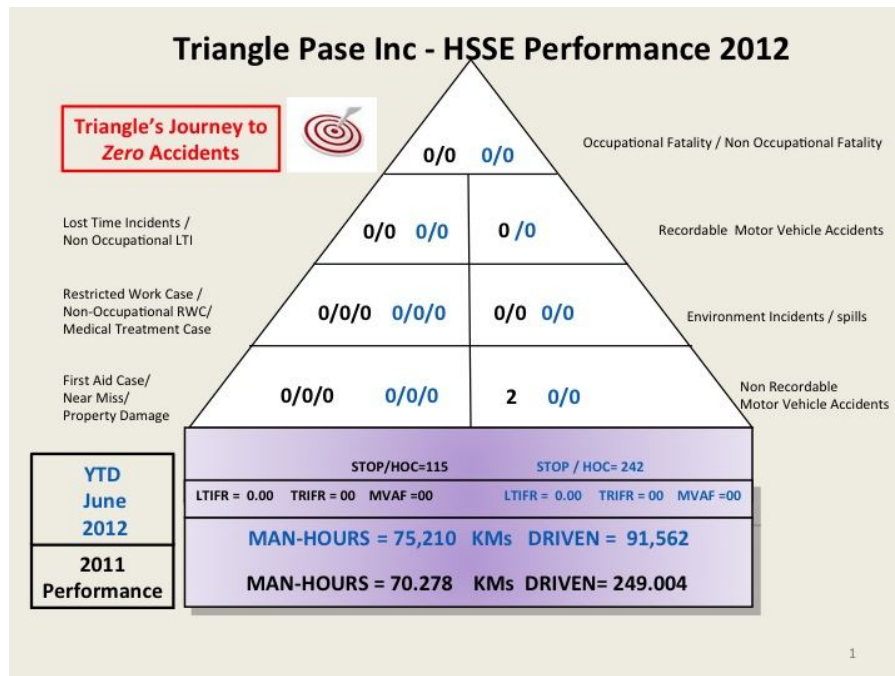
The Board takes a pro-active approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

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

DIRECTORS' REPORT (continued)

Occupational Health and Safety

The Consolidated Entity's has an excellent safety record. Despite operating in a remote location in difficult operational conditions the Consolidated Entity had no Lost Time Incidents (LTIs) and zero recordable motor incidents in the financial year. The Consolidated Entity focuses on safety awareness and safe work processes especially in the field and occupational health and safety performance is continually monitored. 1000 days of operations without incident was achieved which included a major well workovers program using a drilling rig.



Environmental issues

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

State of Affairs

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

REVIEW OF OPERATIONS

Company Activities

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

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

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

DIRECTORS' REPORT (continued)

Company Objectives

Triangle Energy's objectives are to:

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

Company Focus

Triangle Energy's focus is on:

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

Key Activities 2011/12

- Production continued from throughout the year from three wells, A1, A5 and A6. Descaling of surface facilities was successfully completed and a scale inhibition program implemented.
- The Company completed the workover program in the Pase field on budget and on schedule under the management and supervision of the TEG drilling team. This was achieved while maintaining the Company's excellent safety and environmental record.
- The Company's other significant focus during the year was its PSC renewal. Numerous discussions were held with regulatory bodies including BP Migas, Migas and the Aceh Government bodies regarding the renewal of the Pase PSC. Following the expiry of the PSC in February it was decided to pursue a new PSC rather than attempt to renew the existing PSC.
- \$2M was raised via a private placement in November. A convertible note subscription agreement for \$3.5M was signed with Standard Chartered Private Equity in December, which once redeemed converts to shares representing 18% of the Company's current issued capital.
- The Company carried out due diligence activities in association with Standard Chartered Bank on ExxonMobil's Aceh assets comprising Block B PSC and North Sumatra Offshore PSC. An unsuccessful bid was subsequently submitted for the assets.
- A new company Aceh Global Energy Pte Ltd (AGE), was registered in Singapore, it is jointly owned by Triangle Energy (80%) and a Aceh Government Investment Company (20%) an entity wholly owned by the Government of Aceh for the operation of the Pase Block. This is the first partnership of this kind established with the Government of Aceh to exploit hydrocarbon resources in Aceh.
- During the financial year the Company's technical team continued work on prospect and lead identification and Pase Infill drill-locations in preparation for approval of the new PSC. Raw 3D seismic data has been transferred from ExxonMobil covering an area of the Pase PSC previously not held by TEG. This data is now undergoing reprocessing and will be used for remapping and maturing prospects. Suitable surface drilling locations have been selected and well designs have been prepared.

DIRECTORS' REPORT (continued)

Corporate Activities

Changes in capital structure

In December 2011, 66,666,667 ordinary shares and 16,666,667 options exercisable at \$0.03 and expiring 30 June 2012 were issued via sophisticated placement to raise \$2.0M.

During the year, 25,500,000 performance rights were issued under the TEG Employee Rights Plan and in March 2012, 500,000 ordinary shares were issued subsequent to vesting of employee rights.

Operational Activities

Overview of the Pase PSC

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

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

In February 2012, Indonesian Upstream Oil & Gas Regulator BP Migas advised TPI to continue to operate the Pase Block for a further 6 months while a decision is made on the PSC.

In August 2012, BP Migas confirmed that Triangle Pase Inc ("TPI") should continue to operate the Pase PSC until a definitive operator is selected. TPI is working closely with the governments to be selected as that operator.

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

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

The PSC allows for Cost Recovery, which mostly involves TPI's exploration and development activities in the Pase Field.

Negotiations in relation to the PSC renewal application continued throughout the financial year with a particular emphasis on regional approvals for the renewal.

In October 2011 BP Migas approved TPI's 2012 budget (WP&B), of US\$26 million.

In January 2012 Governor Tarmizi, the interim Governor of Aceh, Aceh Komisi B and DPR A all selected Investa Aceh to manage the Pase Block.

In February 2012 the Minister of EMR advised TPI that the PSC was not to be extended and requested TPI to continue to operate for 6 months or until a new operator is selected.

In April 2012 Investa Aceh and TEG reached an agreement to jointly manage Pase and a memorandum of understanding (MOU) was signed. Negotiations are continuing with the Aceh government to progress this agreement.

In May 2012 a new company Aceh Global Energy Pte Ltd (AGE), was registered in Singapore. It currently has nominee directors and shareholders until an agreement is reached with Aceh on the terms of the partnership with Triangle Energy.

In June 2012 a meeting was held with Governor Tarmizi and the new Vice Minister of Energy to process the award to AGE of a new PSC for Pase. Following the election of Governor Zaini the new Governor of Aceh, it was determined his support would also be required to advance the award of the new PSC and discussions are now underway to effect this with Governor Zaini's representatives.

Overview of the Pase A&B Field

The Pase Block (which contains the Pase A&B Field and is about 200 km northwest of Medan) is in close proximity to the Arun Gas Field which had a recoverable reserve of about 20 Tcf of condensate-rich gas and at its peak supplied 6.5 million tonnes of LNG to Japan and Korea utilising seven LNG trains. While the Arun Gas Field is now in decline, two LNG trains are still operating with most gas being supplied from ExxonMobil's offshore NSO gas fields. Gas is also supplied in smaller quantities from South Lhok Sukon (SLS) adjacent to the Pase PSC, and more recently from the re-established production from Pase A&B Field.

DIRECTORS' REPORT (continued)

The LNG and Local Gas Market

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

TPI receives payment at premium LNG prices via EMOI based on the percentage of metered TPI gas of the total gas sold by EMOI to the Arun LNG Processing Plant and to the PIM Fertilizer Plant. The LNG Sales Prices received by TPI from Arun gas purchase consortia are linked to oil prices and are at a premium to local gas market prices.

Triangle Energy, through its wholly-owned subsidiary, TPI, is ideally situated to supply gas to the existing Arun LNG facility which is geographically and logistically ideally placed to fuel the growing LNG Demand in Asia.

Exploration History of the Pase A&B Field

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

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

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

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

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

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

Past Pase Production History - MPI

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

2011/12 Pase Production

Production in 2011/12 was from three wells. A-5, A-6 and A-1 and totalled 842 MMcf for the year. Descaling of surface facilities at A1 was successfully completed to restore production. Operations and maintenance activities were routinely conducted across the facilities and continuous scale inhibitor injection initiated on A1.

2011/12 Pase Well Workover Program

Work over operations commenced 22 June 2011 on A2 using the rig Rig#88 Skytop Brewster and concluded on 13 July 2011. A 4½" completion was successfully installed in A-2 after drilling out two cement plugs that had been left in the suspended well. Severe losses occurred during the operation to drill out the lower cement plug, a low volume lost circulation material (LCM) was pumped to control fluid losses. The LCM did not significantly reduce fluid losses, the remainder of the production liner clean up was achieved with mud cap suspension while drilling with water and constant losses. The completion was run and successfully tested while continually filling the hole. Hydrocarbon gas in low concentrations was encountered earlier in the workover operations while circulation was established, however with the removal of the final cement plug barrier circulation was never regained and no hydrocarbon shows could be detected.

DIRECTORS' REPORT (continued)

After releasing the rig the upper reservoir zone was reperforated in November 2011, unfortunately it was not possible to reperforate the lower reservoir zone due to debris in the well (debris from EZSV plug and cement plug cuttings unable to be circulated from well due to total loss circulation while cleaning up the production interval). Reperforating with HMX shaped charges was successfully achieved across a 117.5 ft interval, including an upper most 20ft of Peutu formation previously unperforated.

Pase A2 work over was completed in 21.5 days just 1.5 days outside the allocated AFE drilling time curve and within BP Migas budget constraints.

An artificial lift system using Coil Tubing and nitrogen was deployed to clean up the well. Minor gas influx at low rates was achieved but insufficient to sustain natural flow and considerably below the rates reached originally from the well after it was initially drilled. With the apparent failure to establish effective communication into the reservoir fracture system using conventional perforating the option to reperforate using propellant stimulation technology was examined. This option is still under consideration, however, from initial screening studies it does not appear as commercially attractive as drilling a sidetrack well underbalanced to an updip location.

A sidetrack well drilled underbalance from the A2 wellbore would potentially target additional up dip gas reserves. The side track is a very cost effective option at approximately 50% of new drill expenditure, the option would potentially overcome the problems encountered in the A2 workover by establishing effective communication into the reservoir fracture system while targeting additional updip gas reserves.

Following the completion of rig work on A2, the second work over operation using the rig Rig#88 Skytop Brewster commenced 27 July 2011 on A1(deep) well and concluded on 8 August 2011. The blockage in the well bore previously identified using a down hole camera was successfully removed and the well was cleaned out to the total original drilled depth, opening up an additional 1,900ft of potential reservoir formation. A new 4½" completion was run through the existing 7" completion. Surface facilities were reinstated after the rig was moved off location and the well put back on production. Unfortunately gas production did not increase post work over and water production remained at ~3000 bpd.

Pase A-1 (deep) work over was executed in 13.5 days with an allocated BP Migas time frame of 20 days

During October an attempt was made to identify the source of the water production using a production logging tool (MPLT) run in the well. MPLT Log analysis concluded that formation water was entering the well bore from the basement fractures. A program was subsequently developed to install an isolation plug above the basement formation, below the original perforated Peutu interval. An additional upper Peutu reservoir formation interval that was never perforated was also identified from the log analysis.

Coil Tubing equipment was deployed to install a temporary carbide cement plug below the lowest perforated interval to isolate the deep basement reservoir. With the suspected water producing zone isolated below the cement plug, an organic acid treatment was implemented across the entire perforated interval for the purpose of cleaning the perforations. To enhance the acid injection and channeling capabilities a "rotojet" assembly was deployed on the coil, which pulsed and injected the acid into the formation to assist break down of cement and induce channeling and effect communication into the fracture system. The well was subsequently cleaned up and put back on production. After the acid treatment was performed, water production still remained at ~3000 bpd which suggested the acid treatment had either cleaned out the existing fractures that were connected to the aquifer or created additional fractures connecting to the aquifer.

The geological data and open hole DST performed in 1983 together with the MPLT log data all identified an additional zone at the top of the Peutu formation that had never been previously perforated. After performing the A2 reperforation, the logging truck was mobilized and rigged up on A1 and the upper Peutu was perforated. Following perforating, the well was "cycled" and surged in an attempt to clean up the new perforations and establish communication into the fracture system, without any apparent increase in gas production observed.

With no improvement in production from conventional perforating of the reservoir the option to reperforate using propellant stimulation technology was reviewed. This option has now been discounted in preference of drilling a sidetrack well underbalanced to an updip location, which would potentially overcome the problems encountered in the A1 workover of establishing effective communication into the reservoir fracture system and should also access additional updip gas reserves.

Both AFE's for Pase A1 and Pase A2 work overs have been closed out and audited by BP Migas, a cost recovery has been agreed at 95% of cost for each well. This is far in excess of the industry norm at 80% and should be regarded an excellent result.

DIRECTORS' REPORT (continued)

2011/12 Pase Technical Work

During the second half of the year the Company's technical team continued its evaluation of all Pase wells for missed pay and remaining gas potential using production log, borehole and fracture study data to understand the distribution of water and gas in the wells and development of potential exploitation programs. The team also commenced re-processing of seismic data for infill and near field well locations and awarded a contract to re-process approximately 400 km of 2D seismic over the Pase field and generate PSDM lines and a velocity model that ties in with existing well data. The Company initiated work to mature in-fill drilling opportunities to access up-dip gas adjacent to existing producing wells and enhance the existing leads and prospects inventory in the Pase Block. The review of all potential Pase drilling targets was conducted with BP Migas in June with the intent of firming up a multi well drilling program for 2013. The intent is to drill at least one new prospect close to Pase infrastructure in 2013.

Work commenced to prepare drilling equipment and services tenders and identify suitable potential sites from which drilling may be executed. Pre-qualification of drilling rigs has been completed together with location designs.

Significant effort was put into completing the revision to the 2012 work program and budget (WP&B) and the 2013 WP&B that was presented to BP Migas, the Indonesian upstream oil & gas regulator in June. Triangle Energy's 2012 WP&B has been approved in full incorporating additional investment in the PSC through new seismic acquisition and the drilling of one infill well on Pase field. Workover AFEs were closed out with BP Migas after field inspections were carried out.

The Company completed due diligence on ExxonMobil's Aceh assets including Block B PSC and North Sumatra Offshore PSC and submitted an unsuccessful bid to acquire the assets. TPI is now undertaking a review of opportunities to acquire operating interests in other areas within Indonesia.

Future Work Program and Strategy

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

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

The proposed future work program for TPI involves:

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

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

Other Assets

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

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

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

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

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

The Reids Dome Tenement is 40% owned by Victoria Petroleum N.L., 40% owned by Dome Petroleum Resources plc and 20% owned by Triangle Energy (Global) Limited. Victoria Petroleum was the operator of the Reids Dome Tenement, by virtue of a joint venture agreement. Triangle Energy has obtained seismic data shot over the tenement area and is reviewing the data.

DIRECTORS' REPORT (continued)

Competent Persons Statement

Information in this report that relates to exploration has been reviewed and signed off by Mr Witan Odakar Ardjakusumah (TPI Exploration Manager). Witan's qualifications include: Master of Science in Petroleum Geology, Bandung Institute of Technology Bandung, Indonesia. Witan has over 32 years experience in the oil & gas industry working globally for KAPEX, EMP, Lasmo, Kondur and Semco. For in excess of 25 years, he has been working on significant New Ventures and Exploration projects in Indonesia and SE Asia. Witan is a Member of American Association of Petroleum Geologist, Indonesian Association of Geologist, Indonesian Association of Geophysicist and IPA (Indonesia Petroleum Association).

Information in this report that relates to operations has been reviewed and signed off by Mr Robert Lemmey (TEG non-executive Director and TPI Country Manager - Indonesia) who has over 43 years experience in the oil & gas industry, including Senior Executive roles with Haliburton in SE Asia. Robert has been an active Member of the Society of Petroleum Engineers since 1983. For further details on Triangle Energy and the Pase PSC, refer to the "Independent Geologist's Report on the Exploration and Production Assets of Triangle Energy Limited" by Roger Whyte, 22 September 2009. This report was published as part of BDO Kendalls' Independent Expert's Report for the Company (dated 8 October 2009), which was part of the Notice of Annual General Meeting that was released to the ASX on 19 October 2009. It is located on the company website under Investors / Corporate Presentations.

Tenement Schedule

Project Name	Tenement	Interest
Reids Dome	PL231	20%

Forward Looking Statements

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

- Medical supplies were provided for a local clinic;
- Solar water pumps were installed in water wells to provide fresh water for toilet and hand-washing facilities for schools in the Pase area;
- Solar lighting installation in the teacher's residence at the school near well A-1;
- Assistance with grading of land for a proposed high school;
- Employing staff from local villages to support families and communities.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for the key management personnel of Triangle Energy (Global) Limited (the "company") for the financial year ended 30 June 2012. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

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

	30 June 2010	30 June 2011	30 June 2012
Revenue from continuing operations	\$13.882M	\$16.817M	\$8.749M
Net profit/(loss)	\$6.638M	\$0.395M	\$(5,610)M
Share price	\$0.021	\$0.052	\$0.009

Key Management Personnel

(i) Directors

John Towner	Executive Chairman – appointed 20 November 2009
Robert Lemmey	Director (non-executive) – appointed 28 January 2010
Adam Sierakowski	Director (non-executive) – appointed 9 October 2009, ceased 5 October 2011
Lewis Johnson	Director (non-executive) – appointed 20 November 2009
Steven Hamer	Director (non-executive) – appointed 20 November 2009
Alastair Morrison	Director (non-executive) – appointed 7 December 2011, ceased 28 June 2012
Peter Godfrey	Director (non-executive) – appointed 7 December 2011, ceased 28 June 2012

(ii) Executives

Raewyn Clark	Company Secretary – appointed 20 November 2009, ceased 29 June 2012
Darren Bromley	Chief Financial Officer & Company Secretary – appointed 29 June 2012

Remuneration Philosophy

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

(i) **Non-Executive Directors**

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

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The shareholder share determined the maximum aggregate remuneration amount to be \$250,000 per year. The Directors have resolved that the fees payable to Non-Executive directors for all Board activities are \$50,000 per year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

(ii) **Key management personnel**

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

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

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

Alignment to shareholders' interests:

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

Base pay and benefits

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

Incentive compensation

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

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

Current vesting conditions for rights issued under the Triangle Energy employee rights plan with performance criteria is the renewal of the PSC. No other conditions have been attached to these rights. Due to the timeframe of the PSC renewal, these have been categorised as Short Term incentives. There are no Long Term incentives.

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

Name	Fixed Remuneration		At risk - STI	
	2012	2011	2012	2011
Directors of Triangle Energy (Global) Limited				
John Towner	100%	54%	0%	46%
Robert Lemmey	100%	59%	0%	41%
Other key management personnel of the group				
Darren Bromley	100%	69%	0%	31%
Raewyn Clark	100%	64%	0%	36%

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Service agreements

The contract between the Company and the Executive Chairman is for an indefinite period. The contract between the Company and the Company Secretary is for an indefinite period. The contract between the Company and the Company Secretary / Chief Financial Officer is for 2 years commencing April 2012. The contract between the Company's fully owned subsidiary, Triangle Pase Inc, and Robert Lemmey is for an indefinite period and terminable by either party on three months' notice. There are no retirement allowances or other benefits paid to directors.

Employee Incentive Plan

The Company has an Employee Rights Plan approved by shareholders in November 2010 under which the Directors are able to offer rights in respect of ordinary shares in the Company to eligible persons. The Company does not have a policy limited at risk remuneration.

	Cash Salary & fees	Non-cash benefits	Super- annuation	Termination	Security- based payments	Total
	\$	\$	\$	\$	\$	\$
2011/12						
Directors						
J Towner	425,000	-	-	-	-	425,000
R Lemmey	358,274	210,798 ¹	-	-	-	569,072
S Hamer	50,000	-	-	-	-	50,000
A Sierakowski	12,500	-	-	-	-	12,500
L Johnson	50,000	-	-	-	-	50,000
A. Morrison	-	-	-	-	-	-
P Godfrey	-	-	-	-	-	-
Executives						
R Clark	255,940	-	-	-	-	255,940
D Bromley	227,383	-	24,944	-	-	252,328
	1,379,097	210,798	24,944	-	-	1,614,839

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

	Cash Salary & fees	Non-cash benefits	Super- annuation	Termination	Security- based payments	Total
	\$	\$	\$	\$	\$	\$
2010/11						
Directors						
J Towner	378,030	-	-	-	262,500	640,530
R Lemmey	325,000	272,206 ¹	-	-	350,000	947,206
S Hamer	44,167	-	-	-	-	44,167
A Sierakowski	44,167	-	-	-	-	44,167
L Johnson	44,167	-	-	-	-	44,167
Executives						
J Oravetz	288,000	209,530 ²	-	-	162,104	659,634
R Clark	159,000	-	-	-	89,236	248,236
D Bromley	182,200	-	24,900	-	91,317	298,417
A Gould ³	44,010	-	3,961	-	-	47,971
	1,508,741	481,736	28,861	-	955,157	2,974,495

¹ Jakarta apartment rental, Indonesian income tax, golf club membership, private health insurance, car and driver ² Jakarta apartment rental, Indonesian income tax, children's school fees ³ Appointed 1 August 2010, Ceased 30 September 2010

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Share-based compensation

Details of rights in relation to ordinary shares in the company provided as remuneration to each Director of Triangle Energy and each of the key management personnel of the parent entity and the group are set out below. When the performance rights vest each right converts into one ordinary share of Triangle Energy (Global) Limited. Further information on the rights is set out in note 17 to the financial statements.

Name	Number of rights granted during the year	Value of rights at grant date* \$	Number of rights vested during the year	Value of rights at vesting date* \$	Number of rights lapsed during the year	Value at lapse date** \$
Directors of Triangle Energy (Global) Limited						
John Towner	-	-	-	-	-	-
Robert Lemmey	-	-	-	-	-	-
Other key management personnel of the group						
Darren Bromley	-	-	-	-	-	-
Raewyn Clark	-	-	-	-	-	-

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

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

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

Details of remuneration: Share based compensation benefits

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

Name	Share-based compensation benefits (rights)				
	Year granted	Vested %	Forfeited %	Financial years in which rights may vest	Maximum total value of grant yet to vest \$
John Towner	2010	33%	-	2013	37,500
Robert Lemmey	2010	50%	-	2013	50,000
Darren Bromley	2011	50%	-	2013	10,000
Raewyn Clark	2011	50%	-	2013	10,000

End of Remuneration Report

DIRECTORS' REPORT (continued)

Directors' Meetings

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

	<i>Directors' Meetings</i>		<i>Audit Committee</i>	
	<i>Number eligible to attend</i>	<i>Number attended</i>	<i>Number eligible to attend</i>	<i>Number attended</i>
J Towner	15	15	-	-
R Lemmey	15	12	-	-
S Hamer	15	15	2	2
L Johnson	15	15	2	2
A Sierakowski (ceased 5 October 2011)	4	4	1	-
A Morrison (Appointed 7/12/2011, ceased 28/06/2012)	7	6	-	-
P Godfrey (Appointed 7/12/2011, ceased 28/06/2012)	7	1	-	-

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

Indemnification and insurance of Directors and Officers

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

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

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

Matters subsequent to the end of the financial year

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

- In August 2012, TEG redeemed 1,880,238 Tranche 1 Notes held by Standard Chartered Private Equity (Singapore) Pte Ltd ("SCPEL") and issued by the Company, via payment of USD2.0M, which represents an IRR of 15% per annum for the period from the Issue Date of the relevant Tranche 1 Notes to 9 August 2012. SCPEL continues to hold 1,619,762 Tranche 1 Notes.
- In August 2012, the Indonesian Upstream Oil & Gas Regulator BP Migas has confirmed that TPI should continue to operate the Pase PSC until a definitive operator is selected.
- On 26 September, TEG issued 27,000,000 Unlisted Options to Standard Chartered Private Equity Pte. Ltd. with an exercise price of \$0.01 expiring 2 years from the date of issue (26 September 2014) as a result of Foreign Investment Review Board approval. The allotment is in relation to a standstill agreement on the convertible note subscription agreement executed in December 2011.

DIRECTORS' REPORT (continued)

Proceedings

Auditor Independence and Non-Audit Services

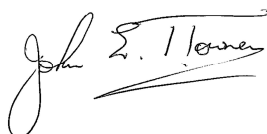
Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 27 and forms part of this directors' report for the year ended 30 June 2012.

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

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

	2012 \$	2011 \$
BDO Corporate Tax (WA) Pty Ltd:		
Tax Compliance and advice	40,636	18,631
	<u>40,636</u>	<u>18,631</u>

Signed in accordance with a resolution of the directors.



John E T Towner
Executive Chairman
Date: 28 September 2012

CORPORATE GOVERNANCE STATEMENT

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

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

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

The CGC's published guidelines are as follows:

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

Principle 1 – Lay Solid Foundations for Management and Oversight

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

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

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

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

The Board specifically applies an emphasis on the following:

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

CORPORATE GOVERNANCE STATEMENT (continued)

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

The Executive Directors are responsible for:

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

In addition to these responsibilities, the Executive Chairman is responsible for the following:

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

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

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

Principle 2 - Structure the Board to Add Value

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

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

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

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

The ASX council guidelines recommend that ideally the Board should constitute a majority of independent directors. The Board currently consists of four Directors; three of whom are considered to be Non-Executive Directors of Triangle Energy (Global) Limited: Messrs Lewis Johnson, Rob Lemmey and Steve Hamer. Of this group, only Mr Lewis Johnson is considered to be an independent director. Mr John Towner (Executive Chairman) who is the major shareholder of Triangle Energy (Global) Limited (holding 23.78% of shares on issue) is a non-independent director.

CORPORATE GOVERNANCE STATEMENT (continued)

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

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

Principle 3 - Promote Ethical and Responsible Decision-Making

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

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

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

The Code of ethics and conduct include the following issues:

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

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

The Board will develop a "Diversity" Policy to address the ASX Corporate Governance Council's three new recommendations on diversity. The Oil & Gas Industry is known for its limited gender diversity. However, Triangle Energy has attracted female employees to a number of significant positions within the Company. The Executive Chairman's personal assistant and the Indonesian Office Manager are all women. In addition, Triangle Energy's accounting and exploration teams both have female staff members.

Principle 4 - Safeguard Integrity in Financial Reporting

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

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

The Audit Committee has been developed as per the guidelines of good corporate governance and its responsibilities are delineated in the Audit Committee Charter. Current members of the Audit Committee are Messer's Johnson (Chairman) and Hamer.

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

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

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

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

Principle 5 - Make Timely and Balanced Disclosure

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

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

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

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

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

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

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

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

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

Principle 6 - Respect the Rights of Shareholders

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

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

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

Principle 7 - Recognise and Manage Risk

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 8 - Remunerate Fairly and Responsibly

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

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

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

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

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

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

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

28 September 2012

The Board of Directors
Unit 7
589 Stirling Highway
Cottesloe, WA, 6011

Dear Sirs,

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

As lead auditor of Triangle Energy (Global) Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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



Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

Consolidated

	Notes	2012 \$	2011 \$
Revenue	2	8,748,630	16,864,000
Interest revenue	2	34,536	414,000
Financial derivative income		1,360,973	-
Total revenue		10,144,139	17,278,000
Operating expenses	2	(3,692,836)	(4,044,000)
Gross profit from operating activities		6,451,303	13,234,000
Exploration write off	2	(5,096)	(375,000)
Finance Costs	2	(316,911)	-
Other expenses	2	(14,035,959)	(10,866,000)
Profit/(loss) before income tax expense		(7,906,663)	1,993,000
Income tax expense	3	2,309,126	(1,598,000)
Profit/(loss) after tax from continuing operations		(5,597,537)	395,000
Net Profit/(loss) for the year		(5,597,537)	395,000
Other comprehensive Income			
Financial derivative income		1,360,973	-
Exchange differences on translation of foreign operations		528,124	(1,991,000)
Other comprehensive income for the year, net of tax		1,889,097	(1,991,000)
Total comprehensive income/(loss) for the year attributable to:			
Owners of Triangle Energy (Global) Limited		(3,708,440)	(1,596,000)
Non-controlling interest		-	-
		(3,708,440)	(1,596,000)
Basic earnings per share (cents per share)	7	(0.40)	0.03
Diluted earnings per share (cents per share)	7	N/A	0.03

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

		Consolidated	
	Notes	2012 \$	2011 \$
Current Assets			
Cash and cash equivalents	9	5,190,292	8,968,000
Trade and other receivables	10	3,233,001	2,338,000
Derivative financial instruments	5	245,731	-
Other assets		295,733	274,000
Total Current Assets		8,964,757	11,580,000
Non-Current Assets			
Property, plant and equipment	11	100,335	1,085,000
PSC interest		127,551	154,000
Exploration and evaluation expenditure	14	-	-
Total Non-Current Assets		227,886	1,239,000
Total Assets		9,192,643	12,819,000
Current Liabilities			
Trade and other payables	12	687,245	2,176,000
Other payables	12	217,473	798,000
Borrowings		2,575,319	-
Current tax liabilities	12	-	2,248,000
Total Current Liabilities		3,480,037	5,222,000
Non-Current Liabilities			
Provisions	13	349,013	300,000
Total Non-Current Liabilities		349,013	300,000
Total Liabilities		3,829,050	5,522,000
Net Assets		5,363,593	7,297,000
Equity			
Issued capital	15	7,101,732	5,093,000
Reserves	16	438,997	(1,215,000)
Retained earnings / (Accumulated losses)	16	(2,177,136)	3,419,000
Total Equity as 30 June 2012		5,363,593	7,297,000

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Consolidated	
		2012 \$	2011 \$
		<u>Inflows/(Outflows)</u>	
Cash flows from operating activities			
Receipts from customers		8,640,978	18,549,000
Payments to suppliers and employees		(17,907,320)	(11,413,000)
Interest received		34,536	45,000
Income tax paid		-	(854,000)
Net cash provided by/(used in) operating activities	9	(9,231,806)	6,327,000
Cash flows from investing activities			
Purchase of non-current assets		(237,405)	(1,392,000)
Net cash provided by/(used in) investing activities		(237,405)	(1,392,000)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		2,000,000	387,000
Proceeds from exercise of options		-	650,000
Proceeds from borrowings – convertible note funding (net of costs)		3,340,820	-
Payment of dividends		(4,816)	(2,992,000)
Net cash provided by/(used in) financing activities		5,336,004	(1,955,000)
Net increase/(decrease) in cash and cash equivalents		(4,133,206)	2,980,000
Cash and cash equivalents at beginning of period		8,967,556	7,047,000
Effect of exchange rate fluctuations on cash held		355,892	(1,059,000)
Cash and cash equivalents at end of period		5,190,292	8,968,000

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated				
	Issued	Accumulated	Foreign	Share Based	Total
	Capital	Profits/Losses	Currency	Payment	Equity
	\$	\$	Reserves	Reserve	\$
	\$	\$	\$	\$	\$
Balance at 1 July 2010	2,606,000	6,024,000	203,000	-	8,833,000
<i>Transactions with shareholders in their capacity as shareholders</i>					
Dividend paid	-	(3,000,000)	-	-	(3,000,000)
Shares issued during the year on share purchase plan	387,000	-	-	-	387,000
Shares issued during the year on exercise of options	650,000	-	-	-	650,000
Shares issued during the year immediate vesting of rights	1,450,000	-	-	-	1,450,000
Share rights issued during the year which have not yet vested	-	-	-	573,000	573,000
<i>Comprehensive Income</i>					
Profit/(Loss) for period	-	395,000	-	-	395,000
Exchange differences arising on translation of foreign operations	-	-	(1,991,000)	-	(1,991,000)
<i>Total comprehensive income/(loss) for the year</i>	-	395,000	(1,991,000)	-	(1,596,000)
Balance at 30 June 2011	5,093,000	3,419,000	(1,788,000)	573,000	7,297,000

	Consolidated				
	Issued	Accumulated	Foreign	Share Based	Total
	Capital	Profits/Losses	Currency	Payment	Equity
	\$	\$	Reserves	Reserve	\$
	\$	\$	\$	\$	\$
Balance at 1 July 2011	5,093,232	3,420,401	(1,788,311)	572,737	7,298,059
<i>Transactions with shareholders in their capacity as shareholders</i>					
Shares issued during the year capital raising	2,000,000	-	-	-	2,000,000
Shares issued during the year immediate vesting of rights	8,500	-	-	-	8,500
Share rights issued during the year which have not yet vested	-	-	-	1,126,447	1,126,447
<i>Comprehensive Income</i>					
Profit/(Loss) for period	-	(5,597,537)	-	-	(5,597,537)
Exchange differences arising on translation of foreign operations	-	-	528,124	-	528,124
<i>Total comprehensive income/(loss) for the year</i>	-	(5,597,537)	528,124	-	(5,069,413)
Balance at 30 June 2012	7,101,732	(2,177,136)	(1,260,187)	1,699,184	5,363,593

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

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

Going Concern

The financial statements have been prepared on the going concern basis of accounting which assumes that the Group will be able to meet its commitments, realise its assets, discharge its liabilities in the ordinary course of business and meet the production budgets. In arriving at this position, the Directors recognise the Company is dependent upon various funding alternatives to meet these commitments including share placements or other methods.

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

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

Rounding

In the previous years, the company applied the exemption of ASIC Class order 98/1000 in relation to rounding of amounts. During the current year, the company has dropped below the allowable rounding threshold of totals assets greater than \$10m. As a result, the company presents these financial statements unrounded. As the prior year financial information was rounded, the company has not altered the disclosures, except to the extent that it has included the results to the nearest thousand. Any difference between these rounded numbers and the unrounded amounts are immaterial for the purposes of these financial statements.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2012. These are outlined in the table below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	<p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.</p> <p>AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Entity has not yet made an assessment of the impact of these amendments.	1 July 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	<p>Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:</p> <ul style="list-style-type: none"> • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the Entity's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated. 	Annual reporting periods commencing on or after 1 January 2013	<p>When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Entity does not have any special purpose entities.</p> <p>The Entity does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.</p>	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Entity has not entered into any joint arrangements.	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the <i>Corporation Act 2001</i>	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Entity will show reduced disclosures under Key Management Personnel note to the financial statements	1 July 2013
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: <ul style="list-style-type: none"> 1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot. 	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).	1 July 2012
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.	1 July 2013
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Statement of Compliance

The financial report was authorised for issue on in accordance with a resolution of Directors on 28 September 2012.

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

(d) Basis of Consolidation

The consolidated financial statements comprise the separate financial statements of Triangle Energy (Global) Limited ("Company" or "Parent") and its subsidiaries as at 30 June each year (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting (refer note 1(m)).

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment of goodwill and intangibles with indefinite useful lives:

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Exploration and evaluation costs carried forward

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

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

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

Provision for restoration and rehabilitation

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

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

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

Recovery of deferred tax assets

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

(f) **Segment Reporting**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Foreign Currency Translation

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

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

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

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

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

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

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

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

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

(h) Revenue Recognition

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

(i) Sale of goods

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

(ii) Sale of Condensate

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

(iii) Interest income

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

(iv) Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

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

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

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

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

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

(j) Income Tax

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

(k) Other taxes

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

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

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

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

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

(l) Business Combinations

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(m) Impairment of assets

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

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

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

(n) Cash and cash equivalents

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

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

(o) Trade and other receivables

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

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

(p) Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas production activities

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

(q) Derivative financial instruments and hedging

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

(r) Financial assets

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

(t) Investment in associated entities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(u) Interest in a jointly controlled operation

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(v) Property, plant and equipment

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

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

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

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

(i) Impairment

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Revaluations

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

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

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

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

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

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

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

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

(iii) Derecognition and disposal

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

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

(w) Goodwill

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment losses recognised for goodwill are not subsequently reversed.

(x) Trade and other payables

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

(y) Provisions

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

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

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

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

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

(z) Employee leave benefits

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

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

(ii) Long service leave

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

(aa) Share-based payment transactions

Share-based compensation benefits are provided to employees via the TEG Employee Rights Plan. Information relating to these schemes is set out in Note 18.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(bb) Issued capital

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

(cc) Earnings per share

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

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

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

(dd) Exploration and evaluation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(dd) Development expenditure

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2012	2011
	\$	\$
(a) Revenue		
Sale of gas	8,386,095	14,352,000
Sale of condensate	362,535	2,465,000
Bank interest	34,536	45,000
Financial derivative income	1,360,973	-
Miscellaneous income	-	2,000
	10,144,139	16,864,000
(b) Other income (expense)		
Foreign exchange gains (losses)	(105,938)	414,000
	(105,938)	414,000
(c) Operating expenses		
Production operating costs	1,913,880	2,222,000
Field office administration	1,778,956	1,822,000
	3,692,836	4,044,000
(d) Impairment losses		
Reid's Dome impairment	5,096	375,000
	5,096	375,000
(e) Other expenses		
Consulting expenses	1,058,890	529,000
Accounting expenses	54,758	19,000
Audit fees	111,333	31,000
Convertible note fees	68,180	-
Legal expenses	104,569	27,000
Employee benefits expense	2,065,053	1,893,000
Share based payments	1,134,947	2,023,000
Superannuation	32,728	32,000
Directors fees	112,500	136,000
Depreciation of non-current assets	1,107,002	510,000
ASX and share registry fees	50,969	65,000
Telecommunications	65,831	47,000
Exxon Mobil production revenue payments expense	169,342	318,000
Travel	461,012	246,000
Work-over preparation geological and geophysical expenses	5,337,482	3,749,000
Rehabilitation expense	48,463	-
Due Diligence and project generation expense	303,192	24,000
Donations and community liaison	489,273	331,000
Operating Lease Expense	60,221	51,000
Payroll tax	77,565	-
Rental expense	60,221	51,000
Taxation penalty expense	-	408,000
Other administration expenses	1,062,428	7,000
	14,035,959	10,497,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 3: INCOME TAX

	Consolidated	
	2012	2011
	\$	\$
Income tax recognised in profit or loss		
Major components of income tax expense for the years ended 30 June 2012 and 30 June 2011 are:		
Statement of comprehensive income		
<i>Current income</i>		
Current income tax charge	-	1,368,000
Adjustments in respect of previous current income tax	(2,309,126)	230,000
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	-	-
Income tax expense (benefit) reported in statement of comprehensive income	<u>(2,309,126)</u>	<u>1,598,000</u>
A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2012 and 30 June 2011 is as follows:		
Accounting profit/(loss) before tax from continuing operations	<u>(7,906,663)</u>	<u>1,993,000</u>
Accounting profit/(loss) before income tax	<u>(7,906,663)</u>	<u>1,993,000</u>
At the statutory income tax rate of 30% (2011: 30%)	(2,371,999)	598,000
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	342,970	637,000
NANE related expenses	848,621	481,000
Effect of tax rate in Indonesia	-	635,000
Temporary differences and tax loss not recognised	188,434	268,000
Other Items	991,974	(1,251,000)
Adjustments in respect of previous current income tax	(2,309,126)	230,000
At effective income tax rate of 0% (2011: 80%)	<u>(2,309,126)</u>	<u>1,598,000</u>
Income tax expense reported in statement of comprehensive income	<u>(2,309,126)</u>	<u>1,598,000</u>
	<u>(2,309,126)</u>	<u>1,598,000</u>
<i>Deferred tax assets have not been recognised in respect of the following items:</i>		
Accruals	104,704	90,000
Business Related Costs	42,667	56,000
Capitalised Expenditure	-	-
Tax Losses	1,914,772	1,063,000
	<u>2,062,143</u>	<u>1,209,000</u>
<i>Deferred tax liabilities have not been recognised in respect of the following items:</i>		
Financial derivative income	405,655	-
	<u>405,655</u>	<u>-</u>
Net deferred tax asset not recognised	<u>1,656,488</u>	<u>1,209,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 3: INCOME TAX (continued)

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

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2012 as the directors do not believe it is appropriate to regard the realisation of the asset as probable. This asset will only be obtained if:

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

Triangle Pase Inc. ("TPI") has received taxation advice allowing it to write down their Indonesian "Corporate and Dividends Tax" liability of \$2.309M including penalty interest as the tax is to be deferred and only calculated upon the PSC achieving the "equity split" stage in relation to cost recovery. TPI does not expect to achieve "equity split" prior to a new PSC being awarded and hence has written off the liability.

NOTE 4: BORROWINGS

Convertible Notes

The parent entity issued 3,500,000 8% convertible notes for \$3.409M (USD3.5M) on 8 December 2011. The notes are convertible into ordinary shares of the parent entity at the option of the holder, or repayable on 8 December 2014. The conversion price is \$0.03 per share. The Notes are unsecured obligations of Triangle Energy (Global) Limited.

The convertible note issue comprises a first tranche of US\$3.5m and a second tranche of US\$6.5m. The first tranche was issued on 8 December 2011. The second tranche was subject to a number of conditions, including Triangle Energy shareholder approval (received at shareholder meeting on 14 February 2012), Foreign Investment Review Board ("FIRB") approval and Pase PSC renewal conditions. Triangle did not achieve PSC renewal by 30 June 2012 and therefore the second Tranche has lapsed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 4: BORROWINGS (continued)

The convertible notes are presented in the balance sheet as follows:

	Note	Consolidated	
		2012 \$	2011 \$
Face value of notes issued		3,409,000	-
FX adjustment		(34,536)	-
Interest accrued		(308,123)	-
Derivative asset from forward foreign exchange rate	5	245,731	-
Derivative liability from conversion option	5	(438,553)	-
		2,873,519	-

Interest expense is calculated by applying the interest rate of 8% to the liability component.

NOTE 5: DERIVATIVE FIANNCIAL INSTRUMENTS

Current assets

Forward foreign exchange contracts	245,731	-
	245,731	-

Current liabilities

Option of conversion to shares	(438,553)	-
	(438,553)	-

- (a) The forward foreign exchange contract asset represents the differential in the 3 year forward AUD/USD rate at 7 December 2011 of AUD/USD 0.926 applied to the \$3.409M (USD3.5M) face value of the convertible note.
- (b) The option of conversion to shares liability represents the Black Scholes valuation of the note holder's ability to convert as per the following variables:

Closing share price 30 June 2012	\$0.009
Conversion price	\$0.03
Interest rate	3.5%
Volatility	117.08%
Number of shares convertible	116,666,667

The underlying value of the option to convert is \$0.0038 per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 6: SEGMENT REPORTING

Description of segments

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

- Indonesian exploration
- Australian corporate

The Board monitors performance of each segment.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2012 and 30 June 2011.

	Indonesian Exploration \$	Australian Corporate \$	Consolidated \$
Year ended 30 June 2012			
Revenue			
Sales to external customers	8,748,630	-	8,748,630
Interest	4,094	30,442	34,536
Inter-segment sales	-	-	-
Total segment revenue	8,752,724	30,442	8,783,166
Segment net operating profit/(loss) after tax	-	-	-
Expenses			
Interest expense	-	(316,911)	(316,911)
Depreciation and amortisation	(1,095,104)	(11,898)	(1,107,002)
Impairment assets	-	(5,096)	(5,096)
Income tax benefit	2,309,126	-	2,309,126
Segment assets			
Capital expenditure	75,428	24,907	100,335
Other assets	5,619,216	3,473,092	9,092,308
Segment liabilities			
Total liabilities	(493,383)	(3,335,667)	(3,829,050)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 6: SEGMENT REPORTING (continued)

	Indonesian Exploration \$	Australian Corporate \$	Consolidated \$
Year ended 30 June 2011			
Revenue			
Sales to external customers	16,819,000	-	16,819,000
Interest	8,000	37,000	45,000
Inter-segment sales	-	-	-
Total segment revenue	16,827,000	37,000	16,864,000
Segment net operating profit/(loss) after tax	6,771,000	(6,376,000)	395
Expenses			
Interest expense	-	-	-
Depreciation and amortisation	(502,000)	(8,000)	(510,000)
Impairment assets	-	(375,000)	(375,000)
Income tax expense	(1,598,000)	-	(1,598,000)
Segment assets			
Capital expenditure	1,055,000	184,000	1,239,000
Other assets	11,143,000	436,000	11,579,000
Segment liabilities			
Total liabilities	4,609,000	912,000	5,522,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 7: EARNINGS PER SHARE

		Consolidated	
		2012 Cents	2011 Cents
(a)	Basic Earnings Per Share		
	Profit/(Loss) from continuing operations attributable to the ordinary equity holders of the Company	(0.40)	0.03
(b)	Diluted Earnings Per Share		
	Profit/(Loss) from continuing operations attributable to the ordinary equity holders of the Company	N/A	0.03
(c)	Weighted Average Number of Shares Used as the Denominator	2012 Number	2011 Number
	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,396,947,225	1,321,701,498
	Adjustments for calculation of diluted earnings per share – Rights	59,250,000	2,033,822
	Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,456,197,225	1,323,735,320

(d) Information Concerning the Classification of Securities

Rights

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 8: DIVIDENDS

No dividend has been paid by the Group in respect of the year ended 30 June 2012. (2011: 0.2316 cents)

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated	
	2012	2011
	\$	\$
(a) Reconciliation to cash at the end of the year		
Cash at bank and in hand	5,190,292	8,968,000
Balances per statement of cash flows	5,190,292	8,968,000
(b) Interest rate risk exposure		
Weighted average interest rate exposure for 2012 is 4.33% (2011: 4.47%). The Group's and the Parent Entity's exposure to interest rate risk is discussed in Note 17.		
(c) Reconciliation of profit/(loss) after income tax to net cash flows provided by operating activities		
Profit / (loss) for the year	(5,597,537)	395,000
Non cash flows in operating loss:		
- Depreciation	1,107,002	510,000
- Impairment loss	5,096	375,000
- Foreign exchange loss's	870,762	(702,000)
- Share based payments expense	1,134,947	2,022,000
Changes in operating assets and liabilities		
- (Increase)/decrease in trade debtors	(107,970)	1,730,000
- (Increase)/decrease in other receivables	(21,761)	(483,000)
- Increase/(decrease) in trade and other payables	(2,063,507)	111,000
- Increase/(decrease) in other provisions	18,653	746,000
- Increase/(decrease) in tax liabilities	(2,247,902)	1,623,000
- Increase/(decrease) in loans	(2,329,588)	-
Net cash (outflow)/inflow from operating activities	(9,231,806)	6,327,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 10: CURRENT TRADE AND OTHER RECEIVABLES

Consolidated

	2012	2011
	\$	\$
Trade receivables		
Deferred gas sales proceeds	1,980,544	1,872,000
GST recoverable	35,619	7,000
Vat Billed	1,216,838	459,000
	<u>3,233,001</u>	<u>2,338,000</u>

- (i) the average credit period on sales of goods and rendering of services is 75 days and therefore all trade debtors are within their terms. No allowance has been made for estimated irrecoverable trade receivable amounts arriving from the past sale of goods and rendering of services, determined by reference to past default experience. No receivables have been impaired during the year.
- (ii) Due to the short term nature of these receivables, their fair value is deemed to be their carrying value.
- (iii) The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.
- (iv) Refer to Note 17 for more information on the risk management policy of the group and the credit quality of the group's trade receivables.

Past due but not impaired

As at 30 June 2012, trade receivables of \$3,233M (2011: \$2,338M) were past due but not impaired. These relate to VAT Tax receivable from operations in Indonesia. The ageing analysis of these trade receivables is as follows:

Up to 3 months	82,577	251,000
3 to 6 months	32,693	124,000
6 months and over	1,101,568	84,000
	<u>1,216,838</u>	<u>459,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	Plant and equipment	Total
	\$	\$
<hr/>		
Year ended 30 June 2011		
At 1 July 2010, net of accumulated depreciation and impairment	217,027	217,027
Additions	1,378,169	1,378,169
Disposals	-	-
Depreciation charge for the year	(509,623)	(509,623)
At 30 June 2011, net of accumulated depreciation and impairment	<u>1,085,573</u>	<u>1,085,573</u>
Year ended 30 June 2012		
At 1 July 2011, net of accumulated depreciation and impairment	1,085,573	1,085,573
Additions	121,764	349,192
Disposals	-	-
Depreciation charge for the year	(1,107,002)	(1,334,430)
At 30 June 2012, net of accumulated depreciation and impairment	<u>100,335</u>	<u>100,335</u>
At 1 July 2011		
Cost or fair value	1,607,186	1,607,186
Accumulated depreciation and impairment	(521,613)	(521,613)
Net carrying amount	<u>1,085,573</u>	<u>1,085,573</u>
At 30 June 2012		
Cost or fair value	1,844,590	1,844,590
Accumulated depreciation and impairment	(1,628,615)	(1,744,255)
Foreign exchange loss	(115,640)	-
Net carrying amount	<u>100,335</u>	<u>100,335</u>

Capital Expenditure Workover

All cost related with workover program are expense directly because there is no future economic benefit that flow to the entity. The workover program didn't increase the wells performance. Workover expenditure is allocated to TPI's cost recovery pool.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 12: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2012	2011
	\$	\$
Trade and Other Payables		
Trade payables (i)	423,770	2,034,000
Accrued expenses	206,699	121,000
Payroll liabilities	48,078	7,000
Dividend payable in trust	8,698	14,000
	687,245	2,176,000
Other Payables		
Share buy-back funds in trust	6,814	7,000
Government share of oils sales	57,248	345,000
2% production revenue royalty payment	34,215	60,000
PR and community relations	-	235,000
Employee entitlements (ii)	119,196	151,000
	217,473	798,000
Tax Liabilities		
Corporate and dividends tax Indonesia (Tax Payable)	-	2,248,000
	-	2,248,000

- (i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
- (ii) Employee entitlements have been classified as current as the group expects that all employee's will take their accrued leave within 12 months of balance date

NOTE 13: PROVISIONS

Non-current		
Provision for rehabilitation	349,013	300,000
	349,013	300,000

No additional provisions have been raised during the year

NOTE 14: EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

Exploration and evaluation phase – at cost

Balance at beginning of year	-	370,000
Acquired as part of Triangle Energy Limited transaction	-	-
Expenditure incurred	5,096	5,000
Impairment of deferred exploration expenditure	(5,096)	(375,000)
Total deferred exploration and evaluation expenditure	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 15: ISSUED CAPITAL

	Consolidated	
	2012	2011
	\$	\$
Ordinary shares		
1,424,975,458 (2011: 1,357,808,791) issued and fully paid shares	7,101,732	5,093,000
Share issue costs	-	-
Net equity	7,101,732	5,093,000
	No.	\$
Movements in ordinary shares on issue		
At 1 July 2010	1,295,151,207	2,606,000
Shares issued during the reporting period for cash		
• December 2010 exercise of options	21,666,666	650,000
• December 2010 vested performance rights	17,500,000	613,000
• February 2011 vested performance rights	5,030,000	328,000
• March 2011 share purchase plan	7,040,918	386,000
• April 2011 vested performance rights	11,420,000	510,000
At 30 June 2011	1,357,808,791	5,093,000
At 1 July 2011	1,357,808,791	5,093,000
Shares issued during the reporting period for cash		
• November 2011 share placement	66,666,667	2,000,000
• March 2012 vested performance rights	500,000	8,500
At 30 June 2012	1,424,975,458	7,101,732

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 16: RETAINED EARNINGS AND RESERVES

	Consolidated	
<i>(a) Retained earnings / (accumulated losses)</i>	2012	2011
	\$	\$
Movements in retained earnings / (accumulated losses) were as follows:		
Balance at beginning of financial year	3,420,401	6,025,000
Net profit for the year	(5,597,537)	395,000
Dividends	-	(3,000,000)
Balance at end of financial year	<u>(2,177,136)</u>	<u>3,420,000</u>
 <i>(b) Reserves</i>		
Foreign currency translation reserve		
Balance at beginning of financial year	(1,788,311)	203,000
Gain/(loss) on translation of foreign controlled entities	528,124	(1,991,000)
Balance at end of financial year	<u>(1,260,187)</u>	<u>(1,788,000)</u>
 Share based payment reserve		
Balance at beginning of financial year	572,737	-
Share based payment	1,126,447	573,000
Balance at end of financial year	<u>1,699,184</u>	<u>573,000</u>

Nature and purpose of reserves

Foreign currency translation reserve

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

Share Based Payment Reserve

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 17: FINANCIAL RISK MANAGEMENT

(a) Capital risk management

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

	Consolidated	
	2012	2011
	\$	\$
(b) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	5,190,292	8,968,000
Trade and other receivables	1,980,544	1,872,000
Other financial assets	-	-
Financial liabilities		
Trade and other payables	606,566	2,164,000
Other financial liabilities	217,473	797,000
Tax liabilities	-	2,248,000

(c) Financial risk management objectives

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

(d) Market risk

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

(e) Foreign currency risk management

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

	Liabilities		Assets	
	2012	2011	2012	2011
	\$	\$	\$	\$
US dollars	2,575,319	4,878,000	3,051,588	12,992,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 17: FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis

The Group's core operations are located in Indonesia and are exposed to US Dollar (USD) and Indonesian Rupiah (IDR) currency fluctuations. Most transactions are conducted in USD with IDR limited to small local transactions that are considered immaterial for this analysis.

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

	USD impact +10%		USD impact -10%	
	Consolidated		Consolidated	
	2012	2011	2012	2011
	\$	\$	\$	\$
Profit or loss (i)	46,872	1,305,000	(46,872)	(1,305,000)

(i) This is mainly attributable to the exposure outstanding on USD receivables and payables at year end in the Group.

The Group's sensitivity to foreign currency during the period has increased due to the production in Indonesia where the oil and gas industry transacts in USD.

Interest rate risk sensitivity analysis

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

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

- net profit would increase by \$3,985 and decrease by \$3,985 (2011: \$4,845) calculated on a weighted average interest rate of 4.33% (2011: 4.47%). This is mainly attributable to the Group's exposure to interest rates on cash deposits.

(f) Commodity price risk

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

Gas

- net profit would increase by \$838,609 and decrease by \$838,609 (2011: \$1,435,000) calculated on 10% variation in the price of crude oil. This is mainly attributable to the TPI's exposure to the market price for the commodity.

Oil

- net profit would increase by \$36,254 and decrease by \$36,254 (2011: \$246,500) calculated on 10% variation in the price of crude oil. This is mainly attributable to the TPI's exposure to the market price for the commodity.

(g) Credit risk management

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 17: FINANCIAL RISK MANAGEMENT (continued)

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

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

(h) Liquidity risk management

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

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

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

Contractual maturities of financial liabilities

	Less than 6 months \$	6 – 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 Years \$	Total contractual cash flows \$	Carrying Amount (assets)/ liabilities \$
At 30 June 2012							
Non-derivatives							
Trade payables	(423,770)	-	-	-	-	(423,770)	(423,770)
Borrowings (excluding finance leases)	(3,737,502)	-	-	-	-	(3,737,502)	(2,136,766)
Total non-derivatives	(4,161,272)	-	-	-	-	(4,161,272)	(2,560,536)
Derivatives							
Derivative liability on option exercise price	(438,553)	-	-	-	-	-	(438,553)
Derivative asset on FX differences convertible notes	245,731	-	-	-	-	-	245,731
Total derivatives	(192,822)	-	-	-	-	-	(192,822)
At 30 June 2011							
Non-derivatives							
Trade payables	(2,021,911)	-	-	-	-	(2,021,911)	(2,021,911)
Borrowings (excluding finance leases)	-	-	-	-	-	-	-
Total non-derivatives	(2,021,911)	-	-	-	-	(2,021,911)	(2,021,911)
Derivatives							
Derivative liability on option exercise price	-	-	-	-	-	-	-
Derivative asset on FX differences convertible notes	-	-	-	-	-	-	-
Total derivatives	-	-	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 18: SHARE BASED PAYMENTS

TEG Employee Rights Plan

The establishment of the TEG Employee Rights Plan was approved by shareholders at the 2010 annual general meeting. The Employee Rights Plan is designed to provide incentives for employees and consultants (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted share rights some which vested immediately and the remainder only vest if the Group achieves an extension of the Production Sharing Contract (PSC) in Indonesia. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The share based payments expense recognised for employee and consultant services received during the year is shown in the table below:

	Consolidated	
	2012	2011
	\$	\$
Expense arising from equity-settled share-based payment transactions	1,134,947	2,023,000
Total expense arising from share-based payment transactions	<u>1,134,947</u>	<u>2,023,000</u>

During the 2012 year, the board granted rights to employees and consultants as per the following table:

Recipient	Number of Rights that vest immediately	Number of Rights that vest upon PSC renewal	Total number of Rights
Employees and consultants	500,000	25,000,000	25,500,000

Rights granted to employees and consultants vesting immediately are valued at the 5 day VWAP share price of Triangle Energy (Global) Limited on the ASX on the acceptance date of the offer to recipients. Rights to vest upon the event of the PSC renewal have been calculated proportionally from the acceptance date, to the expiry of the PSC extended to 23 August 2012.

At the annual general meeting on 26 November 2010, shareholder approval was granted to issue share rights to John Towner and to Robert Lemmey, both of whom are Executive Directors as per the following table:

Director	Number of Rights that vest immediately	Number of Rights that vest upon PSC renewal	Total number of Rights
John Towner	7,500,000	15,000,000	22,500,000
Robert Lemmey	10,000,000	10,000,000	20,000,000

Rights approved for Directors vesting immediately are valued at the closing share price of Triangle Energy (Global) Limited on the ASX on the date of the AGM (\$0.035). Rights to vest upon the event of the PSC renewal have been calculated at \$0.035 proportionally from the approval date, to the expiry of PSC extended to 23 August 2012.

During the 2011 year, the board granted rights to employees and consultants as per the following table:

Recipient	Number of Rights that vest immediately	Number of Rights that vest upon PSC renewal	Total number of Rights
Employees and consultants	16,450,000	9,250,000	25,700,000

Rights granted to employees and consultants vesting immediately are valued at the 5 day VWAP share price of Triangle Energy (Global) Limited on the ASX on the acceptance date of the offer to recipients. Rights to vest upon the event of the PSC renewal have been calculated proportionally from the acceptance date, to the expiry of PSC extended to 23 August 2012.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 19: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on office premises. These leases have an average life of between 1 and 2 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

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

	Consolidated		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
Within one year	31,339	26,238	-	-
After one year but not more than five years	-	-	-	-
More than five years	-	-	-	-
	31,339	26,238	-	-

Finance lease and hire purchase commitments

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

Remuneration commitments

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

Contingent Liabilities

The Directors are not aware of any contingent liabilities as 30 June 2012 (2011: none)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 20: RELATED PARTY DISCLOSURE

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

Name	Country of Incorporation	% Equity Interest		Investment (\$'000)	
		2012	2011	2011	2011
Triangle Energy Limited	Australia	100	100	-	-
Triangle Pase Inc	Cayman Islands	100	100	-	-

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

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

Related party		Income from	Expenditure	Amounts	Amounts
		Related Parties	Related Parties	Owed by Related parties	Owed to Related parties
		\$	\$	\$	\$
Consolidated					
Entities with significant influence over the Group:					
Triangle Energy Limited	2012	-	-	2,652,818	-
Triangle Pase Inc		-	-	-	6,192,464
Triangle Energy Limited	2011	-	-	-	1,272,633
Triangle Pase Inc		-	-	-	4,271,987

Entities with significant influence over the Group

- Jarrad Street Corporate Pty Ltd owns 22.28% of the ordinary shares in Triangle Energy (Global) Limited (2011: 23.39%).
- Ucan Nominees Pty Ltd owns 13.28% of the ordinary shares in Triangle Energy (Global) Limited (2011: 8.96%).
- PT Prestige Global Petroleum owns 5.74% of the ordinary shares in Triangle Energy (Global) Limited (2011: 6.03%).
- Mr Kenneth John Bull owns 5.54% of the ordinary shares in Triangle Energy (Global) Limited (2011: 11.66%).
- Pouvoir Pty Ltd owns 5.20% of the ordinary shares in Triangle Energy (Global) Limited (2011: nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 20: RELATED PARTY DISCLOSURE (continued)

Transactions with related parties	Consolidated	
	2012	2011
	\$	\$
<i>Mandolin Pty Ltd (a company of which Mr John Towner is a Director)</i>		
- Management and consulting fees	425,000	367,000
- Office rent (Perth)	30,000	30,000
<i>PT Prestige Petroleum (a company associated with Mr Steven Hamer)</i>		
- Consulting fees	264,000	264,000
- Office rent (Jakarta)	8,464	96,000
<i>PT Himalaya Assert Management (a company associated with Mr Steven Hamer)</i>		
- Office rent (Jakarta)	32,422	-

Terms and conditions of transactions with related parties

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

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

For the year ended 30 June 2012, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties due to solid payment history (2011: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

Loans to related parties

At Balance Date, Triangle Energy (Global) Limited had advanced \$2.653M to its wholly owned subsidiary Triangle Energy Limited to fund on-going operations. In 2011, the Company had loaned \$1.273M from its wholly owned subsidiary Triangle Energy Limited to fund on-going operations. The loan is non-interest bearing and has no specific repayment date nor is it subject to any contract. The balance is eliminated on Group consolidation.

At Balance Date, Triangle Energy Limited had loaned \$6.192M (2011: \$4.272M) from its wholly owned subsidiary, Triangle Pase Inc to fund on-going operations. The loan is non-interest bearing and has no specific repayment date nor is it subject to any contract. The balance is eliminated on Group consolidation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 21: PARENT ENTITY DISCLOSURES

Financial position

	30 June 2012	30 June 2011
	\$	\$
Assets		
Current assets	8,119,615	10,220,000
Non-current assets	-	-
Total assets	<u>8,119,615</u>	<u>10,220,000</u>
Liabilities		
Current liabilities	2,965,844	72,000
Non-current liabilities	-	300,000
Total liabilities	<u>2,965,844</u>	<u>372,000</u>
Equity		
Issued capital	18,483,587	16,475,000
Accumulated losses	(15,233,186)	(8,675,000)
Reserves		
Share based payment reserve	1,699,184	573,000
Foreign currency translation	203,186	203,000
Total equity	<u>5,152,771</u>	<u>8,576,000</u>

Financial performance

	Year ended	Year ended
	30 June 2012	30 June 2011
	\$	\$
Loss for the year	(7,918,942)	(2,790,000)
Other comprehensive income	1,360,973	-
Total comprehensive loss	<u>(6,557,969)</u>	<u>(2,790,000)</u>

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Key management personnel compensation

Short-term employee benefits	1,379,097	1,508,741
Post-employment benefits	210,798	481,736
Long-term benefits	24,944	28,861
Termination benefits	-	-
Share-based payments	-	955,157
	<u>1,614,839</u>	<u>2,974,495</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 22: Directors and Executives Disclosures (continued)

(b) Key management personnel share holdings

2012	Balance at beginning of year or appointment date	Granted as remuneration	Issued on exercise of options	Other changes	Balance at end of year or date of resignation
Directors					
J Towner	346,463,932	-	-	-	346,463,932
R Lemmey	13,333,333	-	-	-	13,333,333
A Sierakowski	14,684,445	-	-	-	14,684,445
L Johnson	10,493,261	-	-	-	10,493,261
S Hamer	81,849,207	-	-	-	81,849,207
A Morrison	-	-	-	-	-
P Godfrey	-	-	-	-	-
Executives					
R Clark	28,571,790	-	-	3,300,000	25,271,790
D Bromley	2,000,000	-	-	-	2,000,000
	497,395,968	-	-	3,300,000	494,095,968

2011	Balance at beginning of year or appointment date	Granted as remuneration	Issued on exercise of options	Other changes	Balance at end of year or date of resignation
Directors					
J Towner	338,691,205	7,500,000	-	272,727	346,463,932
R Lemmey	3,333,333	10,000,000	-	-	13,333,333
A Sierakowski	13,365,000	-	1,319,445	-	14,684,445
L Johnson	10,311,442	-	-	181,819	10,493,261
S Hamer	81,849,207	-	-	-	81,849,207
Executives					
J Oravetz*	-	2,500,000	-	-	2,500,000
R Clark	26,571,790	2,000,000	-	-	28,571,790
D Bromley	-	2,000,000	-	-	2,000,000
	474,121,977	24,000,000	1,319,445	454,546	499,895,968

*Included in KMP in 2011 due to being in the top 5 paid employees, not considered KMP in 2012.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 22: Directors and Executives Disclosures (continued)

(c) Key management personnel option holdings

2012	Balance at beginning of year or appointment date	Granted as remuneration	Options exercised	Net change Other	Balance at end of period	Total	Vested as at end of period	
							Exercisable	Not Exercisable
Directors								
J Towner	-	-	-	-	-	-	-	-
R Lemmey	-	-	-	-	-	-	-	-
A Sierakowski	-	-	-	-	-	-	-	-
L Johnson	-	-	-	-	-	-	-	-
S Hamer	-	-	-	-	-	-	-	-
A Morrison	-	-	-	-	-	-	-	-
P. Godfrey	-	-	-	-	-	-	-	-
Executives								
R Clark	-	-	-	-	-	-	-	-
D Bromley	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

2011	Balance at beginning of year or appointment date	Granted as remuneration	Options exercised	Net change Other	Balance at end of period	Total	Vested as at end of period	
							Exercisable	Not Exercisable
Directors								
J Towner	-	-	-	-	-	-	-	-
R Lemmey	-	-	-	-	-	-	-	-
A Sierakowski	1,319,445	-	(1,319,445)	-	-	-	-	-
L Johnson	-	-	-	-	-	-	-	-
S Hamer	-	-	-	-	-	-	-	-
Executives								
J Oravetz	-	-	-	-	-	-	-	-
R Clark	-	-	-	-	-	-	-	-
D Bromley	-	-	-	-	-	-	-	-
A Gould	-	-	-	-	-	-	-	-
Total	1,319,445	-	(1,319,445)	-	-	-	-	-

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: EVENTS AFTER THE BALANCE DATE

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

- In August 2012, TEG redeemed 1,880,238 Tranche 1 Notes held by Standard Chartered Private Equity (Singapore) Pte Ltd ("SCPEL") and issued by the Company, via payment of USD2.0M, which represents an IRR of 15% per annum for the period from the Issue Date of the relevant Tranche 1 Notes to 9 August 2012. SCPEL continues to hold 1,619,762 Tranche 1 Notes.
- In August 2012, the Indonesian Upstream Oil & Gas Regulator BP Migas has confirmed that TPI should continue to operate the Pase PSC until a definitive operator is selected.
- On 26 September, TEG issued 27,000,000 Unlisted Options to Standard Chartered Private Equity Pte. Ltd. with an exercise price of \$0.01 expiring 2 years from the date of issue (26 September 2014) as a result of Foreign Investment Review Board approval. The allotment is in relation to a standstill agreement on the convertible note subscription agreement executed in December 2011.

NOTE 24: AUDITOR'S REMUNERATION

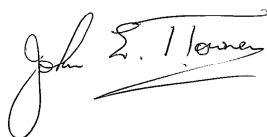
The auditor of Triangle Energy (Global) Limited BDO Audit (WA) Pty Ltd

	2012 \$	2011 \$
<u>Assurance Services</u>		
<i>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:</i>		
An audit or review of the financial report of the entity and any other entity in the Group	58,200	22,000
<i>Amounts received or due and receivable by BDO Indonesia for:</i>		
An audit or review of the financial report of the entity and any other entity in the Group	-	15,000
	58,200	37,000
<u>Non- Assurance Services</u>		
BDO Corporate Tax (WA) Pty Ltd – Australian Tax Compliance	40,636	18,631
	98,836	55,631

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Triangle Energy (Global) Limited (the 'Company'):
 - a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

This declaration is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'John Towner', with a horizontal line underneath.

John Towner

Executive Chairman

Dated this 28th day of September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIANGLE ENERGY (GLOBAL) LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Triangle Energy (Global) Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Triangle Energy (Global) Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements. The company is dependent upon various funding alternatives in order to continue to operate its project and fund working capital requirements. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Triangle Energy (Global) Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Brad McVeigh
Director

Perth, Western Australia
Dated this 28th day of September 2012

ADDITIONAL INFORMATION

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

Substantial Shareholder information

Name	Shares held	% of total
Jarrad Street Corporate Pty Ltd	317,547,860	22.28
Ucan Nominees Pty Ltd	188,288,807	13.21
PT Prestige Global Petroleum	81,849,207	5.74
Bull Kenneth John	79,000,000	5.54
Pouvoir Pty Ltd	74,067,921	5.2
	740,753,795	51.98

The number of shares held by the substantial shareholders as at 6 September 2012

Voting Rights

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

Distribution of Shareholders as at 6 September 2012

Size of holding	Holders
1 - 1,000	80
1,001 - 5,000	58
5,001 - 10,000	32
10,001 - 100,000	304
100,001 -	485
	959

On 6 September 2012, 420 holders with less than 100,000 shares held less than a marketable parcel of 100,000 shares in the Company.

Top Twenty Shareholders as at 6 September 2012

Shareholder	Number of ordinary shares	% Held of Issued Ordinary Capital
Jarrad Street Corporate Pty Ltd	317,547,860	22.28
Ucan Nominees Pty Ltd	188,288,807	13.21
PT Prestige Global Petroleum	81,849,207	5.74
Bull Kenneth John	79,000,000	5.54
Pouvoir Pty Ltd	74,067,921	5.20
Milwal Pty Ltd	33,033,334	2.32
All Bar 1 Pty Ltd	26,571,792	1.86
Nefco Nominees Pty Ltd	23,431,727	1.64
Mandolin Pty Ltd	21,416,072	1.50
Samika Pty Ltd	21,291,790	1.49
Reeve Ventures Pty Ltd	20,500,000	1.44
Msf Nominees Pty Ltd	19,499,999	1.37
Darina Enterprises Pty Ltd	19,499,999	1.37
Professional Payment Services	17,185,186	1.21
National Nominees Ltd	16,337,512	1.15
HSBC Custody Nominees Australia Ltd	14,381,633	1.01
Torwood Resources Ltd	13,765,462	0.97
Lemmey Robert Mervyn	13,333,333	0.94
Spinifex Holdings Pty Ltd	11,225,000	0.79
Supergom Holdings Pty Ltd	10,493,261	0.74
Twenty largest shareholders	1,022,719,895	71.77
Others	402,255,563	28.23
	1,424,975,458	100.00

ADDITIONAL INFORMATION cont'd

Unlisted option holdings

Distribution of Rights holders as at 3 September 2012.

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

Size of holding	Holders
1 - 1,000	0
1,001 - 5,000	0
5,001 - 10,000	0
10,001 - 100,000	0
100,001 - and over	9
	<hr/>
	9
	<hr/>
Holder of 20% or more:	
Mr John Towner	40.53%
Mr Robert Lemmey	26.43%
	<hr/>
	66.96%
	<hr/>

Top Twenty Rights holders as at 6 September 2012

Right Holder	Number of Rights	% Held
Mr Duncan Nuttall	23,000,000	40.53
Mr John Towner	15,000,000	26.43
Mr Robert Lemmey	10,000,000	17.62
Mrs Raewyn Clark	2,000,000	3.52
Mr Darren Bromley	2,000,000	3.52
Ms Jeanette Radici	2,000,000	3.52
Mr Iqbal Assaat	2,000,000	3.52
Mr Djakfah Husein	500,000	0.88
Ms Dewi Risma	250,000	0.44
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	56,750,000	100.00
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