

## DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the Group') consisting of Petrel Energy Limited (referred to hereafter as 'the Company' or 'parent entity') and the entities it controlled for the financial year ended 30 June 2017.

### DIRECTORS

The directors in office at any time during the financial year and up to the date of this report are:

Alexander Sundich	Non-executive Chairman
David Casey	Managing Director and Chief Executive Officer
Russell Porter	Non-executive Director
Andrew Williams	Non-executive Director

### PRINCIPAL ACTIVITY

The principal activity of the consolidated entity during the year was the exploration and development of oil & gas resources to generate shareholder wealth.

### OPERATING RESULTS

The consolidated entity's net loss after tax from operations for the year was \$2,056,516 (2016: \$1,818,718). There were no impairment costs having arisen during the period (2016: \$13,518) or exploration expenditure written off for the year or prior year.

### FINANCIAL POSITION

The consolidated entity's total assets increased to \$34,431,293 (2016: \$23,696,311) and total liabilities increased to \$2,122,479 (2016: \$1,318,907) as a result net asset increased by 44% to \$32,308,814 (2016: \$22,377,404) compared to previous year primarily related to the capitalisation of exploration and evaluation expenditure from drilling activities on Norte Basin Project. During the year the company raised a net amount of \$7,554,959 from the issue of new shares.

### DIVIDENDS

No dividends have been paid or declared during or since the end of the financial year.

### SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

The state of affairs of the Company was not affected by any significant changes during the financial year other than the following:

- In July 2016 planning for the 4 well programme in Salto and Piedra Sola concessions was finalised after interpretation of seismic data and the refinement of the geological model was completed.
- In September 2016 Petrel raised \$3.0 million from a partially underwritten renounceable rights issue of shares. A further \$2,266,000 was placed in 3 tranches by November 2016.
- In December 2016 the drilling contract with New Force Energy Services Inc. was signed for the 4 well programme.
- Final fit out and inspections of the new rig were undertaken during January and February 2017 with the rig shipped in March.
- In May 2017 Petrel raised \$2.5 million from the placement of ordinary shares issued at 3.4c each.
- In May 2017 the rig was mobilised to site and Cerro Padilla-1 spudded in June 2017 with final environment approvals received in July.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter has arisen in the interval since 30 June 2017 and up to the date of this report that in the opinion of the directors have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial periods other than the following.

- After slow progress was made drilling the basalt at surface in Cerro Padilla-1 drilling operations were temporality suspended with 10m of basalt remaining after experiencing some unexpected delays with retrieval of a parted drill string. When operations recommence they will focus on retrieval of the drill string and completion of the wells.

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- b) On 28 September 2017 an \$880,000 placement was completed consisting of 80m shares at 1.1c per share and 80m facilitation options (which are subject to shareholder approval) exercisable at 4¢ expiring 31 October 2018.
- c) On 28 September 2017 Petrel commenced a partially underwritten Non-Renounceable Entitlement Offer to raise up to \$4.6 million. The Rights Issue at 1.1c per share is on a 1:3 basis and has an attached 1:1 option exercisable at 4¢ expiring 31 October 2018.

## LIKELY DEVELOPMENT AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity intends to continue its exploration, development and production activities on its Uruguayan and Spanish based projects. The consolidated entity is currently seeking to sell its Canadian project.

## ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are subject to significant 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 and production activities. There have been no reports of breaches of environmental regulations in the financial period and at the date of this report.

## INFORMATION ON DIRECTORS

### Alexander Sundich

Alex has over 25 years' experience in the financial services industry and is a Fellow of the Financial Services Institute of Australia, a Member of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors. Since 2008, Alex has been an independent corporate advisor and company director. He is the Executive Director of Bridge Street Capital Partners, a corporate advisory and principal investment firm. From 2003 to 2008, Alex held senior management positions within the funds management industry. Prior to that, Alex was an investment banker providing advice to corporate clients on merger and acquisition transactions and debt and equity capital raisings, with a particular focus on the oil, gas and mining industries. Alex worked with Goldman Sachs and Credit Suisse First Boston during this period which included 6 years working in New York. Alex was a Non-Executive Director of Eastern Star Gas Limited until its acquisition by Santos Limited for \$924 million in 2011. He is currently a Non-Executive Director of Ellex Medical Lasers Limited, an ASX listed medical equipment company and Chairman of Cleveland Mining Limited, an ASX listed gold company. Alex was formerly an Executive Director of Bursleson Energy Limited an ASX listed oil and gas company from 8 October 2013 to 27 October 2015.

Special responsibilities: Non-executive Chairman, Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee.

### David Casey

David Casey graduated with an Honours degree in Geology from the University of Sydney in 1991 and in the same year joined specialist coal seam gas (coalbed methane) company in Situ (Australia) Pty Ltd. In 1996, he formed his own unconventional energy consultancy business. David has over 20 years' experience in the management and evaluation of all aspects of unconventional oil & gas exploration and appraisal, from initial reservoir characterisation and fairway identification through to drilling, testing and production operations. David's most recent executive role was Managing Director of Eastern Star Gas Limited, which he and his team grew from modest beginnings to being the subject of a \$924m takeover by Santos Limited valuing the Narrabri Project at \$1.42b.

### Russell Porter

Russell currently serves as President and Chief Executive Officer of Gastar Exploration Inc. a NYSE MKT-listed oil and gas exploration and production company. Over a 30-year career, Russell has obtained a unique background with substantial exposure to the international natural resources industry and capital markets. He has a MBA from the Kenan-Flagler School of Business at the University of North Carolina at Chapel Hill. He has substantial experience in acquisition, development and divestiture of high-quality assets including the Deep Bossier and Eaglebine plays in East Texas Basin, the Powder River Basin in Wyoming and the Gunnedah Basin in New South Wales. Russell serves as an independent Director and Audit Committee Chair for Johnson Specialty Tools. He is a member of the Dean's Advisory Council for the E.J. Ourso School of Business at Louisiana State University.

Russell was CEO of Gastar Exploration Inc. when it held a 35% interest in the Narrabri Gas Project operated by Mr David Casey then Managing Director of Eastern Star Gas Limited. The Narrabri Gas Project was ultimately sold to Santos Limited with Gastar and Eastern Star Gas Limited shareholders realising \$320m and \$924m respectively.

Special responsibilities: Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee.

## DIRECTORS' REPORT

### Andrew Williams

Andrew holds a Masters' Degree in Applied Geology and Grad Dip (Finance) from RMIT University, and over a 30-year career has developed a strong technical and commercial background in the oil industry. Early in his career Andrew gained significant hands-on oil industry experience as a geologist with Mobil Minerals, Woodside and Schlumberger working on projects across a range of Australian onshore (dominantly Cooper, Otway and Canning basins) and offshore (Carnarvon and Gippsland basins) projects.

For the past two decades Andrew has focused on the global energy sector as an equity research analyst in the top echelons of Australian capital markets as a Director of Research (Australian Energy) at Credit Suisse from 2003-2010 and most recently from 2011 to 2015 at Royal Bank of Canada. Andrew's formal education in geology and finance put Andrew at the vanguard of analysis of unconventional energy in Australia. His focus on technical, commercial and financial merits of the Cooper, Surat and Gunnedah basins provided analysis and key support for projects before they became widely appreciated by the wider investment community.

### Interest in shares and options of the Company and related bodies corporate

As at 30 June 2017, the interest of directors in the shares and options of the Company were:

DIRECTORS	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS
D. Casey	59,967,162	2,000,000
R. Porter	3,166,666	3,000,000
A. Sundich	40,000,000	5,690,500
A. Williams	3,777,778	-

### INFORMATION ON COMPANY SECRETARY

#### Ian Kirkham

Ian has over 20 years' experience in project evaluation and construction, equity and debt markets, statutory reporting, treasury, taxation and corporate governance. His most recent executive role was Chief Financial Officer and Company Secretary for Eastern Star Gas Limited, the subject of a \$924m takeover by Santos Limited. Previous executive experience includes similar posts for ASX listed companies including Hillgrove Resources Limited, Allstate Explorations N.L. and Otter Gold Mines Limited. In all these roles he worked closely with CEOs, Boards, Audit and Risk Committees etc. to evaluate, finance and construct resource projects. Ian's early career involved audit positions with Coopers & Lybrand in Sydney and Toronto. He holds a Bachelor Degree in Economics and is a member of the Australian Institute of Chartered Accountants and AUSIMM.

### MEETINGS OF DIRECTORS

The following table sets out the number of meetings held by the directors of the Company during the financial year ended 30 June 2017 and the number of meetings attended by each director:

DIRECTORS	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD WHILE IN OFFICE
Alexander Sundich	8	8
David Casey	8	8
Russell Porter	8	8
Andrew Williams	8	8

The Audit Committee under the Chairmanship of Alexander Sundich met twice during the financial year ended 30 June 2017.

DIRECTORS	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD WHILE IN OFFICE
Alexander Sundich	2	2
Russell Porter	2	2

The Remuneration and Nomination Committee now under the Chairmanship of Russell Porter met twice during the financial year ended 30 June 2017.

DIRECTORS	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD WHILE IN OFFICE
Russell Porter	1	1
Alexander Sundich	1	1

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED)

The Remuneration Report, which has been audited, outlines the directors and executives remuneration arrangements for the consolidated entity and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following headings:

- a) Key Management Personnel
- b) Remuneration Policy and Practices
- c) Details of Remuneration

#### (a) Key Management Personnel

The key management personnel of the consolidated entity consisted of the directors of Petrel Energy Limited and the following executives:

Stephen Mitchell – Consultant and Chairman of 51% owned subsidiary Schuepbach Energy International LLC. Stephen Mitchell retired from the role on 31 January 2017

Ian Kirkham – Company Secretary and Chief Financial Officer.

#### (b) Remuneration Policy and Practices

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors (the Board) ensures that executive reward satisfies the following key criteria for good reward governance practices:

- › competitiveness and reasonableness
- › acceptability and alignment with shareholders
- › performance linkage / alignment of executive compensation
- › transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee, taking advice where necessary, has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment with shareholders' interests:

- › focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering increasing return on assets as well as focusing the executive on key non-financial drivers of value such as oil and gas production, reserves, health, safety and environment
- › attracts and retains high calibre executives

Alignment of program to participants' interests:

- › rewards capability and experience
- › reflects competitive reward for contribution to growth in shareholder wealth
- › provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

During the year, the consolidated entity has not engaged any remuneration consultants to review its remuneration policies.

#### NON-EXECUTIVE DIRECTORS

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities as well as capability and experience. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practices.

## DIRECTORS' REPORT

Effective from 1 July 2015 the base fee (inclusive of the 9.5% superannuation guarantee contributions) of each non-executive for all Board activities was at the rate of \$56,500 per annum. The superannuation guarantee contributions where applicable are paid to each non-executive director's personal retirement plan.

### EXECUTIVES

The consolidated entity aims to reward executives with a level and mix of both fixed and variable remuneration based on their position and responsibility. The executive remuneration and reward framework has four components:

- › base pay
- › short-term performance incentives
- › share-based payments
- › other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and overall performance of the consolidated entity and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the targets of the consolidated entity with the targets of those executives in charge of meeting those targets. STI payments are granted to executives based on performance indicators including share price growth, reserve growth, production growth and net profit targets.

Share-based payments vest to executives immediately or after 12 months. Whilst the vesting period makes the share-based payments a STI, the 5 years term of the share loan supports retention of executives for that term.

### Consolidated entity performance and link to remuneration

A portion of remuneration for executive directors is directly linked to performance of the consolidated entity. Bonus payments are dependent on growth in share price, reserves, production and net profit. Refer to Additional Information at the end of this remuneration report for details of share price and net profit over the last 5 years.

1 JULY 2016 TO 30 JUNE 2017	SHORT TERM SALARY, FEES & LEAVE \$	BONUS PAYMENTS \$	CONSULTANCY PAYMENTS \$	TERMINATION BENEFITS \$	SHARE BASED PAYMENTS - EQUITY SETTLED \$	POST EMPLOYMENT - SUPERANNUATION \$	TOTAL \$
<b>Non-executive directors</b>							
A. Sundich (ii)	49,440	-	-	-	2,363	4,697	56,500
R. Porter (i) (ii)	54,805	-	-	-	1,468	-	56,273
A. Williams (ii)	49,440	-	-	-	2,363	4,697	56,500
<b>Total</b>	<b>153,685</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,194</b>	<b>9,394</b>	<b>169,273</b>
<b>Executive directors</b>							
D. Casey	435,375	-	-	-	-	30,000	465,375
	435,375	-	-	-	-	30,000	465,375
<b>Other key management</b>							
S. Mitchell (i)	-	-	20,625	-	-	-	20,625
I. Kirkham (i)	-	-	225,145	-	-	-	225,145
	-	-	245,770	-	-	-	245,770
<b>Total</b>	<b>589,060</b>	<b>-</b>	<b>245,770</b>	<b>-</b>	<b>6,194</b>	<b>39,394</b>	<b>880,418</b>

(i) No superannuation required for US citizens.

(ii) The Directors were paid \$6,194 in shares issued at \$0.01 each as part of July 2017 remuneration in accordance with shareholder approval on 23 November 2016 AGM.

## DIRECTORS' REPORT

1 JULY 2015 TO 30 JUNE 2016	SHORT TERM SALARY, FEES & LEAVE \$	BONUS PAYMENTS \$	CONSULTANCY PAYMENTS \$	TERMINATION BENEFITS \$	SHARE BASED PAYMENTS - EQUITY SETTLED \$	POST EMPLOYMENT - SUPERANNUATION \$	TOTAL \$
<b>Non-executive directors</b>							
A. Sundich (ii)	51,598	-	-	-	-	4,902	56,500
R. Porter (ii)(iii)	59,296	-	-	-	-	-	59,296
A. Williams (i)(ii)	48,712	-	-	-	-	4,628	53,340
<b>Total</b>	<b>159,606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,530</b>	<b>169,136</b>
<b>Executive directors</b>							
D. Casey (ii)	435,375	-	-	-	-	30,000	465,375
	435,375	-	-	-	-	30,000	465,375
<b>Other key management</b>							
S. Mitchell (iii)	-	-	123,750	-	-	-	123,750
I. Kirkham (ii)(iii)	-	-	208,078	-	20,217	(iii)	228,295
	-	-	331,828	-	20,217	-	352,045
<b>Total</b>	<b>594,981</b>	<b>-</b>	<b>331,828</b>	<b>-</b>	<b>20,217</b>	<b>39,530</b>	<b>986,556</b>

(i) Appointed 22 July 2015

(ii) For the eight-month period to 31 July 2016 executives were paid two months' cash salary and directors were paid one month's cash fees. This has allowed Petrel to continue to operate up until the underwritten rights issue undertaken during August 2016. At 30 June 2016 the unpaid remuneration payable to Directors and executives is \$88,998 for 2015 liabilities and \$293,130 for 2016 liabilities. Subject to Shareholder approval, it is proposed that these liabilities be settled with the issue of Shares issued at \$0.03 for the 2015 Liabilities, and Shares issued at \$0.01 for the 2016 Liabilities.

(iii) No superannuation in according to contractual agreement.

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2017	2016	2017	2016	2017	2016
<b>Non-executive directors</b>						
A. Sundich	100%	100%	-	-	-	-
R. Porter	100%	100%	-	-	-	-
A. Williams	100%	100%	-	-	-	-
<b>Executive directors</b>						
D. Casey	100%	100%	-	-	-	-
<b>Other key management</b>						
S. Mitchell	100%	100%	-	-	-	-
I. Kirkham	100%	100%	-	-	-	-

There were no options granted over unissued shares during the financial year by the consolidated entity to key management personnel and eligible persons as part of their remuneration. Since the end of the financial year no options have been granted to employees and eligible persons as part of their remuneration.

No cash bonus payments determined on growth of share price, reserves, production and net profit have been paid for 2016 or 2017.

## DIRECTORS' REPORT

### SERVICE AGREEMENTS

Remuneration and other terms of employment for current key management personnel are formalised in service agreements.

There are no employment agreements for key management personnel other than the following:

D. Casey, Chief Executive Officer and Managing Director

- › Term: 1 year extension of 2012 contract, commencing 1 August 2017
- › TFR: of \$465,375 p.a. inclusive of superannuation
- › STI: annual bonus pool to a maximum of 100% of base salary based on achievement of Key Performance Indicators including share price growth above 16.9c, reserve growth, production growth and net profit targets; and 5.5m Employee Incentive Plane shares issued in 2012 at 5.5c each funded by a 5 year interest free loan
- › Termination by executive: 2 months' notice required
- › Termination by Company: subject to a severance payment of 11 month's remuneration together with payment of accrued bonuses or end of contract term

### Share-based compensation

#### Issue of shares

Shares were issued to directors in lieu of cash fees and salary. The Directors were settled \$6,194 in shares issued at \$0.01 each as part of July 2017 remuneration in accordance with shareholder approval on 23 November 2016 AGM.

### Securities Holdings

At 30 June 2017, the relevant interests of the key management personnel in the securities of the Company were as follows:

#### Share holdings

The number of shares in the Company held during the financial year by each director and other key management personnel of Petrel Energy Limited, including their personally related parties, is set out below.

NAME	BALANCE AT START OF THE YEAR/OR ON APPOINTMENT	PURCHASED DURING THE YEAR	BONUS REMUNERATION SHARES	SHARES IN LIEU OF FEES/SALARY	BALANCE AT THE END OF THE YEAR/OR ON VACATING OFFICE
D. Casey	39,161,954	4,000,000	-	16,805,208	59,967,162
R. Porter	-	-	-	3,166,666	3,166,666
A. Sundich	25,299,126	12,034,207	-	2,666,667	40,000,000
A. Williams	1,111,111	-	-	2,666,667	3,777,778
S. Mitchell (i)	32,652,128	-	-	-	32,652,128
I. Kirkham	13,858,892	1,339,668	-	6,301,440	21,500,000
	112,083,211	17,373,875	-	31,606,648	161,063,734

(i) – Resigned 31 January 2017.

## DIRECTORS' REPORT

### Options

The number of options over ordinary shares in the Company held during the financial year by each director and other key management personnel of Petrel Energy Limited, including their personally related parties, is set out below.

NAME	BALANCE AT START OF THE YEAR/OR ON APPOINTMENT	EXERCISED	ISSUED	SOLD	BALANCE AT END OF THE YEAR/OR ON VACATING OFFICE	VESTED AND EXERCISABLE
<i>Listed</i>						
D. Casey	-	-	1,500,000	-	1,500,000	30 August 2017
R. Porter	-	-	-	-	-	-
A. Sundich	-	-	5,690,500	-	5,690,500	30 August 2017
S. Mitchell	-	-	-	-	-	-
I. Kirkham	-	-	62,834	-	62,834	30 August 2017
	-	-	7,725,334	-	7,725,334	
<i>Unlisted</i>						
D. Casey (i)	-	-	500,000	-	500,000	31 January 2018
R. Porter	3,000,000	-	-	-	3,000,000	30 July 2017
A. Sundich	-	-	-	-	-	-
S. Mitchell	-	-	-	-	-	-
I. Kirkham	-	-	-	-	-	-
	3,000,000	-	500,000	-	3,500,000	

(i) Mr David Casey elected to participate in the 5 February 2016 placement for a total of 1,000,000 shares and 500,000 unlisted options at \$0.02 per share. The issue of securities was the subject of shareholder approval at the 23 November 2016 Annual General Meeting.

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

GRANT DATE	VESTING DATE AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	VOLATILITY	FAIR VALUE PER OPTION AT GRANT DATE
29 July 2014	29 July 2014	30 July 2017	20 cents	67.50%	6.0 cents
29 July 2014	29 July 2014	30 July 2017	23 cents	67.50%	5.4 cents

### ADDITIONAL INFORMATION

The factors that affect cash bonus payments, for the last five years are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Reserve growth	-	-	-	-	-
Profit (loss) after income tax	(2,056,516)	(1,818,718)	(5,775,939)	(2,895,188)	(6,932,773)
June volume-weighted average share price	2.8c	1.5c	5.3c	16.9c	9.1c
Total shareholder return	153.8%	(62.8)%	(74.2)%	101.1%	93.3%

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### Options

At the date of this report, the unissued ordinary shares of Petrel Energy Limited under option are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER OF SHARES ISSUED
<i>Listed</i>			
05 September 2016 to 30 November 2016	30 August 2017	4 cents	262,316,134
			<u>262,316,134</u>
<i>Unlisted</i>			
29 September 2014	30 July 2017	20 cents	1,500,000
29 September 2014	30 July 2017	23 cents	1,500,000
11 February 2016	31 January 2018	5 cents	15,125,000
11 March 2016	31 January 2018	5 cents	3,750,000
30 November 2016	31 January 2018	5 cents	500,000
			<u>22,375,000</u>

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2017, the following ordinary shares of Petrel Energy Limited were issued on the exercise of options granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

	GRANT DATE	EXERCISE PRICE	NUMBER UNDER OPTION
Employee Option Plan	6 January 2017	1.5 cents	3,400,000
			<u>3,400,000</u>

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

This concludes the remuneration report, which has been audited.

### INDEMNIFICATION OF OFFICERS AND AUDITORS

The Group has entered into a Deed of Access, Indemnity and Insurance with each of the directors of the Group. Subject to the Corporations Act 2001, the deed provides an indemnity in respect of liability that each of the directors may incur in relation to the conduct of the business or affairs of the Group, acts or omission of the directors in relation to the business or affairs of the Group or the performance, manner of performance or failure to perform the director's responsibilities in relation to the business or affairs of the Group, in each case in the period during which each director (respectively) holds office.

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purposes of taking responsibility on behalf of the Group for all or part of those proceedings.

## DIRECTORS' REPORT

### AUDITORS

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

### NON AUDIT SERVICES

The Group may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Group are important. There were no non audit services provided by BDO during the year.

Details of amounts paid or payable to the auditors, BDO East Coast Partnership, for the audit services provided during the year are set out below.

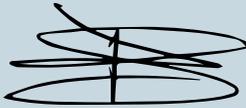
	CONSOLIDATED	
	2017 \$	2016 \$
<b>Audit services</b>		
BDO – Audit and review of financial reports	45,000	41,500
<b>Total</b>	<b>45,000</b>	<b>41,500</b>

### AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of the directors, pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



#### David Casey

Managing Director and CEO  
Sydney, 29 September 2017