COMPANY REGISTRATION NUMBER: 05350512

ALTONA ENERGY PLC

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

ALTONA ENERGY PLC

CONTENTS

ALTONA ENERGY PLC

CORPORATE INFORMATION

DIRECTORS	Qinfu Zhang (Executive Chairman) Nicholas Lyth (Chief Executive Officer) Phillip Sutherland (Operations Director) Chi Ma (Non-Executive Director) Henry Kloepper (Non-Executive Director) – appointed 3 November 2017
SECRETARY	Stephen Ronaldson Third Floor 55 Gower Street London WC1E 6HQ
REGISTERED OFFICE	30 Percy Street London W1T 2DB
INDEPENDENT AUDITOR	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
NOMINATED ADVISER & BROKER	Northland Capital Partners Ltd 60 Gresham Street London EC2V 7BB
BANKERS	HSBC Bank Plc 39 Tottenham Court Road London W1T 2AR
REGISTRARS	Share Registrars Limited The Courtyard 17 West Street, Farnham Surrey GU9 7DR

CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

The Group's strategy remains focused on its investment in the Arckaringa Project, South Australia, a world class coal resource exceeding 7.8 billion tonnes (1.3 billion tonnes historic JORC compliant) and we continue to have the support of the South Australian Government's Mining Department, with whom we work closely.

As a result of Altona being unable to secure the necessary Petroleum Exploration Licence ("PEL") required to pursue an Underground Coal Gasification ("UCG") strategy, the Board agreed, at the end of reporting period, to refocus on conventional coal extraction methods. The economics of conventional extraction have improved considerably in the past 22 months as the price of coal has almost doubled in that period.

Therefore, in July 2017, the Group formulated a new strategy with its mining engineering consultants, WSP Australia PTY Ltd ("WSP"); the first step being to identify coal deposits within its three tenements which would be suitable for the new strategy.

Review of the Year

On 28 July 2016, the Group announced that it had been informed by the South Australian Government that in order to commence test drilling for its UCG project at its Arckaringa site it required a PEL.

Subsequently it was established that an application for the relevant PEL had been made by another company, Linc Energy Limited ("Linc") which was, at that time, in administration. The Group made representations to the administrators [and South Australian government] in an attempt to secure this licence for the Group.

On 16 May 2017, the Group announced that Tri-Star Petroleum Company Inc ("Tri-Star") had acquired the entire assets from the administrator of Linc, including the application for PEL 604, which overlaps the Group's own tenements. The Group began the process of establishing contact with Tri-Star to establish its intentions for the PEL application.

As a result of the ongoing PEL application no share capital was issued to the parties referenced in the Joint Venture arrangement and therefore the position remains unchanged from the prior year.

The current licence applications expired in June 2017 and renewal applications have been submitted to the South Australian government. The minimum expenditure commitments in the period were not met. Discussions with the tenement manager have not indicated an issue with licence renewal.

Negotiations ended in early July 2017 with the Group unable to purchase the licence application from Tri-Star.

Post Balance Sheet Events

On 10 August 2017, the Board announced a change in its strategy, following discussions with WSP, to focus on a conventional coal extraction project for the exploitation of its coal assets at Arckaringa.

WSP was engaged to produce a desk top report based on historic data and findings at the three tenements owned by the Group. The report was to establish the existence of "dry" coal deposits within the Wintinna, Murloocoppie and Westfield tenements, or if found not to be economically viable, then to investigate the probability of low environmental impact "less dry" or "wet" coal deposits which could be used for the production of electricity and/or ethanol or methanol. WSP were also tasked with recommending the size of power plant (MW capacity) that would be needed to make the project commercially viable and the coal capacity required.

The Group advised its shareholders on 25 September 2017 that the findings of the report were inconclusive and that a further, more focused report would be needed. This report was subsequently commissioned, and the Group also engaged the services of Runge Pinock Minarco Global ("RPM"), a specialist professional mining consultant with previous experience of the coal deposits at the Arckaringa site. Initially, the report was to concentrate on the Group's Westfield tenement, using seismic, water table and other data to provide accurate analysis and mapping ahead of a possible drilling programme, and on 30 November 2017, the report was expanded to explore areas of the Wintinna and Murloocoppie tenements, which are known to be potentially prospective for accessible coal.

Technical Report

Extensive and thick Permian coal exists in a number of geological basins in South Australia including the Arckaringa Basin. Permian coals range from being deeply buried in some basins (from 1,110m) to mineable depths (from 30m depth) in the Arckaringa Basin which is the focus of the Group. The Arckaringa Basin contains an estimated 10 billion tonnes of coals. Within the basin the Group has control of three deposits (tenements). Historic exploration has revealed the following:

Wintinna Deposit - Thickness of overburden to top coal seam ranges are 220m to 300m. Six to seven flat lying coal seams have been delineated, with a cumulative thickness of 20m over a stratigraphic interval of 60m.

Murloocoppie Deposit - Eight persistent seams within a 70m stratigraphic interval are recognised. Cumulative coal thickness averages 20m with overburden to the top of mineable coal varying between 140m and 230m.

Westfield Deposit - Two persistent seams occur about 30m apart. The upper seam ranges in thickness from 6m to 9m and occurs at depths between 145m and 215m. The lower seam averages 1m to 2m in thickness.

Current Group efforts are focused on identifying dry coal or 'less wet' coal at mineable depths. When the Group has identified coal suitable for extraction, the evaluation of the coal quality and location will inform the Group's decision making on a 'best return on investment' and low environmental impact basis in respect to the method of extraction.

Group decisions will also be informed by the infrastructure necessary to process the coal either at surface/on-site or transport coal to market for use elsewhere. Coal characteristics requiring consideration include coal seam depth, thickness, continuity, maturity, vertical distance to aquifers, organic (maceral) content, gas content indications based on water geochemistry, and coal seam permeability. In respect of moving coal product to market the three Group tenements are fortunately in close proximity to road and rail (north and south of the continent) transport infrastructure.

The type of extraction and post-extraction use of the coal will be driven by market demand and prices. It is noted that the price of coal has increased over the last 12 months and appears to be sustainable. A conventional coal mining technique (as opposed to a non-conventional technique) is most likely to be selected by the Group to undertake the extraction of the coal. In this respect open pit coal mining is the least costly, most timely and least technically problematic. Subjecting the coal to a coal conversion technology (at surface) including gasification to produce one or more products such as oil, diesel, jet fuel, gas, fertilizer and road slurry will all be considered based on their economics. Extracting and transporting the coal to market without processing will also be considered.

Unconventional mining techniques such as Underground Coal Gasification (UCG) and Coal Seam Methane (CSM) are unlikely now to be considered by the Company as they are early stage technologies and subject to a number of environmental and other problems. The Company at this time does not have the licences necessary to explore for coal for these purposes.

Board Changes

Henry Kloepper was appointed as a Non-Executive Director on 3 November 2017, bringing to the Board a wealth of experience in the resources sector over a 30 year career.

Nick Lyth was made Chief Executive Officer and Phillip Sutherland was made Director of Operations (Australia) on 23 November 2017. On the same day, options were granted to the members of the board under two performance indicators; the first being when the share price reaches 2.5 pence; the second being split into two tranches, when the Group commences a drilling programme and when it completes a pre-feasibility study. Both indicators provide high incentive to the Company to succeed in its new strategy.

Financial Review

During the period under review the Group made a loss before taxation of £341,000 (2016: profit £38,000, due to a reversal of a provision against a former director's tax liability of £790,000). Like for like the Group reduced losses by £411,000, mainly due to the decrease in administrative expenses to £341,000 (2016: £765,000).

As at 30 June 2017, the Group had cash of £15,000 (2016: £362,000).

After the year end, the Group raised £1,095,000 through three separate placings as follows: on 7 July it raised £150,000 at a price of 0.15p per share, on 13 October it raised £210,000 at a price of 0.05p per share, and on 23 November it raised £735,000, before expenses, at a price of 0.5p per share.

Outlook

Altona is a small company with a potentially very large coal asset and the Board is now embarked on a tight and focused strategy to identify and exploit this asset in 2018. Starting with further exploration in new areas of the tenements for which renewal applications have been made, the Group hopes to take advantage of the high coal price, by proving-up its plan in order to provide a possible exit within a reasonable time frame. The Board will visit Adelaide in January 2018 to meet with the South Australian government and WSP to discuss the exploration programme and planned expenditure for the project.

The Board expects the costs of the initial exploration phase to be kept to a practical level. The Company will work together with WSP to estimate cost levels for a modest open pit mining operation with the capacity to scale-up operations in the future.

The South Australian region has for some time now, had issues with its regional power supply. Although there has been a trend towards renewable power in recent years, this is starting to lose momentum as it has not provided the same reliable base load support as fossil fuels are able to do.

Therefore, the Board remains confident that a significant asset such as Arckaringa would be given high priority by the government, who remains supportive of Altona's project, in order to provide a long-term energy supply for the region.

Nick Lyth
Chief Executive Officer
18 December 2017

STRATEGIC REPORT

Principal Activity

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

BUSINESS RISK REVIEW

Principal business risks

The Directors have identified the following principal risks in regards to the Group's future. The relative importance of risks faced by the Group can, and is likely to, change as the Group executes its strategy and as the external business environment evolves. The financial risks to which the Group is exposed are detailed in Note 2.

Strategic

Strategy risk

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

Concentration risk

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

Operational

Development risk

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

Other business risks

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

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

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

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

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

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

STRATEGIC REPORT (continued)

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

BUSINESS REVIEW

The developments during the year are detailed in the Chief Executive Officer's Report on pages 3 to 5.

KEY PERFORMANCE INDICATORS

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

- Progress of Bankable Feasibility Study ("BFS"). Monitoring licence commitments and environmental compliance
- Cash management – sufficient to meet its commitments

The Group cash at 30 June 2017 was £15,000 (2016: £362,000).

On behalf of the Board:

Nicholas Lyth
Director
18 December 2017

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited financial statements of the Group and the Company for the year ended 30 June 2017. Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes the principal activity, business review, principal risks and uncertainties.

COMPANY INFORMATION

Altona Energy Plc is a publicly listed company incorporated and domiciled in England & Wales. The Group's principal subsidiaries are all registered in Australia. The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange. The Company's principal activity is that of being a listed holding company for subsidiaries owning coal exploration licences in South Australia.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2016: £Nil).

FINANCIAL RISK MANAGEMENT

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

DIRECTORS AND DIRECTORS' INTERESTS

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

	Number of ordinary shares		Number of Options	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Phillip Sutherland	940,564	940,564	-	-
Qinfu Zhang [1]	-	-	-	-
Nicholas Lyth	1,300,000	1,300,000	-	-
Chi Ma [2]	-	-	-	-

[1] Qinfu Zhang is beneficially interested in 230,000,000 shares through Wintask Group Limited
[2] Chi Ma was appointed on 24 March 2016 and is the representative Director of Sino-Aus Energy Group Limited, which is interested in 100,000,000 shares.

THIRD PARTY INDEMNITY INSURANCE

The Company and the Group provide the Directors' and Officers' liability insurance at a cost of £6,500 (2016: £6,500).

POST REPORTING DATE EVENTS

Details of post reporting date events are disclosed in Note 20 of the financial statements.

FUTURE DEVELOPMENTS

The future developments are detailed in the Chief Executive Officer's Statement (Pg.3-4).

GOING CONCERN

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

Notwithstanding the loss incurred during the year under review, the Directors have a reasonable expectation that the Group will be able to raise funds in addition to the £1,095,000 raised post year end to provide adequate resources to continue in operational existence for the foreseeable future and meet committed work programmes. It will therefore continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on their assumptions and their conclusion thereon are included in the statement on going concern included in note 1 to the Financial Statements.

AUDITOR

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

REMUNERATION

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

CORPORATE GOVERNANCE

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

The Board

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

The Audit Committee

The Audit Committee currently comprises Phillip Sutherland (Chairman) and Nicholas Lyth (Chief Executive Officer), with two meetings held during the year ended 30 June 2017. The Committee reviews the Group's annual and interim financial statements before submission to the Board for approval. The Committee also reviews reports from Management and the external auditor on accounting and internal control matters. When appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment of, and reviews the fees of, the external auditor.

The Remuneration Committee

The Remuneration Committee currently is made up of Phillip Sutherland (Chairman) and Nicholas Lyth (Chief Executive Officer), with two meetings held during the year ended 30 June 2017. It is responsible for reviewing the performance of the Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the Group.

CONTROL PROCEDURES

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

PROVISION OF INFORMATION TO AUDITOR

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

ANNUAL GENERAL MEETING

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

On behalf of the Board:

Nicholas Lyth

Director
18 December 2017

DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

Website publication

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

Nicholas Lyth
Director
18 December 2017

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

Opinion

We have audited the Financial Statements of Altona Energy Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2017 which comprise the Statement of Consolidated Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2017 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the Financial Statements, which identifies conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. The Group incurred a net loss of £341k during the year ended 30 June 2017 and at that date the Group had net current liabilities of £73k.

The Financial Statements have been prepared on the going concern basis. The renewal of the exploration licenses, which expired prior to the year end, are expected to contain minimum expenditure requirements and the ability to meet these will be dependent on the continued ability to raise new funds.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 17, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and Company to continue as a going concern.

Our opinion is not modified in respect of this matter.

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Group materiality was set at £300,000 based the loss before tax and gross assets. Company materiality was set at the same level. For each component in the scope of our Group audit, we allocated a materiality that is not higher than our overall group materiality.

An overview of the scope of our audit

As part of designing our audit we determined materiality, as above, and assessed the risk of material misstatement in the Financial Statements. In particular, we looked at areas requiring the Directors to make significant judgements and estimates, for example in respect of the recoverability of intangible assets, and considered future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The UK operations and consolidation are accounted for from the UK and the subsidiaries from Australia. We conducted a full scope audit of the Group and Company numbers, with sufficient appropriate audit procedures carried out on the Australian subsidiaries for the purpose of the consolidation.

Our audit was conducted from our London office where the audit team was based, with regular interaction with key group personnel responsible for the management of the Group and the accounting function. Additionally, discussions were held with those responsible for the license renewals in Australia.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Intangible Fixed Assets	
Capitalised exploration and evaluation costs in relation to the Arckaringa basin licences total £11.8m. The existing exploration licenses expired in June 2017 and renewal applications have	We performed a review of exploration costs capitalised and the licenses to which they relate to ensure that all carried costs relate to the licences for which renewal applications have been lodged. We have performed an impairment review of intangible assets which considered the areas listed as indicators of impairment

been lodged but remain under review by the Government of South Australia. The expired licenses contain minimum expenditure requirements which have not been met. There is a risk that these exploration and evaluation assets capitalised as Intangible Assets are impaired.	under IFRS 6. Our work included the following: • Consideration of the likelihood of the licenses being renewed through understanding the application process and criteria, together with discussions with management and the third-party tenement manager involved in the renewal process; • Verification of the current status of the licence renewals; • Obtaining and reviewing the existing exploration licenses held but not yet renewed to ascertain expiry dates, minimum spend requirements, and any indicators that these may not be successfully renewed; and • Reviewing the post year end cash position and management future plans for expenditure on the licences. Based on the audit work performed we do not consider intangible assets as at 30 June 2017 to be materially misstated. It is however important to draw users attention to the fact that the recoverable value of the intangible assets is dependent on the Group obtaining the necessary license renewals. Failure to obtain the necessary licence renewals is likely to result in a full impairment to the carrying value of Intangible Assets held.

Going concern would also have been identified as a Key Audit Matter if it were not separately disclosed in the audit report.

Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor’s report thereon. The directors are responsible for the other information. Our opinion on the Group and Parent Company Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group and Parent Company Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Parent Company Financial Statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: *http://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Joseph Archer (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
18 December 2017

1 Westferry Circus
Canary Wharf
London E14 4HD

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Notes	Group 2017 £'000	Group 2016 £'000
Revenue		-	-
Administrative expenses		(341)	(765)
Reversal of provision		-	790
Operating (loss) / profit	4	(341)	25
Finance income		-	1
(Loss) / profit before taxation		(341)	26
Tax credit	7	-	12
(Loss) / profit for the year attributable to the equity holders of the parent		**(341)**	**38**
Other comprehensive income			
Exchange differences on translating foreign operations that may be subsequently reclassified to profit or loss		537	1,471
Total comprehensive income attributable to the equity holders of the parent		**196**	**1,509**
Earnings per share (expressed in pence per share)			
- Basic attributable to the equity holders of the parent	6	**(0.04)p**	**0.005p**
- Diluted attributable to the equity holders of the parent	6	**(0.04)p**	**0.005p**

All of the above operations during the year are continuing.

The notes on pages 21 to 38 form part of these financial statements.

ALTONA ENERGY PLC

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
ASSETS					
Non-current assets					
Intangible assets	8	11,801	11,221	-	-
Investment in subsidiaries	9	-	-	1,432	1,432
Other receivables	10	3	3	10,772	10,712
Total non-current assets		11,804	11,224	12,204	12,144
Current assets					
Trade and other receivables	10	14	17	13	16
Cash and cash equivalents		15	362	10	357
Total current assets		29	379	23	373
TOTAL ASSETS		11,833	11,603	12,227	12,517
LIABILITIES					
Current liabilities					
Trade and other payables	11	102	68	95	55
Total current liabilities		102	68	95	55
TOTAL LIABILITIES		102	68	95	55
NET ASSETS		11,731	11,535	12,132	12,462
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	12	892	892	892	892
Share premium	12	18,178	18,178	18,178	18,178
Merger reserve		2,001	2,001	2,001	2,001
Foreign exchange reserve		1,986	1,449	-	-
Retained deficit		(11,326)	(10,985)	(8,939)	(8,609)
TOTAL EQUITY		11,731	11,535	12,132	12,462

The loss within the parent company financial statements for the year was £330,000 (2016: profit of £1,738,000)

The financial statements were approved by the Board and authorised for issue on 18 December 2017 and signed on its behalf by:

Nicholas Lyth
Director

Registered number 05350512
(Incorporated in England and Wales)

The notes on pages 21 to 38 form part of these financial statements.

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Cash flows from Operating activities				
(Loss)/profit for the year before taxation	(341)	26	(330)	1,738
Income tax	-	12	-	-
Finance income	-	(1)	-	(1)
Share based payments	-	18	-	18
Foreign exchange on loans to controlled entities	(43)	-	-	(1,592)
Decrease in receivables	3	43	3	42
Increase/(decrease) in payables	34	(40)	40	(40)
Decrease in provisions	-	(790)	-	(790)
Cash used in operations	(347)	(733)	(287)	(625)
Income tax benefit received	-	63	-	-
Net cash used in operating activities	(347)	(670)	(287)	(625)
Cash flows from Investing activities				
Loans to subsidiaries	-	-	(60)	(28)
Interest received	-	1	-	1
Net cash generated from/(used in) investing activities	-	1	(60)	(27)
Cash flows from Financing activities				
Proceeds from issue of shares	-	500	-	500
Net cash inflow from financing	-	500	-	500
Net decrease in cash and cash equivalents	(347)	(169)	(347)	(152)
Cash and cash equivalents at beginning of the year	362	543	357	509
Effect of exchange rate changes on cash and cash equivalents	-	(12)	**-**	**-**
Cash and cash equivalents at 30 June	**15**	**362**	**10**	**357**

The notes on pages 21 to 38 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2017

Attributable to equity holders of the parent

	Share capital	Share Premium	Merger reserve	Foreign exchange reserve	Retained deficit	Total equity
Group	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 July 2015	**792**	**17,778**	**2,001**	**(22)**	**(11,041)**	**9,508**
Profit for the year	-	-	-	-	38	38
Other comprehensive income	-	-	-	1471	-	-
Total comprehensive income	-	-	-	1,471	38	1,509
Issue of share capital	100	400	-	-	-	500
Share based payments	-	-	-	-	18	18
Total transactions with owners, recognised directly in equity	100	400	-	-	18	518
Balance at 30 June 2016	**892**	**18,178**	**2,001**	**1,449**	**(10,985)**	**11,535**
Profit/(loss) for the year	-	-	-	-	(341)	(341)
Other comprehensive income	-	-	-	537	-	537
Total comprehensive income	-	-	-	537	(341)	196
Balance at 30 June 2017	**892**	**18,178**	**2,001**	**1,986**	**(11,326)**	**11,731**

Company	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 July 2015	**792**	**17,778**	**2,001**	**-**	**(10,365)**	**10,206**
Profit for the year	-	-	-	-	1,738	1,738
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,738	1,738
Issue of share capital	100	400	-	-	-	500
Share based payments	-	-	-	-	18	18
Total transactions with owners, recognised directly in equity	100	400	-	-	18	518
Balance at 30 June 2016	**892**	**18,178**	**2,001**	**-**	**(8,609)**	**12,462**
Loss for the year	-	-	-	-	(330)	(330)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(330)	(330)
Balance at 30 June 2017	**892**	**18,178**	**2,001**	**-**	**(8,939)**	**12,132**

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

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

The notes on pages 21 to 38 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL INFORMATION

Altona Energy PLC is a public company which is listed on the Alternative Investment Market ('AIM') and is incorporated and domiciled in England & Wales, with registered number 05350512. The Group's and Parent Company's financial statements for the year ended 30 June 2017 were authorised for issue by the Board on 18 December 2017 and the Statements of Financial Position were signed on the Board's behalf by Mr Nicholas Lyth.

The principal activity of the Company during the year was that of a holding company for a group engaged in the identification, evaluation, acquisition and development of the Ackaringa coal project in South Australia.

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

BASIS OF PREPARATION

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

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

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Group's assets are not generating revenues, an operating loss has been reported and an operating loss is expected in the 12 months subsequent to the date of these Financial Statements. As a result the Company will need to raise funding in addition to the £1,095,000 raised post year end to provide additional working capital and fund committed work programmes.

Based on the Board's budgets and cash flow forecasts for non-discretionary expenditures, the Directors have a reasonable expectation that the Group and the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 30 June 2017.The Company raises money for exploration and capital projects as and when required. There can be no assurance that the Group's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects, the levels of production and financial returns arising therefrom may be adversely affected by factors outside the control of the Group.

Should the Group and Company be unable to continue trading as a going concern, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify non-current assets as current. The Financial Statements have therefore been prepared on a going concern basis and do not include the adjustments that would result if the Group and Company was unable to continue in operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NEW STANDARDS AND INTERPRETATIONS

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

(i) New and amended standards adopted by the Group and Company

There were no IFRSs or IFRIC interpretations relevant to the Group or Company that were effective for the first time for the financial year beginning 1 July 2016 that had a material impact on the Group or Company.

(ii) New and amended standards and interpretations issued but not yet effective or not yet endorsed for the financial year beginning 1 July 2016 and not early adopted

At the date of authorisation of these Financial Statements, the Group and Company have not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) have not yet been endorsed by the EU. The Group and Company intend to adopt these standards, if applicable, when they become effective.

Standard / Interpretation	Title	Effective date
IAS 7 (Amendments)	Results of the Disclosure Initiative	*1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	*1 January 2017
IAS 28 (Amendments)	Accounting for Investments - Applying the Consolidation Exception	Postponed
IAS 40 (Amendments)	Transfers of Investment Property	*1 January 2018
IFRS 2 (Amendments)	Classification and Measurement of Share Based Payment Transactions	*1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 (Amendments)	Consolidated Financial Statements: Applying the Consolidation Exception	Postponed
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	*1 January 2019
IFRS 15 (Clarifications)	Revenue from Contracts with Customers	*1 January 2018
Annual Improvements	Annual Improvements to IFRS Standard 2014-2016 Cycle	*1 January 2017 / 1 January 2018
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	*1 January 2018

* *Subject to EU endorsement*

The Group and Company are evaluating the impact of the new and amended standards above. The Directors do not expect that these new and amended standards will have a material impact on the Group's and Company's results or shareholders' funds. Particular attention will be paid to the impact of IFRS 15 and amendments to IFRS 2 on the Group's and Company's Financial Statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

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

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

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

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

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

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

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

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

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

TAXATION

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

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

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

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

INTANGIBLE ASSETS - EXPLORATION AND EVALUATION ASSETS

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

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

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

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

Exploration and evaluation assets are assessed for impairment when facts or circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) ('CGU') to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

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

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

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

Cash and cash equivalents include cash in hand and amounts held on short term deposit. Any interest earned is accrued monthly and classified as finance income. Short term deposits comprise deposits made for varying periods of between one day and three months.

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

Derecognition

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

FINANCIAL LIABILITIES
The Group and Company classifiy their financial liabilities into one category, being other financial liabilities.

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

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

Derecognition

Financial liabilities
The Group and Company derecognise financial liabilities when, and only when, the obligations are discharged, cancelled or they expire.

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

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

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

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

JOINT ARRANGEMENTS

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

The Group classifies its interest in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement;

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

1. Impairment of intangibles

The Group follows the guidance of IAS 36 to determine when an intangible asset is impaired. This determination requires significant judgement. The Group's current licences for the Arckaringa Project (the Groups' key asset) expired in June 2017 and, whilst renewal applications have been submitted, the renewal process is ongoing and formal notification of their renewal has not yet been received from the South Australia state. Whilst there is no indication at the date of signing these financial statements that these renewals will not be successful, there is no absolute certainty of this. As a result management have exercised their judgement on this matter and continue to carry the intangible assets within the financial statements at the value of historic exploration and evaluation costs. Failure to renew the licences may result in a full impairment of this asset to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The financial instruments were categorised as follows:

Group 30 June 2017	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total £'000
Assets as per statement of financial position			
Trade and other receivables	7	-	12
Cash and cash equivalents	15	-	15
	27	-	27
Liabilities as per statement of financial position			
Trade and other payables	-	102	102
	-	102	102

Group 30 June 2016	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total £'000
Assets as per statement of financial position			
Trade and other receivables	2	-	2
Cash and cash equivalents	362	-	362
	364	-	364
Liabilities as per statement of financial position			
Trade and other payables	-	68	68
	-	68	68

Company 30 June 2017	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total £'000
Assets as per statement of financial position			
Trade and other receivables	4	-	9
Cash and cash equivalents	10	-	10
	19	-	19
Liabilities as per statement of financial position			
Trade and other payables	-	95	95
	-	95	95

Company 30 June 2016	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total £'000
Assets as per statement of financial position			
Trade and other receivables	2	-	2
Cash and cash equivalents	357	-	357
	359	-	359
Liabilities as per statement of financial position			
Trade and other payables	-	55	55
	-	55	55

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

2. FINANCIAL INSTRUMENTS (continued)

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

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

Credit Risk
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss. The Group has adopted a policy of only dealing with creditworthy counterparties, as assessed by the Directors using relevant available information.

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

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

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

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

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

Foreign currency units to £1.00 GBP	Australian Dollar
At 30 June 2017	1.69
At 30 June 2016	1.78

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

	Liabilities		**Assets**	
	2017 £'000	**2016 £'000**	**2017 £'000**	**2016 £'000**
Australian Dollar	8	14	7	8

The impact of a 20% (2016: 20%) fluctuation in the value of the Australia Dollar would result in net translation gains or losses of £197,187 (2016: £1,200) movement in profit or loss and net assets of the Group.

2. FINANCIAL INSTRUMENTS (continued)

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

	Assets	
	2017	**2016**
	£'000	**£'000**
Australian Dollar	12,204	12,144

A 6% (2016: 20%) fluctuation in the value of the Australian Dollar would result in a positive or negative movement in the Foreign Exchange Reserve of £732,000 (2016: £2,229,000) in relation to the monetary assets above.

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

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

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

	Pound Sterling £'000	Australian Dollar £'000	Total £'000
30 June 2017			
Cash at bank floating interest rate	10	5	15

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

At the reporting date, cash at bank floating interest rate is accruing weighted average interest of 0.05% (2016: 0.05%) As required by IFRS 7, the Group has estimated the interest rate sensitivity on year end balances and determined that a two percentage point increase or decrease in the interest rate earned on floating rate deposits would have caused a corresponding increase or decrease in net income in the amount of £300 (2016: £7,000).

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

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

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

2. FINANCIAL INSTRUMENTS (continued)

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

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

3. REVENUE AND SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment and that make strategic decisions, has been identified as the Board of Directors. The Group had no revenue during the period.

During the year ended 30 June 2017 the Group operated in one segment, being the evaluation of the Arckaringa coal project in South Australia. The Parent Company serves as an administrative head office and is based in the United Kingdom. During the year ended 30 June 2017 the Group's operations spanned Australia and the United Kingdom.

Segment result	**Segment result**	
	2017 £'000	**2016 £'000**
Continuing operations		
Coal and Coal to chemicals project (Australia)	10	(109)
Administration and Corporate (United Kingdom)	330	178
	340	69
Finance income	-	1
Profit/(Loss) before tax	340	70
Income tax credit	-	12
Profit/(Loss) after tax	340	82

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. REVENUE AND SEGMENTAL INFORMATION (continued)

Segment assets and liabilities

	Non-Current Assets		Non-Current Liabilities	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Coal and Coal to chemicals project (Australia)	11,804	11,224	-	-
Administration and Corporate (United Kingdom)	-	-	-	-
Total of all segments	11,804	11,224	-	-

	Total Assets		Total Liabilities	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Coal and Coal to chemicals project (Australia)	11,810	11,229	7	13
Administration and Corporate (United Kingdom)	23	374	95	55
Total of all segments	11,833	11,603	102	68

4. PROFIT/LOSS FROM OPERATIONS

	Group	
	2017 £'000	2016 £'000
This has been arrived at after charging/(crediting):		
Fees payable to the Company's auditor for the audit of the consolidated financial statements	16	16
Fees payable to the Company's auditor for other services: Audit of subsidiaries	4	4
Share based payments – Staff and Directors	-	18
Share based payments – Consultants	-	-
Staff costs[1]/(credit)	213	(367)

[1] Included in Staff costs in 2016 is a credit for the reversal of the PAYE and national insurance provision. Further details on this provision are included in note 14.

5. STAFF COSTS (INCLUDING DIRECTORS)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Salaries and fees	210	412	210	412
Release provision for PAYE/NIC	-	(790)	-	(790)
Social security costs	3	11	3	11
Total staff costs	213	(367)	213	(367)

The Group and Company averaged 6 employees during the year ended 30 June 2017 (2016: 7 employees). Directors have been assessed as the only key management of the Group.

	Short term benefits £'000	Share based payments £'000	National insurance £'000	Total **2017** **£'000**	Total 2016 £'000
Current Directors:					
Qinfu Zhang	98	-	-	**90**	**187**
Phillip Sutherland	27	-	-	**24**	**63**
Nicholas Lyth	25	-	3	**27**	**40**
Chi Ma	25	-	-	**24**	**8**
Total Key Management 2017	**175**	**-**	**3**	**178**	-
Total Key Management 2016	**278**	**17**	**3**	**-**	**298**

The total amount payable to the highest paid director in respect of emoluments was £90,000 (2016: £187,000). No Directors exercised any share options during the year. The pension expense relates to compulsory superannuation in Australia.

6. EARNINGS PER SHARE

The loss for the year attributed to shareholders is £341,000 (2016: profit £38,000).

This is divided by the weighted average number of Ordinary shares outstanding calculated to be 891.9 million (2016: 835.1 million) to give a basic loss per share of 0.04 pence (2016: basic earnings per share of 0.005 pence).

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

7. TAX

	Group	
	2017	**2016**
	£'000	**£'000**
Current taxation		
Tax credit	-	12
Deferred taxation	-	-
Total tax credit	**-**	**12**
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before tax	(341)	38
Loss on ordinary activities at the Group standard rate of 20.09% (2016: 22.40%)	(69)	9
Effects of:		
Non-deductible expenses	-	(5)
Difference in overseas tax rates	-	(8)
Tax concession (research & development)	-	12
Tax losses (utilised)/ carried forward	69	4
Total tax credit for the year	**-**	**12**
Unprovided deferred tax asset:		
Group tax losses carried forward of £19,209,000 (2016: £18,868,000) multiplied by the standard rate of corporation tax 20.09% (2016: 22.40%) are recognised when it is probable that sufficient taxable profit will be available in the foreseeable future. In view of the uncertainty as to future profits, no deferred tax asset has been recognised as at 30 June 2017 (30 June 2016: nil) due to uncertainty as to when profits will be generated.	3,841	3,773

Changes in tax rates and factors affecting the future tax charge

The Finance Act 2016 includes legislation reducing the main rate of UK corporation tax from 20% to 19% from 1 April 2017.

8. INTANGIBLE ASSETS

	Group	
	2017	2016
	£'000	£'000
Exploration and evaluation		
Cost		
At beginning of year	11,221	9,739
Currency translation adjustment	580	1,482
Carrying value at 30 June	11,801	11,221

The Group's interest in its Arckaringa Coal Project tenements is held within a 100% owned entity called Arckaringa Coal Chemical Joint Venture Company Pty Limited ("Joint venture company").

During the year under review, the joint venture company has not issued shares to the joint venture partners as these partners have not met their capital contribution requirements obligations. Accordingly at the year-end Altona continued to own 100% of the shares in the joint venture Company. Because the shares had not yet been issued to partners as at 30 June 2017, management consider that the appropriate accounting is to treat the joint arrangement as a joint operation.

Potential impairment
Intangible assets relate solely to the Arckaringa coal project. Before work can commence at this project the Exploration Licence must be renewed. In the event that this is unsuccessful, there may be an indication of impairment of capitalised expenditure which could significantly reduce the carrying amount of this asset. As at the date of signing the Financial Statements the Exploration Licenses are in the process of being renewed following their expiry in June 2017. However, this delay between expiration and renewal has been normal for the Company in previous years and as such the Directors do not propose any impairment to the Intangible Assets. Moreover, the Group has recently undertaken a new strategy, starting with the commissioning of further coal studies to realise value of the licences.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	£'000	£'000
Cost		
Investments in subsidiaries – opening and closing balance	1,432	1,432

Subsidiaries of Altona Energy Plc	Country of Registration	Holding		Nature of Business
		2017 %	2016 %	
Direct				
Altona Australia Pty Ltd	Australia	100	100	Dormant holding Company
Indirect				
Arckaringa Energy Pty Ltd	Australia	100	100	Prior year evaluation of the Arckaringa Project
Arckaringa Coal Chemical Joint Venture Co Pty Ltd	Australia	100	100	Current year evaluation of the Arckaringa Project

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current				
Taxes & Social security receivable	5	7	4	7
Prepayments and other receivables (i)	9	10	9	9
	14	17	13	16
Non-current				
Loans due from Group companies (ii)	-	-	10,772	10,712
Tenement bond	3	3	-	-
	3	3	10,772	10,712

(i) Other receivables are non-interest bearing and generally repayable between 30-60 days. Included within other receivables is an amount for rent deposit which is refundable upon expiry of the lease.

(ii) The loans to wholly owned subsidiaries are non-interest bearing and are repayable on demand, however payment is not anticipated to be within one year.

The other receivables remain within their contractual maturity at 30 June 2017 (30 June 2016).

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	66	37	66	31
Accruals and other payables	36	31	29	24
	102	68	95	55

Trade and other payables are non-interest bearing and are normally settled on terms of 30 days from month end. The trade and other payables remain within their contractual maturity at 30 June 2017 and 30 June 2016.

12. SHARE CAPITAL

	Group		Company	
Allotted, called up and fully paid	2017 £'000	2016 £'000	2017 £'000	2016 £'000
891,956,853 ordinary shares of 0.1p each (2016: 891,956,853)	892	892	892	892

13. SHARE-BASED PAYMENTS

The Company periodically grants share options to employees, consultants and Directors, as approved by the Board. At 30 June 2017 and 30 June 2016, the following share options were outstanding in respect of the ordinary shares:

Year ended 30 June 2017

Grant Date	Expiry Date	Number of Options Outstanding at beginning of the year	Issued in Year	Forfeited / Expired / Cancelled	Exercised in Year	Number of Options Outstanding at end of the year	Exercise Price per Option
28.01.13	28.01.18	4,515,000	-	-	-	4,515,000	1.50p[1]
01.04.16	01.04.21	6,500,000	-	-	-	6,500,000	1.50p[3]
01.04.16	01.04.21	6,500,000	-	-	-	6,500,000	1.50p[3]
		17,515,000	-	-	-	17,515,000	

Year ended 30 June 2016

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

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

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

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

The weighted average contractual life of share options outstanding at the end of the period was 3.75 years (2016: 3.9 years).

The highest and lowest market price of the Company's shares during the year was 0.825p and 0.325p respectively (2016: 0.275p and 1.3p). The share price at year end was 0.425p (2016: 0.75p).

14. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2017, the Group had the following material exploration commitments:

The Group has three exploration tenements in South Australia. The exploration commitments relating to EL 5677 Wintinna, to EL 5676 Westfield and to EL 5677 Murloocoppie. These exploration commitments are held by the joint venture company. These licenses expired in June 2017 and are in the process of being renewed. Under its joint venture agreement the Group expects that the exploration commitments of the licences will continue to be met by the joint venture company in the coming financial year. The total commitment under the new licenses is not yet determined. Under the previous licenses it was AUD2,760,000.

14. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The Company has filed a defence to a claim brought by a former director, who claims £225,000 plus interest and costs. The claim concerns a settlement agreement entered into in 2014. The Company maintains that the claimant breached the agreement, and is not entitled to the sum claimed. The Company has issued a counterclaim for approximately £30,000 regarding costs incurred in mitigating the effects of the claimant's actions whilst a director, and also seeks a costs indemnity. No trial date has yet been fixed by the court.

15. RELATED PARTY TRANSACTIONS

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

16. CONTROLLING PARTY

The directors consider that there is no controlling party.

17. POST REPORTING DATE EVENTS

On 7 July 2017 the Company issued 100,000,000 new ordinary shares of 0.01p per share by way of a placing, at a price of 0.15p per share raising gross proceeds of £150,000.

On 13 October 2017 the Company issued 420,000,000 new ordinary shares of 0.01p per share by way of a placing, at a price of 0.05p per share raising gross proceeds of £210,000.

On 3 November 2017 the Company appointed Mr Henry Kloepper as a Non-Executive Director.

On 22 November 2017 the Company issued 147,000,000 new ordinary shares of 0.01p per share by way of a placing, at a price of 0.5p per share raising gross proceeds of £735,000.

On the same day the Company appointed previously Non-Executive Directors, Nick Lyth and Phil Sutherland to the Executive Board as CEO and COO respectively.

In addition the Company granted options over a total of 270,000,000 ordinary shares to Qingfu Zhang (Chairman), Nick Lyth (CEO), Phil Sutherland (COO), and Ma Chi (Non-Executive Director). The options have a variety of stipulations attached but focus predominantly on share price performance and operational performance.