

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LOYZ ENERGY LIMITED**

Report on the financial statements

We have audited the accompanying financial statements of Loyz Energy Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 June 2015, the consolidated statement of comprehensive income, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LOYZ ENERGY LIMITED**

Report on the financial statements (Continued)

Opinion

In our opinion, the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Emphasis of matters

We draw attention to Notes 4 and 5(a) to the financial statements which describes the uncertainties in relation to the Group and the Company's ability to continue as going concerns, and the outcome of the Group's application to the New Zealand Government for the Change of Conditions ("COC") of New Zealand Permit PEP 38479 (the "Permit").

As explained in Note 4 to the financial statements, the Group and the Company incurred net loss of approximately US\$70,947,000 and US\$51,209,000 respectively, for the financial year ended 30 June 2015 and, as of that date, the Group's and the Company's current liabilities exceeded their current assets by approximately US\$10,319,000 and US\$1,148,000 respectively. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

As disclosed in Note 5(a) to the financial statements, as at the date of this report, one of the Group's subsidiaries, Loyz NZ Ventures Limited, is in ongoing negotiations with the New Zealand Government for the COC in relation to the change in approach in developing the Permit which may have a significant financial impact on the Group's and the Company's financial statements.

Our audit opinion is not qualified in respect of these matters.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
9 October 2015

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

4. Going concern

The Group and the Company incurred a net loss of US\$70,947,000 (2014: US\$3,758,000) and US\$51,209,000 (2014: net profit of US\$109,000) respectively, for the financial year ended 30 June 2015, and as of that date, the Group's and the Company's current liabilities exceeded their current assets by US\$10,319,000 (2014: US\$39,596,000) and US\$1,148,000 (2014: US\$7,096,000), respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

Notwithstanding the above, the Directors of the Company are of the opinion that the Group and the Company are able to meet their obligations as and when they fall due having regard to the following:

- (i) The Directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the 18 months ending 31 December 2016 which is based on the estimated period of the Group's drilling and exploration programme. Based on such forecast, the Directors of the Company have estimated that adequate liquidity exists to finance the working capital requirements of the Group and the Company for the next financial year. In preparing the cash flow forecasts, the Directors of the Company have considered the operating cash requirements of the Group and the Company as well as other key factors, including the ability of the Group and the Company to generate sufficient revenue or obtain additional funding to satisfy the Group's and the Company's future working capital requirements, which may impact the operations of the Group and the Company during the next 18 months. The Directors of the Company are of the opinion that the assumptions which are included in the cash flow forecast are reasonable; and
- (ii) The Company has received an undertaking from its substantial shareholder, Jit Sun Investments Pte Ltd, to continue to provide the Group and the Company with financial support as necessary to enable the Group and the Company to continue as going concerns and support their operating and investing activities for the next 18 months.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities. No such adjustments have been made to these financial statements.

5. Exploration, evaluation and development assets

	Exploration and evaluation assets US\$'000	Development costs US\$'000	Total US\$'000
Group			
Balance at 1 July 2014 (Restated)	16,336	35,112	51,448
Additions	182	858	1,040
Impairment loss	(6,094)	(15,788)	(21,882)
Currency translation adjustment	(10)	(256)	(266)
Balance at 30 June 2015	10,414	19,926	30,340

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

5. Exploration, evaluation and development assets (Continued)

Group	Exploration and evaluation assets US\$'000	Development costs US\$'000	Total US\$'000
(Restated)			
Balance at 1 July 2013	14,248	16,385	30,633
Additions	883	2,330	3,213
Derecognition	-	(3,382)	(3,382)
Currency translation adjustment	1,205	(147)	1,058
Balance at 30 June 2014	16,336	15,186	31,522
Adjustment (Note 12.2)	-	19,926	19,926
Balance at 30 June 2014	16,336	35,112	51,448

- (a) On 6 August 2012, Loyz NZ Ventures Limited ("Loyz NZ") entered into a Farm-in Agreement ("Agreement") with STP Energy Pte Ltd ("STP") for the acquisition of certain participating interests held by STP in respect of permit, PEP38479, granted by the New Zealand Government which expires on 23 September 2016. The permit incorporates certain milestones for aspects of the exploration of the permit area including the drilling of an appraisal well by December 2013, failing which the permit would need to be surrendered.

In the previous financial year, Loyz NZ applied to the New Zealand Government for a Change of Conditions ("COC") for an extension of time for the drilling of the well. The COC was approved and an extension was granted and the drilling deadline was postponed to June 2015.

During the current financial year, Loyz NZ had made a further application to the New Zealand Government for a COC to allow for an extension of time for the drilling of the well. The COC was approved and an extension granted and the drilling deadline has been postponed to May 2016.

As at the date of this report, Loyz NZ is in an ongoing negotiations with the New Zealand Government for a COC in relation to the change of approach in developing the permit area. Management plans to use an alternative Gas-to-Liquid ("GTL") technology to monetise the current discovery in the permit area due to its potentially lower developing costs as compared to the current technology indicated in the current permit.

The outcome of the COC, if successful, would be a further extension to the current milestones entailed in the work programme to allow Loyz NZ to undertake further feasibility studies on the GTL technology. Should the COC be disapproved by the New Zealand Government, Loyz NZ has to either continue the exploration activities and fulfil the drilling requirements by May 2016, which requires estimated exploration expenditures of approximately US\$30,000,000; or withdraw from the concession. Withdrawing from the concession will result in the capitalised exploration & evaluation costs of US\$10,414,000, goodwill of US\$15,126,000 (Note 10) and pre-exploration data of US\$329,000 (Note 10) being written off to the consolidated statement of comprehensive income and, the Company's amount due from Loyz NZ of US\$3,535,000 being impaired.

Based on the positive response obtained from past applications to the New Zealand Government for the extension of work programmes and COC, as well as through the initial feedback from the New Zealand government, management is confident that the application for the COC will be granted and accordingly, these financial statements have been prepared on that basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

5. Exploration, evaluation and development assets (Continued)

(b) In the previous financial year, the Group terminated the Participation and Exploration Agreement ("PEA") with Rex Oil & Gas Ltd and Fram Exploration ASA, resulting in the derecognition of development costs amounting to US\$3,382,000.

Management has tested the E,E&D assets for impairment and owing to the weak oil price outlook, has recognised full impairment losses of US\$6,094,000 (2014: Nil) and US\$15,788,000 (2014: Nil) in the capitalised E,E&D assets incurred in Australia and India, respectively. This has been recognised in profit or loss and included in "Other charges" line item. The remaining E,E&D assets relate to New Zealand and Thailand.

During the financial year, the Group's non-cash additions to E,E&D assets include the following:

	Group	
	2015	2014
	US\$'000	US\$'000
		(Restated)
Borrowing costs	41	315
Depreciation of plant and equipment	13	50
Amortisation of software	27	37
Foreign exchange loss	123	63