

**INTRA ENERGY CORPORATION LIMITED  
ABN 65 124 408 751  
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
INTRA ENERGY CORPORATION LIMITED  
AND ITS CONTROLLED ENTITIES**

**SYDNEY**

Level 40  
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Australia  
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***Opinion***

We have audited the financial report of Intra Energy Corporation Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of the Intra Energy Corporation Limited and its controlled entities is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

***Basis of Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporation Act 2001 has been given to the directors of the company at the time of this auditor's report.

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(a) in the financial report, which indicates that the Group's current liabilities exceeded its current assets by \$12,219,000. As stated in Note 1(a), this event or condition, notwithstanding an improvement in the Group's profitability and an improvement in net asset position from net liabilities of \$3,870,000 (2018) to net assets of \$1,050,000, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the year ended 30 June 2019. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How Our Audit Addressed the Key Audit Matter</b>
<p><b>Carrying Value of Non-Current Assets</b> <i>Refer to Note 12 Property, plant and equipment; Note 13 Mine development costs; Note 14 Exploration expenditure; and Note 1(y) Critical accounting judgments and key sources of estimation and uncertainty.</i></p>	
<p>A significant proportion (64%) of the Group's total assets relate to property, plant and equipment, mine development costs and exploration expenditures totalling \$14,072,000 as at 30 June 2019 which are subject to an impairment assessment in accordance with AASB 136 "Impairment of Assets".</p> <p>The group's impairment assessment of these non-current assets are considered a key audit matter as the valuation is judgemental and based on a number of assumptions, specifically coal prices, operating/capital costs, discount rates, inflation rates and foreign exchange rates, which are affected by future events and economic conditions.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We assessed management's determination of the Group's Cash-Generating Units ("CGUs").</li> <li>• We reviewed and analysed the key assumptions including growth rates, discount rate, projected coal sales and gross margin used in the cash flow forecasts and considered the reasonableness of these assumptions.</li> <li>• We assessed management's consideration of the sensitivity to a change in key assumptions that either individually or collectively would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions arising.</li> <li>• We involved Hall Chadwick's valuation experts to:             <ul style="list-style-type: none"> <li>- evaluate the key valuation assumptions and estimates to determine the recoverable amount of the non-current assets.</li> <li>- review the mathematical accuracy of the cash flow model and agreed relevant data to supporting information.</li> </ul> </li> <li>• We assessed the adequacy of the Group's disclosures in relation to the carrying value of non-current assets.</li> </ul>

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**Rehabilitation Provision**

*Refer to Note 17 Provisions and Note 1(y) Critical accounting judgments and key sources of estimation and uncertainty.*

<p>The group had a mine restoration provision of \$803,000 as at 30 June 2019 relating to its mine sites.</p> <p>The extent of work required, and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that environmental disturbance occurs.</p> <p>This area was considered a key audit matter as the calculation of this provision requires judgement in estimating the future costs, the timing as to when the future costs will be incurred and the determination of an appropriate rate to discount the future costs to their net present value.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We assessed the Group's process for determining the restoration provision and enquired about material movements in the provision during the year.</li> <li>• We evaluated the legal and/or constructive obligations with respect to the restoration for the mine sites, the intended method of restoration and the associated cost estimates.</li> <li>• We assessed the accuracy of the calculations and accounting treatment used to determine the restoration provision including the discount rate applied.</li> <li>• We assessed the adequacy of the Group's disclosures in relation to provisions.</li> </ul>
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**Contingent Liabilities**

*Refer to Note 23 Contingent liabilities.*

<p>The group is a party to numerous ongoing litigation and legal matters, of which the most significant are disclosed in Note 23 to the financial statements.</p> <p>We focused on this area as a key audit matter due to a significant level of judgement and estimation involved in determining whether liabilities existed in accordance with AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We held discussions with management and reviewed correspondence and confirmations from the external legal advisors regarding the status of litigation matters.</li> <li>• We read the minutes of the Board of Directors and reviewed the related legal documents and the latest correspondence with the claimants.</li> <li>• We assessed if the status of the claim meets the definition of a liability in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.</li> <li>• We assessed the adequacy of group's disclosures in relation to contingent liabilities.</li> </ul>
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***Information Other than the Financial Report and Auditor's Report Thereon***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

***Responsibilities of the Directors for the Financial Report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 15 to 21 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Intra Energy Corporation Limited, for the year ended 30 June 2019, complies with s 300A of the Corporations Act 2001.

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***Responsibilities***

The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



HALL CHADWICK  
Level 40, 2 Park Street  
Sydney NSW 2000



**DREW TOWNSEND**  
Partner  
Dated: 30 September 2019