

**ENI AUSTRALIA LIMITED
ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**

REGISTERED OFFICE

**Eni House
10 Ebury Bridge Road
London SW1W 8PZ**

Registered Number: 01020949

ENI AUSTRALIA LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

F Polo (Chairman) resigned on 8 June 2020
F Krekshi (Chairman) appointed on 8 June 2020
E Delfos
G L Ferrara
M Giusto
M Trezza

SECRETARY AND REGISTERED OFFICE

M Trezza
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
The Capitol
431 Union Street
Aberdeen
AB11 6DA

REGISTERED IN ENGLAND NO: 01020949

ENI AUSTRALIA LIMITED

STRATEGIC REPORT

The directors present their strategic report of Eni Australia Limited ("the company") for the year ended 31 December 2019.

Review of the business

Principal activities

The company's principal activities continue to be exploration, development and production of oil and gas reserves in Australia. Since 2019 the company is also involved in the development of multiple renewable projects and relevant investments are included in this report.

Results for the year

The results for the year are set out on page 8 of the financial statements. The loss for the financial year was \$10,650,000 (2018 – \$3,653,000 loss). No dividend was paid during 2019 (2018: \$nil).

The board of directors of the company approved the increase in the company's capital in the amount of \$60,000,000 by the way of a cash capital contribution payable in one or more instalments by 31 December 2019. It was reflected in the company's accounts as capital contribution reserve from the sole shareholder, which is to be recognised as distributable reserves.

Key performance indicators

Key performance indicators of the company are set out below:

	2019 \$'000	2018 \$'000	Variance \$'000
Operating loss	(10,623)	(8,189)	(2,434)
Net loss after tax	(10,650)	(3,653)	(6,997)
Net assets	227,352	178,002	49,350

The directors consider the performance of the company to be in line with expectations. The Woollybutt oil field ceased production in 2012. The operating loss increased due to the fact that in 2018 a one off recognition of \$5.8 million income from settlement of Premuda dispute has been recognised. Net assets increased in 2019 due to mainly the acquisition and construction of renewable assets in the Northern Territory.

Operational performance and future development

The company is monitoring the Woollybutt field and planning to complete the abandonment activities by 2021.

The company is in the process of renewing the retention license NT-RL 7 which contains the Evans Shoal gas field (11.4 TCF of GIIP). The retention lease is under renewal for 5 years. Activity in 2019 has been focussed on pre-feasibility studies and feasibility studies aimed at commercialisation of the Evans Shoal gas resource.

The company performed studies and permit maintenance activities on the exploration permits of NT/RL-8 and ACP21 in Australia.

In January 2019 the company completed an asset acquisition of a project to construct and operate a 33.7 MWdc (25 MWac) photovoltaic farm in Katherine, Northern Territory which was built during the year. Mechanical completion of the installation was achieved in late 2019 with first commercial production expected in first half 2020. This first acquisition was followed by a similar one whereby the Company purchased two photovoltaic projects of 12.5 MWdc (10 MWac) each, one located in Batchelor and the other near Manton Dam, both in the Northern Territory. The acquisition was completed in September 2019 and in the same month the company issued the Notice to Proceed to Contractor BSR EPC Pty Ltd for both projects. First production is expected in the second half of 2020.

Principal risks and uncertainties

Financial risk management

The company, like other companies in the oil and gas sector, operates in an environment subject to inherent risks. The company aims to mitigate risks and manage and control the exposure where possible. The principal risks and uncertainties to the company are:

Credit risk: The potential exposure of the company to loss in the event of non-performance by counterparty. The company follows guidelines of the Eni S.p.A. treasury department on the choice of highly credit-rated counterparties in their use of financial and commodity instruments, including derivatives.

Liquidity risk: The risk that suitable sources of funding for the company's business activities may not be available. The company has access to a wide range of funding at competitive rates through the capital markets and banks, and also has support from the ultimate parent company, Eni S.p.A. if required. The company believes it has access to sufficient funding to meet currently foreseeable borrowing requirements.

Financial risk: The company is not exposed to significant interest rate risks. The company is exposed to foreign exchange fluctuations relating to non-USD (mainly AUD) expenditures and receipts. Effective management of exchange rate risk is performed at the Eni Group level, within the central finance department which matches opposite positions of the group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options).

Business risk management

Operation risk: The company's operations present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security. The broad scope of these activities involves a wide range of operational risks such as those of explosion, fire or leakage of toxic products, and production of non-biodegradable waste. Since exploration and production activities may take place on sites that are ecologically sensitive, each site requires a specific approach to minimise the impact on the related ecosystem, biodiversity and human health.

Impact on the United Kingdom's exit from the European Union

Having formally left the European Union on 31 January 2020, the UK is now in a transition period scheduled to last until 31 December 2020, pending further negotiations with the EU over the future trading relationship and security co-operation. During the transition period, EU law will (for the most part) continue to apply in the UK as before. Eni has set up a task force to monitor developments and consider further how best to minimise the impact of Brexit on its business going forward, as further information becomes available.

Impact of coronavirus (COVID-19)

The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and elsewhere. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the pandemic with serious repercussions on production.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and the ways in which the crisis will be managed. In the worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the Company's results, cash flow, liquidity and business prospects, including the returns for the shareholder.

Eni group and the Company maintained a high degree of financial flexibility in order to deal unforeseen events and significant reductions of the scenarios capable to mitigate the impact of a price downturn, even of considerable proportions. Eni continue to assess the potential impact of coronavirus on our staff and operations and have implemented appropriate mitigation plans.

Section 172(1) UK Companies Act 2016 (“Act”) Statement

Directors

As part of their induction a Director of the Company is informed of their Directors’ Duties with specific reference to section 172(1) (a-f) and if necessary can seek additional support and advice from an independent adviser to ensure that they are aware and know the likely consequences of any decision the company makes in the long term.

Stakeholders

The directors of the company believe it is fundamentally important that the values and principles which guide the company are clearly defined, both internally and externally, in order to ensure that all company activities are implemented in compliance with the relevant laws and in a context of fair competition, honesty, integrity, fairness and good faith which would promote the success of the company for the benefit of its members as a whole having regard the interests of all its stakeholders: shareholders, workforce, suppliers, customers, lenders, government/tax authorities, pension schemes/trustees, community and environment. These values are embedded in the Eni Code of Ethics, approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 23 November 2017 and by the Directors of the company on 28 March 2018. The Eni Code of Ethics sets out the challenges of sustainable development and the need to take into consideration the interests of all stakeholders to clearly define the values that the company will accept, acknowledge and share as well the responsibilities it assumes, contributing to a better future. The Eni Code of Ethics is brought to the attention of every person or body having business relations with the company.

Business Conduct

The Directors of the company believe that business has the responsibility to respect and support the fundamental human rights, as expressed in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. The company is committed to maintaining and improving its practices to combat slavery and human trafficking violations in its operations and supply chain. These values are embedded in the Eni Modern Slavery Act Statement, approved by the Board of Directors of its ultimate parent company, Eni S.p.A., on 24 April 2019 and by the Directors of the company on 20 June 2019. Moreover, as an indirect subsidiary of Eni S.p.A the Board of Directors have adopted the Eni internal Regulatory System including Management System Guidelines which sets out internal policies to achieve a high standard of business conduct. All Board of Directors decisions are taken with regard to section 172 of the Act.

Community and the Environment

In line with Sustainable Development Goal 8 adopted by Eni S.p.A., the ultimate parent company, one of the company’s aim is to incentivise lasting, inclusive and sustainable economic growth.

Shareholders

The Board of Directors consider and only approve items of business that would promote the success of the company and in the best interests of the company, the company’s immediate shareholders, the ultimate parent Eni S.p.A and its stakeholders.

On behalf of the Board



Manfredi Giusto (Jun 16, 2020 10:45 GMT+1)

M Giusto
Director
16 June 2020

ENI AUSTRALIA LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Directors

The present directors of the company are listed on page 1 and have held office throughout the year with the following exceptions:

- F Rinaldi resigned as a director on 18 November 2019
- M Giusto appointed as a director on 18 November 2019
- M Trezza was appointed as a director on 18 November 2019
- F Polo resigned as a director and Chairman on 8 June 2020
- K Krekshi was appointed as a director and Chairman on 8 June 2020

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Future developments

Future developments of the company are detailed on page 2 of the strategic report.

Dividends

No dividend was paid during the year (2018 – \$nil).

Branches outside the UK

The company has a branch office registered in Perth, Australia.

Post balance sheet events

The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and around the world, including UK. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the epidemic with serious repercussions on production. In early April, the members of the OPEC + cartel reached an agreement on production cuts required by some of them to react to the effects of Covid-19, however, oil and gas prices continue to be under significant pressure of over-supply and other factors.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and as well as the ways in which the crisis will be managed. In a possible worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the company's results, cash flow, liquidity and business prospects, including the returns for the shareholder. However, Eni group and the company maintain a high degree of financial flexibility in order to deal with unforeseen events and significant reductions in oil and gas prices and demand, which the directors consider to be sufficient to mitigate the impact of such a worst-case scenario.

Eni group and the company are continually monitoring developments in the Oil & Gas sector related to Covid-19 and market conditions.

The company has implemented a number of actions to ensure the safety and health of its people and contractors, and with the contributions of the Operators when applicable, also the ability to continue production. The company is working to contain its general and administration costs, cut or delay investments in activities, which were not critical or mandatory and also suspend or defer expenditures for projects that became presently uneconomical. The company is taking actions to reduce operating costs including tariffs and is also supporting the Operators to pursue the same actions, when applicable.

Going concern

The directors are satisfied that the company has adequate financial resources, including access to Eni group financial resources, to continue to operate for the foreseeable future and meet its obligations as they fall due.

The company's forecasts and projections demonstrate that its assets are expected to generate free cash flow over the 12 months from the date of this report. If there is a sustained lower oil price, that is not offset by operating cost or capital expenditure savings, the cash flow or liquidity shortages will be balanced by the company's participation in the group cash pooling arrangements and the availability of funds and lines of credit to Eni Spa.

ENI AUSTRALIA LIMITED

DIRECTORS' REPORT

As a consequence, the directors have a reasonable expectation that the company is well placed to manage its business risks and generate sufficient funds to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Provision of information to auditors

The directors, as at the date of this report, have confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

Due to the Eni Group policy of rotating auditors every nine years, Ernst & Young LLP were not re-appointed by the Company. Following a formal tender process by the Eni Group, PricewaterhouseCoopers Italy were selected as their replacement in Italy and as group auditors. PricewaterhouseCoopers LLP indicated their willingness to act as auditors of the Company for the year ended 31 December 2019 and their appointment was approved at a directors' meeting and general meeting. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the Board



Mila Trezza (Jun 16, 2020 10:58 GMT+1)

M Trezza
Secretary

16 June 2020

Independent auditors' report to the members of Eni Australia Limited

Report on the audit of the financial statement

Opinion

In our opinion, Eni Australia Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, and the statement of changes in equity for the year then ended; the statement of accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Eni Australia Limited

Report on the audit of the financial statement

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
16 June 2020

ENI AUSTRALIA LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note(s)	2019 \$'000	2018 \$'000
Other income	2	20,235	33,629
Total revenue		20,235	33,629
Other service costs and expenses	3	(4,924)	(10,674)
Labour costs	6	(21,642)	(29,299)
Depreciation, amortisation and impairments	10,11	(4,292)	(1,845)
Operating loss	4	(10,623)	(8,189)
Interest payable and similar expenses	7	(3,843)	(2,530)
Interest receivable and similar income	8	2,515	6,000
Loss before taxation		(11,951)	(4,719)
Tax on loss	9	1,301	1,066
Loss for the financial year		(10,650)	(3,653)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(10,650)	(3,653)

All results are from continuing operations and are attributable to the equity holder.

ENI AUSTRALIA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Capital Contribution Reserve	Accumulated Losses	Shareholders' Equity
	\$ 000	\$ 000	\$ 000	\$ 000
Balance at 1 January 2018	32,199	496,500	(347,044)	181,655
Total comprehensive loss for the year	-	-	(3,653)	(3,653)
Balance at 31 December 2018	32,199	496,500	(350,697)	178,002
Total comprehensive loss for the year	-	-	(10,650)	(10,650)
Capital contribution	-	60,000	-	60,000
Balance at 31 December 2019	32,199	556,500	(361,347)	227,352

The board of directors of the company approved the increase in the company's capital in the amount of \$60,000,000 by the way of a cash capital contribution payable in one or more instalments by 31 December 2019. It was reflected in the company's accounts as capital contribution reserve from the sole shareholder, which is to be recognised as distributable reserves.

**BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note(s)	2019 \$'000	2018 \$'000
Assets			
Current assets			
Inventories	12	2	182
Trade and other receivables	13	5,800	9,551
Cash and cash equivalents	14	5,110	14,542
		<u>10,912</u>	<u>24,275</u>
Non-current assets			
Intangible assets	10	247,287	241,030
Property, plant and equipment	11, 17	57,148	10,548
Deferred tax asset	18	19,733	18,971
		<u>324,168</u>	<u>270,549</u>
Total assets		<u>335,080</u>	<u>294,824</u>
Liabilities			
Current liabilities			
Trade and other payables	15	8,577	13,081
Borrowings	16	40,215	51,900
Provisions	17, 19	1,271	2,990
		<u>50,063</u>	<u>67,971</u>
Non-current liabilities			
Provisions	17, 19	57,665	48,851
Total liabilities		<u>107,728</u>	<u>116,822</u>
Shareholders' equity			
Share capital	20	32,199	32,199
Capital contribution reserve		556,500	496,500
Accumulated losses		(361,347)	(350,697)
Total shareholders' equity		<u>227,352</u>	<u>178,002</u>
Total shareholders' equity and liabilities		<u>335,080</u>	<u>294,824</u>

The financial statements from page 8 to 27 were approved by the Board the 25th February and were signed by an authorised director on behalf of the Board, at a later date.

On behalf of the Board

gian luigi ferrara
gian luigi ferrara (Jun 16, 2020 13:52 GMT+1)

G L Ferrara
Director
16 June 2020

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below.

General Information

The company is a private limited liability company, by shares, incorporated and domiciled in England, United Kingdom.

The company acts as a participant in consortia involved in the exploration and exploitation of oil and gas in Australia.

As a participant, the company receives from the operators, returns of income, expenditure, assets and liabilities of the consortia, the company's shares of which are incorporated into its accounting records.

The financial statements reflect the company's share of each activity as a participant in consortia as governed by their joint operating agreement.

Basis of preparation

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using FRS "Reduced Disclosure Framework" 101. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis. See page 4 of the Directors' report for further details.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets.
- (e) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135c-135e of IAS 36, Impairment of Assets;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
- (h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- (i) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- (k) the requirements of paragraph 52 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where required, equivalent disclosures are given in the group financial statements of Eni S.p.A. The group financial statements of Eni S.p.A are available to the public and can be obtained as set out in note 1.

Adoption of new and revised standards

New and amended standards and interpretations

The company applied IFRS 16 for the first time. The company had to change its accounting policies as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. It has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The company had no contracts determined as lease under IFRIC 4 on adoption of IFRS 16.

STATEMENT OF ACCOUNTING POLICIES

Adoption of new and revised standards (continued)

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

	\$,000
IFRS16 Operating lease commitments disclosed as at 31 December 2018	3,312
Discounted using the lessee's incremental borrowing rate of at the date of initial application	3,173
Lease liability recognised as at 1 January 2019	3,173
<i>Of which are:</i>	
Current lease liabilities	1,508
Non-current lease liabilities	1,665
	3,173

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is between a range of 4.37% and 5.71%.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment are depreciated on a straight line basis over its estimated useful life as follows:

- Office assets, fixtures and fittings 4 - 20 years
- IT hardware 3 - 10 years

Property, plant and equipment includes oil and gas properties representing the company's share of expenditure in respect of exploration, appraisal and development costs of fields where a decision to exploit their reserves has been made, field development programme approval has been granted and capital expenditure incurred when the fields are in production. Interest costs incurred during the development stage of fields are capitalised from the date at which field development programme approval is granted until production commences.

These assets, except proven mineral interests, are depreciated using the unit of production method based on proved developed oil and gas reserves for each field in production at the balance sheet date. Proven mineral interests are depreciated using the unit of production method based on proved developed and undeveloped oil and gas reserves for each field in production at the balance sheet date. When there is a change in the estimated total recoverable proved developed reserves of a field, the undepreciated cost is written off over the revised remaining reserves.

STATEMENT OF ACCOUNTING POLICIES

Intangible assets – exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and previously as operator on the exploration of the sea bed for oil and natural gas up to the date of any decision to exploit various finds.

Where no decision has been made by the balance sheet date to exploit a find, the costs are accounted for in accordance with the successful efforts method. The cost of drilling exploratory wells is carried forward as an intangible asset if in the opinion of the directors there is a reasonable prospect of development of the related fields commencing within three years of commencement of drilling. Costs of exploratory dry holes are written off at the time that the wells are determined to be dry and all licence fees, geological and geophysical expenses are written off as incurred.

Where a decision has been made to exploit a find, the exploration costs are carried forward. In the period after a decision has been made to exploit a find but before field development programme approval has been granted, any pre-development costs that are incurred are also capitalised and carried forward. When field development programme approval is granted, the exploration and pre-development costs of that field are reclassified as oil and gas properties within property, plant and equipment. Exploration wells that are being drilled at the year-end are included in non-current assets as exploration and appraisal costs until the results of the drilling are determined.

Exploration rights

Payments for exploration rights in connection with a right to explore (or their extension) in an exploration area are now accounted for in the same way as other exploration costs. Consequently they are capitalised as intangible assets pending determination of whether the exploration and appraisal activities in the reference areas are successful or not whereas previously the capitalised costs were amortised over the license period.

Unproved exploration rights are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and that sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the exploration rights have expired, the carrying value is written off through the income statement.

In the event of a discovery of proved reserves (i.e. upon recognition of proved reserves and internal approval for development), the entire balance of the related exploration rights, initially recognised as unproved, is transferred to "proved exploration rights" in intangible assets. From the commencement of production, proved exploration rights are amortised according to the unit of production method (UoP) over total proved reserves. This policy has been adopted retrospectively. The company has recognised deferred tax assets related to tax losses to offset the deferred tax liabilities on all exploration assets, when applicable.

Interests in joint arrangements

IFRS 11 defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

IFRS 11 classifies joint arrangements into two types i.e. joint operations and joint ventures. A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The company participates in joint operations which involve the joint control of assets used in the company's oil and gas exploration and producing activities. Interests in joint operations are recognised by including the company's share of assets, liabilities, income and expenses on a line-by-line basis. Liabilities and expenses incurred directly in respect of interests in joint operations are accounted for on an accrual basis. Income from the sale or use of the company's share of the output of joint operations, and its share of joint operation expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the company and their amount can be measured reliably.

Inventories

Inventories consist of materials and supplies. Inventories are stated at the lower of cost and net realisable value and represent the company's share of stocks belonging to the consortia of which it is a member. Cost is determined by the weighted average method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

STATEMENT OF ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, the company's current bank accounts and short-term deposits originally due, generally, within 90 days, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

Cash deposited in some bank accounts held with Banque Eni SA (BESA)^[1] may be subject to cash pooling arrangements with the ultimate parent company Eni SpA^[2]. The company has the full availability of these bank accounts without any restrictions; neither BESA nor the ultimate parent company can block withdrawals. Cash pooling accounts are balanced on a daily basis and the true intent of these accounts is to ensure settlements of payments to vendors and/or cash collections from customers.

Deposits held with Eni Finance International S.A. (EFI)^[3] are classified as cash equivalents considering that: (i) they are highly liquid, available on demand or in the short term and have terms that are similar to those which would be expected if the deposits had been made with an independent third party financial institution; (ii) EFI maintains sufficient cash and liquid resources, along with access to credit lines, to meet all inter-company obligations simultaneously. The company has full availability of the deposits held with EFI (i.e. no restriction to modify maturity date); if the company needs to anticipate or terminate earlier a deposit, there is no penalty on the change of period requested.

Foreign currencies

Transactions denominated in a foreign currency are converted to US Dollars at rates ruling at the date of the transaction. All financial information has been rounded to the nearest thousand (\$'000), unless otherwise indicated. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date. The resulting exchange gains or losses are recognised in the statement of comprehensive income with the exception of differences arising on the consolidation of branches held in foreign currencies, which are taken directly to reserves.

The functional and reporting currency of the company is US Dollars as the majority of its assets and transactions are US dollar denominated. The year-end exchange rate in AUD Dollars is 0.70184 (2018 – 0.705996).

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of intangible assets. Deferred tax assets and liabilities are offset only to the extent that the timing of their reversal coincides. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Petroleum resource rent tax

Petroleum resource rent tax is provided on the taxable profits of fields subject to petroleum resource rent tax at a rate of 40% (2018 – 40%). Provision for deferred petroleum resource rent tax is made using the liability method. As petroleum resource rent tax is largely specific to individual fields and field lives are finite, provision is made in full for those fields expected to pay significant tax. Provision is made for temporary differences in respect of capital and revenue expenditure and the decommissioning and restoration provision.

1. BESA is a Belgian regulated bank subject to the banking regulatory requirements.

2. Although Eni SpA is not a financial institution, it performs its financial activities within specific Board approved limits.

3. EFI is the company responsible for the centralised funding of some foreign Eni Group companies and for collecting their financial surpluses.

STATEMENT OF ACCOUNTING POLICIES

Revenue recognition

Other income comprises revenue from the provision of services, and often miscellaneous income. This income is recognised when the services are provided.

Provisions

Provisions are recognised when: (i) there is a current obligation (legal or constructive), as a result of a past event; (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time.

Decommissioning provision

The estimated cost of dismantling the production and related facilities and site restoration at the end of the economic life of each field is recognised in full as a decommissioning provision when the asset is installed as the ground/environment is disturbed at the field location. The amount recognised is the present value of the estimated future decommissioning cost, and an offsetting entry to property, plant and equipment is also recognised. The increase in the provision with the passage of time (unwinding of discount) is recognised as interest expense. The asset is depreciated on a unit of production basis. Changes to the present value of the estimated future decommissioning cost are accounted for as adjustments to the provision and property, plant and equipment.

Financial instruments

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Financial assets - Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets held at amortised cost includes trade and other receivables

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

STATEMENT OF ACCOUNTING POLICIES

Financial instruments (continued)

Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the conditions in IFRS 9 are satisfied.

Other financial liabilities are classified in the balance sheet as Trade and other payables.

Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

STATEMENT OF ACCOUNTING POLICIES

Pension

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the statement of comprehensive income.

Use of accounting estimates, judgements and assumptions

The company's financial statements are prepared in accordance with FRS101. These require the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the financial statements are in relation to the accounting for oil and natural gas activities, specifically in the determination of proved and proved developed reserves, impairment of property, plant and equipment and intangible assets, decommissioning provision and recovery of deferred tax assets. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used.

A summary of significant estimates follows:

a) Oil and gas activities

Engineering estimates of the company's oil and gas reserves are inherently uncertain. Although there are authoritative guidelines regarding the engineering criteria that must be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgement.

Oil and natural gas reserves have a direct impact on certain amounts reported in the financial statements. Estimated proved reserves are used in determining depreciation and depletion expenses and impairment expense. Depreciation rates on oil and gas assets using the units of production basis are determined from the ratio between the amount of hydrocarbons extracted in the quarter and proved developed reserves existing at the end of the quarter increased by the amounts extracted during the quarter.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection, or other improved recovery techniques, for supplementing the natural forces and mechanisms of primary recovery will generally be included as proved developed reserves only after testing by a pilot project, or after the operation of an installed programme, has confirmed through production response that increased recovery will be achieved.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, prices and costs as at the date that the estimate is made.

- (i) Reservoirs are considered proved if reserves that can be economically produced are supported by either actual production or conclusive formation tests. The area of a reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil or oil-water contacts, if any, or both, and; (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.
- (ii) Reserves that can be produced economically through the application of improved recovery techniques (such as fluid injection) are generally only included in the proved classification if successful testing by a pilot project, or the operation of an installed programme in the reservoir, provides support for the engineering analysis on which the project or programme was based.
- (iii) Estimates of proved reserves do not include the following: (a) crude oil, natural gas and natural gas liquids that may become available from known reservoirs but are classified separately as indicated additional reserves; (b) crude oil, natural gas and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; and (c) crude oil, natural gas and natural gas liquids that may be recovered from oil shales, coal and other such sources.

Use of accounting estimates, judgements and assumptions (continued)

b) Impairment of assets

Eni assesses its property, plant and equipment and intangible assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. Such indicators include changes in the company's business plans, changes in commodity prices leading to unprofitable performance and, for oil and gas properties, significant downward revisions of estimated proved reserve quantities.

Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply and demand conditions for crude oil, natural gas, commodity chemicals and refined products, and the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

c) Decommissioning provision

Obligations to remove property, plant and equipment and restore land or seabed require significant estimates in calculating the amount of the obligation and determining the amount required to be recorded at present value in the financial statements. Estimating future decommissioning obligations is complex. It requires management to make estimates and judgements with respect to removal obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal. In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as asset removal technologies and costs constantly evolve in the countries where the company operates, as well as political, environmental, safety and public expectations. The subjectivity of these estimates is also increased by the accounting method used that requires entities to record the value of a liability for decommissioning obligations in the period when it is incurred (typically, at the time, the asset is installed at the production location). The recognised decommissioning obligations are based on future retirement cost estimates and incorporate many assumptions such as: expected recoverable quantities of crude oil and natural gas, abandonment time, future inflation rates and the discount rate.

d) Recovery of deferred tax assets

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is Eni International B.V. a company incorporated in the Netherlands.

The company's ultimate parent undertaking, Eni S.p.A., a company incorporated in Italy with registered office at Piazzale Enrico Mattei 1, 00144 Rome, will produce consolidated financial statements for the year ended 31 December 2019, which will be available from its website (www.eni.com) or on request to Eni S.p.A., Via Emilia 1, 20097 San Donato Milanese, Italy.

The parent company of the largest and smallest group into which the company is consolidated is Eni S.p.A.

2 Other income

	2019 \$'000	2018 \$'000
Recharges to group undertakings and other income	20,235	33,629
	20,235	33,629

3 Other service costs and expenses

	2019 \$'000	2018 \$'000
Other service costs and expenses	4,924	10,674
	4,924	10,674

Other service costs and expenses include gross parent company costs of \$13,883,000 (2018: \$13,321,000) prior to capitalisation and recharge to partner. The reduction in other service costs are due to lower exploration studies, lease expenditure which is now classified as depreciation with the adoption of IFRS 16, and one off charges in 2018 due to additional expenses from changes in office lease term.

4 Operating loss

Operating loss is stated after charging the following amounts in relation to the branch, included within other service costs and expenses:

	2019 \$'000	2018 \$'000
Depreciation and amortisation (note 10 and note 11)	4,292	1,845
Loss on disposal of assets	-	1,148
Auditors' remuneration		
- Audit of the company's financial statements	116	101
Operating lease charges	755	3,211

ENI AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Directors' remuneration

The directors' emoluments were as follows. The emoluments include deferred bonus of \$326,000 (2018 - \$429,000).

	2019 \$'000	2018 \$'000
Emoluments	<u>2,092</u>	<u>2,221</u>

The amounts for remuneration include the following in respect of the highest paid director:

	2019 \$'000	2018 \$'000
Emoluments	<u>1,418</u>	<u>1,482</u>

6 Labour costs

	2019 \$'000	2018 \$'000
Wages and salaries	19,483	26,447
Pension cost	<u>2,159</u>	<u>2,852</u>
	<u>21,642</u>	<u>29,299</u>

The average monthly number of persons employed by the company during the year, excluding contracted staff, was 94 (2018 – 97 avg). The wages and salaries include redundancy expenditures for \$79,000 (2018- \$3,264,000).

7 Interest payable and similar expenses

	2019 \$'000	2018 \$'000
Unwinding of discount on decommissioning provision (note 19)	1,827	1,660
Other interest payable – group company	1,835	834
Interest on finance lease recognised under IFRS16 (note 17)	179	-
Other interest – third parties bank charges	<u>2</u>	<u>36</u>
	<u>3,843</u>	<u>2,530</u>

8 Interest receivable and similar income

	2019 \$'000	2018 \$'000
Group company	28	6
Third parties	<u>2,487</u>	<u>5,994</u>
	<u>2,515</u>	<u>6,000</u>

Third parties include \$2,431,000 (2018 - \$5,967,000) foreign exchange gain.

ENI AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Tax on loss

	2019 \$'000	2018 \$'000
Current tax		
UK corporation tax	-	-
Foreign tax – current year	-	-
Foreign tax – prior year adjustment	-	-
Total current tax	-	-
Deferred foreign tax	(762)	(107)
Petroleum Resource Rent Tax	(539)	(959)
Total tax	(1,301)	(1,066)

Factors affecting tax charge for the year

The tax assessed for the period is higher (2018 -lower) than the standard rate of corporation tax applicable to oil and gas exploration and production companies in the UK non-ring fence tax of 19% (2018 - 19%). The differences are explained below:

	2019 \$'000	2018 \$'000
Loss before taxation	(11,951)	(4,719)
Taxation on loss before tax at 19 % (2018– 19%)	(2,271)	(896)
Income not taxable	(131)	(360)
Expenditure not allowable for tax	520	1,066
Group relief surrendered	37,223	-
Deferred foreign tax	(762)	(107)
Petroleum revenue resource tax	(539)	(959)
Movement in deferred tax not recognised	(35,341)	-
Unrecognised loss carried forward	-	190
Total Tax	(1,301)	(1,066)

10 Intangible assets

	\$'000
Cost	
At 1 January 2019	267,578
Additions	6,559
At 31 December 2019	274,137
Accumulated amortisation	
At 1 January 2019	26,548
Charge for the year (note 4)	302
At 31 December 2019	26,850
Net book value	
At 31 December 2019	247,287
At 31 December 2018	241,030

ENI AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment

	Renewables	Oil & gas properties	Office Equipment and other	Right of use assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
At 1 January 2019	229	198,643	12,558	-	211,430
Change of estimate (note 19)	-	1,378	-	-	1,378
Opening balance adjustment	-	-	-	3,173	3,173
Additions	38,222	4,966	435	2,416	46,039
Disposals	-	-	-	-	-
At 31 December 2019	38,451	204,987	12,993	5,589	262,020
Accumulated depreciation					
At 1 January 2019	-	191,511	9,371	-	200,882
Charge for the year (note 4)	-	1,377	1,103	1,510	3,990
Disposals	-	-	-	-	-
At 31 December 2019	-	192,888	10,474	1,510	204,872
Net book value					
At 31 December 2019	38,451	12,099	2,519	4,079	57,148
At 31 December 2018	229	7,132	3,187	-	10,548

12 Inventories

	2019 \$'000	2018 \$'000
Materials and supplies	2	182

13 Trade and other receivables

	2019 \$'000	2018 \$'000
Amounts owed by parent company	-	1,050
Amounts owed by group undertakings	3,704	5,239
Other debtors	1,704	2,751
Prepayments and accrued income	392	511
	5,800	9,551

ENI AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and in hand		
Group undertaking	1,203	5,202
Third parties	3,907	9,340
	5,110	14,542

15 Trade and other payables

	2019 \$'000	2018 \$'000
Trade creditors	388	720
Amounts owed to parent company	3,571	4,449
Amounts owed to group undertakings	17	-
Other creditors	1,356	1,067
Accruals and deferred income	3,245	6,845
	8,577	13,081

16 Borrowings

	2019 \$'000	2018 \$'000
Short term borrowing		
Group undertaking	40,215	51,900

17 Leases

Right of use

Cost

	2019 \$'000
At 1 January 2019	3,173
Additions	2,416
At 31 December 2019	5,589

Depreciation charge of right of use assets

	2019 \$'000
At 1 January 2019	-
Charge for the year	1,510
At 31 December 2019	1,510

Net Book Value

	2019 \$'000
At 31 December 2019	4,079
At 31 December 2018	3,173

Lease Liabilities

	2019 \$'000
Current	1,215
Non-current	2,969
	4,184

NOTES TO THE FINANCIAL STATEMENTS

17 Leases (continued)

The company leases office space, logistic base, data centre hosting services and land leases for solar plants. The lease contracts end between 2020 and 2028.

Extension and termination options are included in the contracts. These are used to maximise operational flexibility in terms of managing the asset used in the company operations.

The interest expense are included in the finance costs and amount to \$156,000. In addition, interest expense amounting to \$59,000 are capitalised.

The rent payments are made monthly. Lease payments do not includes other variable lease payments that depend on an index or rate.

Payments on leases are as follows:

	Years	\$ 000
Within 1 year	2020	1,257
Between 2 and 4 years	2025	153
Between 5 and 7 years	2027	175
Later than 7 years	2028	2,599

18 Deferred tax asset

Deferred tax is calculated in full on temporary differences using a tax rate of 17% (2018 – 17%) in respect of UK non-ring fence activity, 30% (2018 – 30%) in respect of corporate tax and 28% (2018 – 28%) in respect of Petroleum Revenue Resource Tax on assets held in Australia noting that the PRRT is deductible from corporate tax. The movement on the deferred tax account is as shown below:

Deferred corporation tax

	2019 \$'000	2018 \$'000
At 1 January	(18,971)	(18,864)
Credited to the statement of comprehensive income	(762)	(107)
At 31 December	(19,733)	(18,971)

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The movements in deferred tax assets and liabilities during the period are shown below:

Deferred tax liabilities

	Accelerated Capital Allowances \$ '000	Total \$ '000
At 1 January 2018	72,112	72,112
Charged to the statement of comprehensive income	-	-
At 1 January 2019	72,112	72,112
Charged to the statement of comprehensive income	-	-
At 31 December 2019	72,112	72,112

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred tax asset (continued)

Deferred tax assets	Decommissioning Provision \$ '000	Tax losses \$ '000	Total \$ '000
At 1 January 2018	18,864	72,112	90,976
Credited to the statement of comprehensive income	107	-	107
At 1 January 2019	18,971	72,112	91,083
Credited to the statement of comprehensive income	762	-	762
At 31 December 2019	19,733	72,112	91,845

Deferred tax assets have been offset against the deferred tax liabilities above with the exception of the deferred tax asset on the decommissioning provision. The net deferred tax liability to be disclosed as a non-current liability is therefore \$nil (2018 - \$nil) for continued operations. The deferred tax asset relating to decommissioning is \$19,733,000 (2018 - \$18,971,000) and is disclosed as a non-current asset.

Unrecognised deferred tax assets

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

The deferred corporation tax asset calculated at the rate of 17% (2018 – 17%) for UK and at the rate of 30% for Australia which was not recognised in the financial statements amounted

	2019 unprovided amount \$'000	2018 unprovided amount \$'000
Accelerated capital allowances carried forward	105,644	134,574
Unrecognised tax losses carried forward – UK	8,816	8,986
	114,460	143,560
	2019 unprovided amount \$'000	2018 unprovided amount \$'000
Unrecognised tax losses carried forward – Australia	113,846	118,210

The directors consider it unlikely that there will be suitable taxable profits from which the future reversal of the underlying timing differences could be deducted; therefore the deferred tax asset has not been recognised.

ENI AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Provisions

	Leave provision \$'000	Decommissioning Provision \$'000	Insurance Provision \$'000	Milestone payment (Renewables) \$'000	Lease Liabilities (note 17) \$'000	Total \$'000
At 1 January 2019	4,129	47,423	289	-	-	51,841
Opening balance adjustment	-	-	-	-	3,173	3,173
Unwinding of discount (note 7)	-	1,827	-	-	-	1,827
Change in estimate	408	1,378	-	640	3,008	5,434
Utilised in the year	-	(1,301)	(41)	-	(1,997)	(3,339)
At 31 December 2019	4,537	49,327	248	640	4,184	58,936

Leave provision

The provision of \$4,537,000 relates to annual leave and long leave service owed to employees. Employees will be entitled to long leave service after ten years of service, however they will be entitled to a pro-rata payment after seven years of service if the employee terminates his/her employment with the company, \$1,271,000 of the leave provision is a current liability.

Decommissioning provision

A provision of \$49,327,000 has been recognised for decommissioning costs remaining relating to producing oil fields in which the company was a participant. The provision has been estimated using existing technology, existing life of field estimates, current decommissioning cost estimates and discounted using the directors' assessment of an appropriate risk adjusted discount rate of 2.35% (2018 – 4.4%). The project for decommissioning of Woollybutt commenced in 2012 and is expected to be completed in 2021 (2017: 2018 and 2019).

Insurance provision

The provision of \$248,000 relates to insurance premiums to be imposed on the company by its oil insurance provider.

Milestone payment

The provision for milestone payment relates to the payment based on achieving certain Grid Stability Curtailment under the milestone review period as stipulated by contract. The review period start from 1 month after the Commercial Operations Date and ending on the date falling 12 months later.

Lease

The lease provision of \$4,184,000 include leases of land for solar plant in Northern Territory \$3,008,000 and Office building of \$1,176,000.

20 Share capital

	2019 '000	2018 '000
Allotted and fully paid £1 ordinary equity shares	<u>£20,000</u>	<u>£20,000</u>
US Dollar equivalent	<u>\$32,199</u>	<u>\$32,199</u>

Under the Companies Act 2006, there is no requirement for the company to have an authorised share capital and the company's Article of Association do not set a maximum amount of shares that the company may allot.

NOTES TO THE FINANCIAL STATEMENTS

21 Capital commitments

The company has interests in various consortia engaged in exploration and development of oil and gas. As a member of these consortia, the company is committed to pay its share of the costs of development. Currently there is no capital expenditure commitment for development in 2019 (2018 – \$nil). The company plan to invest in 2020 \$1 million in development study for Evans Shoal and \$24 million in the development of Solar farms in the Northern Territory.

In addition to development expenditure, the company is committed to pay its share of the costs of exploration, which is estimated to involve capital expenditure in 2020 of approximately \$0.7 million (2018 – \$2.3 million).

22 Joint operations

<i>Name of licence</i>	<i>Place of operation</i>	<i>Interest held as at 31 December 2019</i>
<i>AC/P-21 (Ashmore Cartier area)</i>	<i>Australia</i>	<i>60%</i>
<i>WA-25-L (Woollybutt Production field – Carnarvon Basin)</i>	<i>Australia</i>	<i>65%</i>
<i>NT/RL8 – (Bonaparte Basin, previously NT/P68)</i>	<i>Australia</i>	<i>100%</i>
<i>NT/RL7 – (Bonaparte Basin, previously NT/P48)</i>	<i>Australia</i>	<i>65%</i>
<i>WA-22-L East Spar field, North of Woollybutt)</i>	<i>Australia</i>	<i>65%</i>

23 Subsequent events

The emergence and spread of the virus Covid-19 in early 2020 has affected business and economic activities in China and around the world, including UK. The subsequent rapid spread to a growing number of countries around the world triggered a profound correction in the prices of oil and other energy commodities due to the sudden drop in consumption because of increasingly stringent measures adopted by governments to contain the epidemic with serious repercussions on production. In early April, the members of the OPEC + cartel reached an agreement on production cuts required by some of them to react to the effects of Covid-19, however, oil and gas prices continue to be under significant pressure of over-supply and other factors.

The short-term trend in oil and gas prices will depend predominantly on the timing of containment of the spread of the pandemic and as well as the ways in which the crisis will be managed. In a possible worst-case scenario, the pandemic could cause a global recession with significant negative consequences on hydrocarbon demand and commodity prices. This development would have significant effects on the company's results, cash flow, liquidity and business prospects, including the returns for the shareholder. However, Eni group and the company maintain a high degree of financial flexibility in order to deal with unforeseen events and significant reductions in oil and gas prices and demand, which the directors consider to be sufficient to mitigate the impact of such a worst-case scenario.

Eni group and the company are continually monitoring developments in the Oil & Gas sector related to Covid-19 and market conditions.

The company has implemented a number of actions to ensure the safety and health of its people and contractors, and with the contributions of the Operators when applicable, also the ability to continue production. The company is working to contain its general and administration costs, cut or delay investments in activities, which were not critical or mandatory and also suspend or defer expenditures for projects that became presently uneconomical. The company is taking actions to reduce operating costs including tariffs and is also supporting the Operators to pursue the same actions, when applicable.