



GALICIA ENERGY
Corporation Limited

ABN 73 110 184 355

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2015

GALICIA ENERGY CORPORATION LIMITED
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Directors & Officers

Peter Wall – Non-Executive Chairman
Igor Soshinsky – Non-Executive Director
Faldi Ismail – Non-Executive Director

Doug Jendry – Managing Director
(Resigned 18 May 2015)
Robert Bensch – Non-Executive Director
(Resigned 18 February 2015)
Stuart Brown – Non-Executive Director *(Resigned 18 February 2015)*
Mr David King – Managing Director
(Resigned 31 July 2014)

Sarah Smith – Company Secretary

Registered Office

945 Wellington Street
West Perth WA 6005

PO Box 1263
West Perth WA 6872

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F: +61 (08) 9322 7602

Website: www.galiciaenergy.com

Securities Exchange

Australian Securities Exchange Limited (ASX)
Home Exchange – Perth
ASX codes – GAL (ordinary shares)
GALO (listed options)

Australian Company Number

110 184 355

Australian Business Number

73 110 184 355

Bankers

Westpac Private Bank
Level 13, 109 St Georges Terrace
Perth WA 6000

Auditors

Pitcher Partners Corporate & Audit (WA) Pty Ltd
Level 1, 914 Hay Street
Perth WA 6000

Share Registry

Automic Registry Services
Suite 1a, Level 1, 7 Ventnor Avenue
West Perth WA 6005

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Domicile and Country of Incorporation

Australia

GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015

The Directors submit their report on Galicia Energy Corporation Ltd ("the Company" or "Galicia") and its controlled entities (together the "Group") for the financial year ended 30 June 2015. The Company changed its name from Cossack Energy Ltd at a general meeting of Shareholders held on 15 August 2014. As such, the Company is referred to in this 2015 Financial Year Report as Galicia.

1. INFORMATION ON DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Mr Peter Wall

Non-Executive Chairman (Appointed 29 February 2012)

LLB BComm MAppFin FFin

Mr Wall is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Mr Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.

Mr Wall has a wide range of experience in all forms of commercial and corporate law, with a particular focus on resources (hard rock and oil/gas), equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions.

During the past three years Mr Wall has held the following Directorships on other ASX listed companies:

- Dourado Resources Ltd (current)
- MMJ Phytotech Limited (current)
- Minbos Resources Limited (current)
- MyFiziq Ltd (current)
- Activistic Ltd (current)
- Global Metals Exploration NL (current)
- Discovery Resources Limited (ceased 8 November 2013)
- NSL Consolidated Limited (ceased 20 December 2012)

Mr Igor Soshinsky

Non-Executive Director (Appointed 28 November 2013)

Mr Soshinsky is an experienced business advisor who has been involved in senior managerial positions with a number of consulting companies in logistics, transportation, telecommunications, real estate and infrastructure development industries. More recently, Mr Soshinsky has provided advisory services to explorers and producers in the coal and oil & gas industries in the Ukraine. Mr Soshinsky is also the Director of the management company that Galicia has engaged to oversee its Ukraine operations.

During the past three years Mr Soshinsky has not held Directorships in any other ASX listed companies.

GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015

Mr Faldi Ismail

Non-Executive Director (Appointed 18 May 2015)

Mr Ismail is an experienced corporate advisor who specialises in the restructure and recapitalisation of a wide range of ASX-listed companies, specialising in information technology. He has many years of investment banking experience and has advised on numerous cross border transactions including capital raisings, structuring of acquisitions and joint ventures overseas.

Mr Ismail is also the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers and acquisitions, capital raisings and Initial Public Offerings.

During the past three years Mr Ismail has held the following Directorships on other ASX listed companies:

- WHL Energy Limited (current)
- Advanced Engine Components Limited (current)
- Emergent Resources Limited (current)
- BGD Corporation Limited (current)

Mr Doug Jendry

Managing Director (Appointed 16 June 2014, resigned 18 May 2015)

AAppGEOL(1971) Member AIMM

Mr. Jendry is a qualified geologist and a member of the Australian Institute of Mining and Metallurgy with over 40 years of onshore and offshore oil and gas experience. He has significant international experience, primarily in Czech Republic, USA, Papua New Guinea, and Colombia.

For the past 25 years he has served as an executive and non-executive director of a number of public companies listed both in Australia and the AIM market of the London Stock Exchange. His success is demonstrated by the number of new field discoveries of the companies in which he has previously been involved and the subsequent corporate transactions that have resulted from these discoveries.

During the past three years Mr Jendry has not held Directorships in any other ASX listed companies.

Mr Robert Bensch

Non-Executive Director (Appointed 31 January 2014, resigned 18 February 2015)

Mr Bensch has been involved in various roles in finance, capital markets, acquisitions and government for the past 25 years and has over 13 years of experience leading companies in Ukraine. He is the Managing Director and partner of Pelicourt LLC, a private equity firm and the largest shareholder of Cub Energy Inc. (TSX-V: CUB), a Black Sea Region focussed upstream oil and gas company with 760,000 net acres in Ukraine and Turkey which has successfully grown from a TSX junior to now commanding a CAD\$60m market capitalisation and production of 2,060 bopd.

Mr Bensch was also a vendor of KUB Gas, an entity that he and his team grew privately to become one of Ukraine's highest gas producing gas companies and was eventually acquired by Serinus Energy (TSX & WARSAW: SEN), an entity with a market capitalisation of circa CAD\$265m.

Mr Bensch is the energy adviser to the vice prime minister of Ukraine and brings many relationships to Galicia that will provide political and financial support to the Company.

During the past three years Mr Bensch has not held Directorships in any other ASX listed companies.

GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015

Mr Stuart Brown

Non-Executive Director (Appointed 31 January 2014, resigned 18 February 2015)

Mr Brown is a proven oil and gas professional with extensive international industry experience at technical, managerial, executive and Board levels. He has been involved in all areas of the upstream oil and gas industry with demonstrated success in the areas of strategic, business, technical and human resource management. Mr Brown has significant experience in Kazakhstan, Syria and Turkey, with global super major Shell for 20 years. Post his carrier at Shell, he joined Woodside Petroleum for ten years where he held the position of International Business Development Manager and more recently Vice President Strategic Planning for Woodside Energy Ltd.

Mr Brown is currently the Managing Director of International Oil and Gas Strategies Pty Ltd and he will provide technical consultancy advice to Galicia on an as required basis.

During the past three years Mr Brown has held the following Directorships on other ASX listed companies:

- Empire Oil and Gas Ltd (current)
- WHL Energy Ltd (current)
- Cue Energy Resources Ltd (current)

Mr David King

Managing Director (Appointed 1 May 2013, resigned 31 July 2014)

BSc (Hons), AMIMechE, MIEAust, CPEng (Ret), MAICD

Mr King is a qualified engineer and has been involved in the infrastructure, energy and oil & gas industry for over 30 years. He started his career working for the Industrial and Marine division of Rolls Royce based out of the UK installing and commissioning large power and gas compression units both on and off-shore in most of the oil and gas provinces worldwide.

His immediately preceding role since 2010 was as founder and Managing Director of public unlisted SWAN Oil & Gas Ltd which raised funds and acquired Joint Venture interests in an operated offshore and non-operated onshore exploration permit (Service Contract) in the Philippines. These assets were subsequently sold and the sale proceeds returned to shareholders.

Prior to this, for over 15 years, Mr King was the CEO of the West Australian business unit for the US based multinational, CMS Energy and was ultimately responsible for infrastructure assets in excess of \$1 billion and a direct workforce exceeding 250 for ASX listed APA Group. These WA assets included pipeline infrastructure of national significance along with oil & gas exploration and production activities relating to the Dongara L1 & L2 onshore fields and the development of the Mondarra underground gas storage facility to the north of Perth.

Mr King has been a long term and active member of the Chamber of Commerce and Industry in Western Australia including the chairing of several influential long standing energy and infrastructure related committees and sitting on the overarching General Council until he resigned in 2010 to concentrate on the set up of SWAN Oil & Gas Ltd.

During the past three years Mr King has not held Directorships in any other ASX listed companies.

**GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

2. INFORMATION ON COMPANY SECRETARY

Ms Sarah Smith
(Appointed 14 April 2014)
B.Bus, CA

Sarah specialises in corporate advisory, company secretarial and financial management services. Sarah's experience includes company secretarial and financial management services for ASX listed companies, capital raisings and IPOs, due diligence reviews and ASX and ASIC compliance. Sarah is a Chartered Accountant, and has acted as the Company Secretary of a number of ASX listed companies.

3. DIRECTORS' SHAREHOLDINGS

The following table sets out each current Director's relevant interest in shares and rights or options to acquire shares of the Company or a related body corporate as at the date of this report.

Director	Fully Paid Ordinary Shares	Listed Options Exercisable at \$0.08 on or before 30 June 2015	Unlisted Options Exercisable at \$0.17 on or before 29 February 2016	Performance Rights
Mr P Wall	32,697,507	-	431,390	3,000,000
Mr I Soshinsky	5,471,381	-	-	3,000,000
Mr F Ismail	785,000	-	-	-
	38,953,888	-	431,390	6,000,000

4. DIVIDENDS

No dividend has been paid during the financial year and no dividend is recommended for the financial year.

5. DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director during the time the Director's held office are:

Director	Number Eligible to Attend	Number Attended
Mr P Wall (<i>Appointed 29 February 2012</i>)	4	4
Mr I Soshinsky (<i>Appointed 28 November 2013</i>)	4	4
Mr F Ismail (<i>Appointed 18 May 2015</i>)	1	1
Mr D Jendry (<i>Resigned 18 May 2015</i>)	4	4
Mr R Bensch (<i>Resigned 18 February 2015</i>)	3	3
Mr S Brown (<i>Resigned 18 February 2015</i>)	3	3
Mr D King (<i>Resigned 31 July 2014</i>)	0	0

**GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

6. PRINCIPAL ACTIVITIES

Galicia Energy Corporation Limited is an oil and gas exploration and development company. During the first half of the financial year ended 30 June 2015, the Company focussed on advancing assets within the oil and gas provinces of the Ukraine and Poland.

Due to the dramatic fall in oil price and the market sentiment toward the E&P sector on general and as announced in June 2015, the Company intends to move into the technology sector with the acquisition of TV2U Worldwide Pty Ltd (TV2U), a leading digital content enabler and technology provider to the media, entertainment and telecommunications industries.

7. OPERATING AND FINANCIAL REVIEW

A Operations

CHANGE IN BUSINESS STRATEGY AND FUTURE DIRECTION

On 3 June 2015, Galicia Energy Corporation Limited (GAL or the Company) entered into a binding Heads of Agreement (HOA) to acquire 100% of the issued capital of TV2U Worldwide Pty Ltd (TV2U), a leading digital content enabler and technology provider to the media, entertainment and telecommunications industries (Acquisition).

The Acquisition is a strategic move to diversify and expand the Company's business to deliver best of breed OTT (Over the Top) and IPTV (Internet Protocol Television) information and entertainment services to any screen, fixed or mobile, and simultaneously utilise its IP protected market leading analytical capabilities.

As part of the Acquisition, the Company will complete a Capital Raising under a full form prospectus to raise a minimum of \$6 million at a price not less than \$0.02 per share. Funds will be used to enable the Company to re-comply with the new listing requirements in the ASX Listing Rules and to support its growth strategy post completion of the Acquisition.

About TV2U

TV2U is a pioneer in innovative technologies and business concepts, empowering customers to increase profitability by generating global revenue through cost-effective cloud-based interactive OTT/IPTV managed services, or as a physically deployed solution at the operator's facility.

TV2U's intelligent Video Accessible Network (IVAN) is the enabler for content monetisation to multiple consumption devices with features including: on-the-fly repackaging, real-time analytics, and real time targeted advertising by device, location or individual consumer.

TV2U's unique technology enables its partners to leverage increased revenue from its existing subscriber base, attract new subscribers and significantly grow advertising revenue.

TV2U is headquartered in the UK with regional offices in North America, Hong Kong, Singapore, Indonesia, and Australia. TV2U also has local global representation through regional partners. For more information, please visit: www.tv2u.com.

GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015

7. OPERATING AND FINANCIAL REVIEW (CONT)

A Operations (CONT)

Terms of the Acquisition

Subject to the satisfaction of the conditions precedent set out below, the Company will issue to the TV2U shareholders, in consideration for Acquisition, the following:

714,285,714 fully paid ordinary shares in the capital of Galicia at a deemed issue price of A\$0.014 each and Up to 1,035,714,286 Performance Shares, being:

- 178,571,429 Class A Performance Shares in the capital of Galicia that convert into Galicia Shares on a one (1) for one (1) basis in the event that the earnings before interest, tax, depreciation and amortisation (**EBITDA**) is greater than or equal to \$5 million (in any rolling 12 month period) within two years of completion of the Acquisition;
- 214,285,714 Class B Performance Shares in the capital of Galicia that convert into Galicia Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$10 million (in any rolling 12 month period) within three years of completion of the Acquisition;
- 285,714,286 Class C Performance Shares in the capital of Galicia that convert into Galicia Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$15 million (in any rolling 12 month period) within four years of completion of the Acquisition; and
- 357,142,857 Class D Performance Shares in the capital of Galicia that convert into Galicia Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$20 million (in any rolling 12 month period) within four years of Settlement.

The Acquisition is conditional upon the satisfaction or waiver of certain conditions precedent, including:

- completion of due diligence by the Company on TV2U's business, assets, operations, financial position, financial performance and any further matters relevant to TV2U, in each case to the satisfaction of the Company;
- the Company preparing a full form prospectus in accordance with Section 710 of the Corporations Act, lodging the Prospectus with the ASIC and raising a minimum of \$6,000,000 under the Prospectus through the issue of GAL Shares at a price of not less than \$0.02 each; and

7. OPERATING AND FINANCIAL REVIEW (CONT)

A Operations (CONT)

- the parties obtaining all necessary shareholder and regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law on terms acceptable to the Parties as are required to allow the Parties to lawfully complete the matters set out in the Agreement (including, but not limited to, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and the Company receiving conditional approval from ASX to reinstate the Company's quoted securities to trading on ASX following completion of the Acquisition on conditions satisfactory to the Company, acting reasonably)

POLAND AND UKRAINE

During the year, the Board decided that, with the market sentiment toward the E&P sector, Galicia pursued a sale of its Bieszczady group of leases in Poland, consisting of eight contiguous licences and covers an extensive area of 3,546 km² in the far south-east of Poland bordering on western Ukraine and Slovakia in the foothills of the Carpathian Mountains.

The decision to sell (or withdraw) from the Poland assets was driven by the delay in the flow testing program and an unmanageable future work program proposed by the Operator.

On 9 February 2015, the Company, through its wholly owned subsidiary, EuroGas Polska Sp, was issued with a default notice relating to its interests in the Bieszczady leases. The notice was issued by the Operator, Polskie Gornictwo Naftowe i Gazownictwo SA (PGNiG). The default related to the alleged non-payment of moneys owing for work performed by the Operator.

Subsequent to year end, the Company executed an agreement to exit from its 24% interest in the Bieszczady Project in Poland at no cost and without having to pay any historical work commitment liabilities.

On 19 February 2015, the Company reached a settlement agreement with Iskander relating to the deferred payment due under the original agreement to acquire the 24% interest in the Bieszczady leases. Under the terms of the settlement agreement, the Company agreed to pay Iskander US\$200,000 and each party has agreed to release each other from all future liabilities.

Limnytska License

Galicia has 100% ownership of the Limnytska Licence, a large onshore oil and gas project spanning some 172km² in Western Ukraine. The licence is located adjacent to known discoveries and near to existing large producing oil and gas fields.

During the first half of the financial year, Galicia completed the acquisition of 120 line kilometres of 2D seismic over the southern portion of the Limnytska Licence. Processing of the data was completed in Ukraine and the final data and maps were presented to the company in July 2014. The data was considered good quality and as part of a precautionary measure, an 'audit' of the data was carried out by an Australian processor.

**GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

7. OPERATING AND FINANCIAL REVIEW (CONT)

A Operations (CONT)

Due to the dramatic fall in oil price and the market sentiment toward the E&P sector on general, the Company pursued a sale of the Limnytska Licence and subsequent to year end, reached an in principle agreement to sell Zinest Holdings, the holding company of its Ukraine oil and gas asset. The sale will enable the Company to exit the asset at no cost and will release Galicia from all obligations under the original Sale Agreement. Upon completion of the sale the deal will remain subject to shareholder approval because the asset is technically Galicia's main undertaking. This approval will be sought at the General Meeting to be held 7 October 2015.

Corporate

The Company completed a Placement in June 2014 which, due to a high level of oversubscriptions, was issued in two tranches in June and July 2014. In the previous period, a total of A\$2,628,500 was raised via the issue of 87,616,678 shares priced at A\$0.03, with 43,808,339 free attaching options exercisable at \$0.08 on or before 30 June 2015 to professional and sophisticated investors under the Placement which was approved by shareholders at a General Meeting held on 12 June 2014.

In July 2014, the Company received additional support for its Placement from other high net worth investors and ultimately increased the amount to be raised under the placement by a further \$688,078 including the funds from European based fund, Mont Blanc Capital Management AG who subscribed for an approximate 8% interest in the Company in return for an investment of \$500,000.

Subject to shareholder approval, Galicia directors Mr Peter Wall and Mr Doug Jendry had committed to contribute Placement funds of \$100,000 and \$60,000, respectively. This approval was obtained at a general meeting held on 15 August 2014.

On 15 August 2014, at a general meeting of the Company, shareholders approved the following:

- Authority for Directors to participate in the Placement;
- Change of Company name;
- Ratification of additional Placement options issued to brokers and advisors;
- Placement of Shares;
- Ratification of prior issues of Shares and Options; and
- Issue of Options to Advisors and Consultants

As approved at a general meeting of shareholders in August 2014, the Company changed its name from Cossack Energy Limited to Galicia Energy Corporation Ltd and subsequently changed its ASX code to 'GAL'.

GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015

7. OPERATING AND FINANCIAL REVIEW (CONT)

A Operations (CONT)

On 31 July 2014, Managing Director Mr David King resigned and was replaced by Mr Doug Jendry.

At the Company's AGM held on 28 November 2014, the shareholders approved the issue of 3,000,000 Performance Rights to each of Mr Peter Wall and Mr Doug Jendry under the Performance Rights Plan. These were issued on 28 December 2014.

On 28 January 2015, the Company announced a pro-rata renounceable Rights Issue offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company on the basis of two fully paid ordinary shares in the capital of the Company for every one Share held to raise approximately \$2,075,928 (before costs). On 20 February 2015, \$303,266 was raised through the issue of 60,653,206 shares to existing shareholders who subscribed for entitlements under the offer. The Company raised a further \$1,772,662 (before costs) through the placement of the 354,532,400 shortfall shares at \$0.005 per share in April 2015.

On 18 February 2015, Non-Executive Directors Messrs Robert Bensch and Stuart Brown tendered their resignations as Non-Executive Directors of the Company.

On 15 May 2015, Mr Doug Jendry resigned as Managing Director of the Company and Mr Faldi Ismail was appointed as Non-executive Director.

Mr Ismail is an experienced corporate advisor who specialises in the restructure and recapitalisation of a wide range of ASX-listed companies, specialising in information technology. He has many years of investment banking experience and has advised on numerous cross border transactions including capital raisings, structuring of acquisitions and joint ventures overseas.

Mr Ismail is also the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers & acquisitions, capital raisings and Initial Public Offerings. In addition, Mr Ismail is currently a director of a number of ASX listed companies.

B Financial Performance & Financial Position

The financial results of the Group for the year ended 30 June 2015 are:

	30 June 2015	30 June 2014	% Change
Cash and cash equivalents (\$)	1,671,734	3,037,288	(45%)
Net assets (\$)	1,829,932	13,496,975	(86%)
Revenue (\$)	25,039	223,246	(89%)
Net loss after tax (\$)	(14,245,933)	(2,462,656)	(501%)
Loss per share (cents)	(4.553)	(3.804)	(140%)

Financial Performance

The financial result for the year ended 30 June 2015 is a net loss after tax of \$14,245,933 as per the table above.

7. OPERATING AND FINANCIAL REVIEW (CONT)

C Business Strategies and Prospects for future financial years

During the next financial period the Company intends to move into the technology sector with the acquisition of TV2U, a leading digital content enabler and technology provider to the media, entertainment and telecommunications industries.

There are specific risks associated with these activities of the Company and general risks which are largely beyond the control of the Company and the Directors. The risks identified below, or other risk factors, may have a material impact on the future financial performance of the Company and the market price of the Company's shares.

(a) Contractual Risk

In order for the Company to be able to achieve its objectives and complete the transaction with TV2U, the Company is reliant on TV2U complying with its contractual obligations under the documentation, and in certain circumstances, agreeing to any necessary amendments, negotiating further agreements and related documents. Should TV2U fail to comply with or agree to vary the terms of such agreements as the circumstances dictate, the Transaction may not complete and the Company may not acquire the full shareholding interest in TV2U it has agreed to acquire.

Further, if a party defaults in the performance of its contractual obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms. There can be no guarantee that the Transaction will be completed.

(b) Intellectual Property

TV2U has licensed or acquired the rights to certain patent applications relating to its core business. At the date of this Notice of Meeting, none of the patents have been granted.

Even if granted, the granting of a patent does not guarantee that the rights of others are not infringed nor that competitors will not develop competing intellectual property that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

Although the Company is not aware of any third party interests in relation to the intellectual property rights, and TV2U has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company.

(c) Technology Risk

Upon completion of the Transaction, the Company will be reliant upon certain technologies and upon the successful commercialisation of the technologies as currently held by TV2U. There is a risk that as marketable technologies continue to develop in the communications industry there may be certain product developments that supersede, and render obsolete, the products and services of the Company, this would adversely affect the profitability of the Company and likely the value of the Shares.

(d) New Market Entrants and Technology Risk

The emergence of new competitors in the market, or any technological developments providing an alternative to TV2U's product offerings could impact the market share that the Company is able to acquire and cause downward price pressure on consumer software and services platforms, thus reducing the Company's margins and revenue. Further, existing providers of similar consumer services may also respond aggressively to TV2U's market growth to retain or regain market share, which could also impact the Company's margins and revenue.

(e) Failure to Deal with Growth

The TV2U business has the potential to grow rapidly. If that occurs and the Company fails to properly manage that growth, then that failure could harm its business. Any failure to meet customer demand properly could adversely affect the business.

(f) Availability of IT Staff in the Market

TV2U is reliant upon employees with specialist IT skills in order to develop and maintain its projects. Any shortage of availability of these skills in the IT employment market could impair the development of the TV2U products and business and the rate of such development. Such shortage could also cause wage inflation, which may impact on the Company's profitability.

(g) Dependence on Products

TV2U's products require the use of hardware devices and as such the business model of TV2U will be dependent upon the existence and ownership of these devices. There can be no guarantee that these devices will continue to be as widely used as they are currently or that they will not be replaced by alternative devices upon which TV2U's technology will not function as intended which could impact on the profitability of the Company.

7. OPERATING AND FINANCIAL REVIEW (CONT)

C Business Strategies and Prospects for future financial years

(h) Security Breaches and Hacker Attacks

A malicious attack on TV2U's systems, processes or people from external or internal sources could put the integrity and privacy of customers' data and business systems used at risk. The impact of loss or leakage of customer or business data could include costs for rebates, potential service disruption, litigation, and brand damage resulting in reduced or failing revenues. TV2U follows best practice in relation to security policies, procedures, automated and manual protection, encryption systems and staff screening to minimise this risk.

(i) Customer Service Risk

TV2U's business model is based on recurring revenue arising from usage. Poor customer service experiences may result if the Company loses key customer service personnel, fails to provide adequate training and resources for customer service personnel or there is a disruption to monitoring and account management systems utilised by customer service personnel. Poor experiences may result in the loss of customers, adverse publicity, litigation, regulatory enquiries and customers reducing the use of TV2U products or services. If any of these occur, it may adversely impact the Company's revenues

a) Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

7. OPERATING AND FINANCIAL REVIEW (CONT)

C Business Strategies and Prospects for future financial years

c) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income, the Company will require further financing. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

8. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year, the Board decided that with the dramatic fall in oil price and the market sentiment toward the E&P sector on general, Galicia pursued a sale of its Bieszczady group of leases in Poland (or withdrawal)). The decision to sell or withdraw from the Poland assets was driven by the delay in the flow testing program and an unmanageable future work program proposed by the Operator. Further, the Company pursued a sale of the Limnytska Licence and subsequent to year end, reached an in principle agreement to sell Zinest Holdings, the holding company of its Ukraine oil and gas asset. The sale will enable the Company to exit the asset at no cost and will release Galicia from all obligations under the original Sale Agreement. Upon completion of the sale the deal will remain subject to shareholder approval because the asset is technically Galicia's main undertaking. This approval will be sought at the General Meeting to be held 7 October 2015.

As announced on 3 June 2015 the Company intends to move into the technology sector with the acquisition of TV2U, a leading digital content enabler and technology provider to the media, entertainment and telecommunications industries.

There have been no other significant changes in the state of affairs of the Company.

9. SUBSEQUENT EVENTS

Subsequent to year end, the Company executed an agreement to exit from its 24% interest in the Bieszczady Project in Poland at no cost and without having to pay any historical work commitment liabilities.

Further, the Company reached an in principle agreement to sell Zinest Holdings, the holding company of its Ukraine oil and gas asset. The sale will enable the Company to exit the asset at no cost and will release Galicia from all obligations under the original Sale Agreement. Upon completion of the sale the deal will remain subject to shareholder approval because the asset is technically Galicia's main undertaking. This approval will be sought at the General Meeting to be held 7 October 2015.

As announced on 3 June 2015 the Company intends to move into the technology sector with the acquisition of TV2U, a leading digital content enabler and technology provider to the media, entertainment and telecommunications industries. On 21 August 2015, the Company despatched a Notice of Meeting to shareholders to obtain the necessary approvals for the transaction with TV2U.

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10. ENVIRONMENTAL ISSUES

The Company is not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board is not aware of any breach of environmental requirements as they apply to the Company. There were no ground disturbing activities conducted during the financial year.

11. OPTIONS

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

Expiry Date	Exercise Price	Number of Listed Options	Number of Unlisted Options
29 February 2016	\$0.17	-	7,882,362

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

12. PROCEEDINGS ON BEHALF OF THE COMPANY

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

13. INDEMNIFYING OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring all its Directors and current Executive Officers against a liability incurred as such a director or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

GALICIA ENERGY CORPORATION LIMITED
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14. NON-AUDIT SERVICES

The Board of Director advises that no non-audit services were provided by the Company's auditors during the financial year.

15. REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*. There were no company executives and other key management personnel who were not also Directors of the Company for the financial year.

The remuneration arrangements detailed in this report are for the Managing Director and Non-Executives who held office during the financial year and are as follows:

Director	Position	Duration of Appointment
Mr P Wall	Non-Executive Chairman	Appointed 29 February 2012
Mr D Jendry	Executive Technical Director ¹	Appointed 16 June 2014, Resigned 18 May 2015
Mr I Soshinsky	Non-Executive Director	Appointed 28 November 2013
Mr F Ismail	Non-Executive Director	Appointed 18 May 2015
Mr R Bensch	Non-Executive Director	Appointed 31 January 2014, Resigned 18 February 2015
Mr S Brown	Non-Executive Director	Appointed 31 January 2014, Resigned 18 February 2015
Mr D King	Managing Director	Appointed 1 May 2013, Resigned 31 July 2014

¹ Mr Jendry assumed the role of Managing Director following Mr King's resignation on 31 July 2014

The Remuneration Report is set out under the following main headings:

- A Remuneration Philosophy
- B Remuneration Structure and Approvals
- C Remuneration and Performance
- D Details of Remuneration
- E Contractual Arrangements
- F Equity Instruments Issued on Exercise of Remuneration Options
- G Adoption of Remuneration Report by Shareholders
- H Equity Instruments Held by Key Management Personnel
- I Loans to Key Management Personnel
- J Other Transactions with Key Management Personnel

15. REMUNERATION REPORT (AUDITED) (CONT)

A. Remuneration Philosophy

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel of Galicia comprise the Board of Directors only.

The performance of the Company depends upon the quality of its key management personnel. To prosper the Company must attract, motivate and retain appropriately skilled directors and executives.

The Company's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives, by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

B. Remuneration Structure and Approvals

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Company's development nor has the Board engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors. It is considered that the size of the Board, along with the level of activity of the Company, renders this impractical and the full Board considers in detail all of the matters for which the Directors are responsible.

➤ **Executive Remuneration Structure**

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board;
- All executives may receive a base salary, (which reflects the person's duties, responsibilities, experience and length of service), superannuation, fringe benefits, options, shares and performance incentives; and
- The Board reviews the executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of shareholders' value. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, options and shares. The policy is designed to attract the highest calibre executives and reward them for performance that results in long-term growth in shareholder wealth. All directors and executives are also entitled to participate in the Company's share-based incentive plan, the performance rights plan. All directors and executives employed directly by the Company receive a superannuation guarantee contribution required by the government unless otherwise stated in their employment contracts and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and is expensed. Options and performance rights given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options and performance rights are valued using a Black-Scholes option pricing model.

15. REMUNERATION REPORT (AUDITED) (CONT)

➤ **Non-Executive Remuneration Structure**

The Board's intention is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board of Directors determines the payments to the non-executive directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required.

The remuneration of non-executive directors consists of Directors' fees, payable in arrears. The total aggregate fee pool to be paid to Directors (excluding executive directors) is set at \$250,000 per year (in accordance with the Company's Constitution) and as approved by the shareholders of the Company. Non-executive directors do not receive retirement benefits but are able to participate in share-based incentive plan and encouraged to hold shares in order to align director's interests with shareholder interests.

Non-executive directors may enter into separate consultancy mandates with the Company for the provision of professional and technical services that fall outside the scope of their directorship role. Under this mandate directors receive a consultancy fee in connection with time spent on Company business, including reasonable expenses incurred by them in carrying out this consultancy role.

Further details relating to remuneration of Non-Executive Directors are contained in the Remuneration Table disclosed as Section D of this Report; and within the Notes to the Financial Statements: Note 21 Key Management Personnel Disclosures.

The Company has adopted a Director Share Plan (Plan) to provide Directors with an opportunity to subscribe for Shares in lieu of Directors' fees. The Plan is administered in accordance with the Director Share Plan Rules, which are summarised below:

Issue of Shares

- The Board may, from time to time, at its absolute discretion and only where a Director of the Company or one of its subsidiaries (Eligible Participant) continues to satisfy any relevant conditions imposed by the Board (which may include without limitation that an Eligible Participant continues to be a Director of the Company at the relevant time) offer, subject to Shareholder approval, to Eligible Participants to subscribe for Shares in lieu of Directors' fees owing by the Company to the Eligible Participant and upon such additional terms and conditions as the Board determines.
- An Eligible Participant will not be required to make any payment in return for the Shares as they will be issued in satisfaction of Directors' fees owing by the Company at the time of issue of the Shares, calculated on a quarterly basis.
- All Shares issued pursuant to the Plan will be subject to prior Shareholder approval under the Listing Rules and the Corporations Act (if required).

Deemed Issue Price of Shares

The Shares issued pursuant to the Plan will be issued for nil cash consideration as they will be issued in satisfaction of Directors' fees owing by the Company to the Eligible Participant. The Shares will be deemed to have an issue price as determined by the Board at the time of issue of the Shares but such

**GALICIA ENERGY CORPORATION LIMITED
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deemed issue price will be no less than the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of the relevant Quarter.

Satisfaction of Director Fees Owing

The issue of Shares under the Plan will be deemed to have satisfied the relevant Director fees owing by the Company to the Eligible Participant.

Share Ranking

All Shares allotted under the Plan will rank equally in all respects with the Shares of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their allotment.

Listing of Shares on ASX

The Company will apply to the ASX within a reasonable time after the Shares are allotted for the Shares to be listed on ASX.

Transfer Restrictions

Once the Shares have been issued to an Eligible Participant, there are no restrictions on their transfer.

Power of the Board

The Plan is administered by the Board which has power to:

- a) determine appropriate procedures for administration of the Plan consistent with these rules; and
- b) delegate to any one or more person for such period and on such condition as it may determine the exercise of any of its powers or discretions arising under the Plan.

Except as otherwise expressly provided in this Plan, the Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Plan and in the exercise of any power or discretion under the Plan.

Dispute or Disagreement

In the event of any dispute or disagreement as to the interpretation of the Plan or as to any question or right arising from or related to the Plan, the decision of the Board is final and binding.

Waiver of Terms and Conditions

Notwithstanding any other provisions of the Plan, the Board may at any time waive in whole or in part any terms or conditions imposed on the Shares issued under the Plan.

GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
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C. Remuneration and Performance

During the reporting period, Director remuneration was not linked to either long term or short term performance conditions. The Board feels that the terms and conditions of options and shares held by Directors were a sufficient, long term incentive to align the goals of the Directors with those of the shareholders to maximise shareholder wealth.

During the reporting period, shareholders approved the adoption of a performance rights plan (PRP) to provide ongoing incentives to directors, executives and employees of the Company. The objective of the PRP is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of the Directors and employees in achieving specified performance milestones within a specified performance period. The Board will ensure that the performance milestones attached to the securities issued under the PRP are aligned with the successful growth of the Company's business activities. This long term incentive has been tailored to increase goal congruence between shareholders and directors and executives.

The following table shows the gross revenue and losses and share price of the Company at the end of each respective financial year:

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Revenue (\$)	25,039	223,246	41,439	1,272,793	2,659,349
Net loss (\$)	(14,245,933)	(2,462,656)	(340,986)	(268,932)	(2,743,455)
Share price (\$)	0.012	0.03	0.005	0.009	0.04

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DIRECTORS' REPORT
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15. REMUNERATION REPORT (AUDITED) (CONT)

D. Details of Remuneration

The key management personnel of the Company are the Board of Directors.

During the financial years ended 30 June 2015 and 30 June 2014, the Directors received no long-term benefits. The only remuneration received by the Directors within these periods were short-term employee benefits, post-employment benefits and termination benefits.

Details of the remuneration of the Directors of the Company for the year ended 30 June 2015 are as follows:

30 June 2015	Short term employee benefits			Post employment benefits		Equity-based payments		Total \$	Percentage of remuneration consisting of equity based payments for the year %
	Salary & fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Termination benefits \$	Performance Rights \$	Fees paid in Shares \$		
Executive Directors (Managing Director)									
Mr D Jendry (i)	92,000	-	-	-	-	-	-	92,000	-
Mr D King (ii)	19,871	-	-	3,167	25,000	-	-	48,038	-
Non-Executive Chairman									
Mr P Wall	6,000	-	-	-	-	46,800	30,000	82,800	93%
Non-Executive Directors									
Mr I Soshinsky (v)	-	-	-	-	-	98,416	30,000	128,416	100%
Mr R Bensch (iii)	-	-	-	-	-	-	21,000	21,000	100%
Mr S Brown (iii)	15,000	-	-	2,280	-	-	6,000	23,280	26%
Mr F Ismail	4,500	-	-	-	-	-	-	4,500	-
Total	137,371	-	-	5,447	25,000	145,216	87,000	400,034	

- (i) Mr Jendry resigned 18 May 2015.
- (ii) Mr King resigned on 31 July 2014.
- (iii) Mr Bensch and Mr Brown resigned 18 February 2015.
- (iv) Mr Ismail was appointed on 18 May 2015.
- (v) \$98,416 relates to expense recognised from performance rights issued in the previous financial year

GALICIA ENERGY CORPORATION LIMITED
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15. REMUNERATION REPORT (AUDITED) (CONT)

Details of the remuneration of the Directors of the Company for the year ended 30 June 2014 are as follows:

30 June 2014	Short term employee benefits			Post employment benefits		Equity-based payments	Total	Percentage of remuneration consisting of equity based payments for the year %
	Salary & fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Termination benefits \$	Performance Rights \$		
Executive Directors (Managing Director)								
Mr D Jendry (i)	-	-	-	-	-	-	-	-
Mr D King (ii)	166,954	-	-	15,443	-	79,858	262,255	30%
Non-Executive Chairman								
Mr P Wall	36,000	-	-	-	-	-	36,000	-
Non-Executive Directors								
Mr I Soshinsky (iii)	17,500	-	-	-	-	57,702	75,202	77%
Mr R Bensch (iv)	21,500	-	-	-	-	-	21,500	-
Mr S Brown (iv)	15,000	-	-	-	-	-	15,000	-
Mr M Davy (v)	22,500	-	-	-	-	-	22,500	-
Mr B De Kauwe (vi)	2,500	-	-	-	-	-	2,500	-
Total	281,954	-	-	15,443	-	137,560	434,957	

- (i) Mr Jendry was appointed on 16 June 2014.
- (ii) Mr King resigned on 31 July 2014.
- (iii) Mr Soshinsky was appointed on 28 November 2013.
- (iv) Mr Bensch and Mr Brown were appointed on 31 January 2014.
- (v) Mr Davy resigned 8 April 2014.
- (vi) Mr De Kauwe resigned 15 July 2013.

E. Contractual Arrangements

➤ **Mr Peter Wall - Non-Executive Chairman**

- Contract commencement date: 29 February 2012.
- Director fee is set at \$3,000 per month excluding Superannuation and GST.
- Remuneration: Reviewed annually by the Board.
- Terms: Mr Wall will hold office until the next annual general meeting at which point 1/3 of the directors retire by rotation and will be eligible for election as a Director at that meeting in accordance with the Company's Constitution.
- Notice period: Mr Wall's appointment will automatically cease in the event that he gives notice to the Board of his resignation as a Director or if he resigns by rotation and is not re-elected as a Director by the Shareholders of the Company. Moreover his appointment will be terminated immediately if, for any reason, he becomes disqualified or prohibited by law from being or acting as a Director or from being involved in the management of a Company.

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15. REMUNERATION REPORT (AUDITED) (CONT)

E. Contractual Arrangements (cont'd)

➤ **Mr Doug Jendry**- Director

- Contract commencement date: 16 June 2014.
- Resignation date: 18 May 2015.
- Remuneration: Annual Salary of \$120,000 (excluding superannuation). This was reduced to \$36,000 per annum on 1 March 2015.
- Remuneration: Reviewed annually by the Board.
- Terms: Had Mr Jendry not resigned he would have held office until the next annual general meeting at which point 1/3 of the directors retire by rotation and would be eligible for election as a Director at that meeting in accordance with the Company's Constitution.
- Notice period: Mr Jendry's appointment automatically ceased when he gave notice to the Board of his resignation as a Director.

➤ **Mr Igor Soshinsky**- Non-Executive Director

- Contract commencement date 28 November 2013.
- Director fee is set at \$2,500 per month excluding Superannuation and GST.
- Remuneration: Reviewed annually by the Board.
- Terms: Mr Soshinsky's will hold office until the next annual general meeting at which point 1/3 of the directors retire by rotation and will be eligible for election as a Director at that meeting in accordance with the Company's Constitution.
- Notice period: Mr Soshinsky's appointment will automatically cease in the event that he gives notice to the Board of his resignation as a Director or if he resigns by rotation and is not re-elected as a Director by the Shareholders of the Company. Moreover his appointment will be terminated immediately if, for any reason, he becomes disqualified or prohibited by law from being or acting as a Director or from being involved in the management of a Company.

➤ **Mr Faldi Ismail**- Non-Executive Director

- Contract commencement date 18 May 2015.
- Director fee is set at \$3,000 per month excluding Superannuation and GST.
- Remuneration: Reviewed annually by the Board.
- Terms: Mr Ismail will hold office until the next annual general meeting at which point 1/3 of the directors retire by rotation and will be eligible for election as a Director at that meeting in accordance with the Company's Constitution.
- Notice period: Mr Ismail's appointment will automatically cease in the event that he gives notice to the Board of his resignation as a Director or if he resigns by rotation and is not re-elected as a Director by the Shareholders of the Company. Moreover his appointment will be terminated immediately if, for any reason, he becomes disqualified or prohibited by law from being or acting as a Director or from being involved in the management of a Company.

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15. REMUNERATION REPORT (AUDITED) (CONT)

E. Contractual Arrangements (cont'd)

➤ **Mr Robert Bensch**- Non-Executive Director

- Contract commencement date: 31 January 2014.
- Resignation date: 8 February 2015
- Director fee was set at \$3,000 per month.
- Remuneration: Reviewed annually by the Board.
- Terms: Had Mr Bensch not resigned he would have held office until the next annual general meeting at which point 1/3 of the directors retire by rotation and would be eligible for election as a Director at that meeting in accordance with the Company's Constitution.
- Notice period: Mr Bensch's appointment automatically ceased when he gave notice to the Board of his resignation as a Director.

➤ **Mr Stuart Brown**- Non-Executive Director

- Contract commencement date: 31 January 2014.
- Resignation date: 8 February 2015.
- Director fee was set at \$3,000 per month excluding Superannuation and GST.
- Remuneration: Reviewed annually by the Board.
- Terms: Had Mr Brown not resigned he would have held office until the next annual general meeting at which point 1/3 of the directors retire by rotation and will be eligible for election as a Director at that meeting in accordance with the Company's Constitution.
- Notice period: Mr Brown's appointment automatically ceased when he gave notice to the Board of his resignation as a Director.

➤ **Mr David King** – Managing Director

- Contract commencement date: 1 May 2013
- Resignation date: 31 July 2014
- Remuneration: Annual Salary was set at \$110,000 (excluding superannuation).
- Terms: Had Mr King not resigned, he would have held office for a 3 year term commencing 1 May 2013.
- Notice period: Mr King's appointment automatically ceased when he gave notice to the Board on 31 July 2014.
- Incentive arrangement: the Company agreed to issue a total of 3 million performance rights to Mr King under the terms of a new employee incentive plan established by the Company. Each Performance Right will vest as one Share subject to the satisfaction of certain performance criteria (Performance Milestones). In the event that the Performance Milestones are not met, the Performance Rights would not vest and as a result, no new Shares will be issued.

15. REMUNERATION REPORT (AUDITED) (CONT)

E. Contractual Arrangements (cont'd)

The performance rights to be issued to Mr King will only upon satisfaction of the following Performance Milestones:

- (a) 1,000,000 Performance Rights vest if, within 3 years from the Re-compliance Date, the production of hydrocarbons from the shallow reservoir in the Limnytska Licence area is greater than 400 Barrels of Oil Equivalent Per Day (BOEPD) (based on a 30 day average of continuous flow rate, within 90 days of production from the well commencing or following remedial action on the well);
- (b) 1,000,000 Performance Rights vest if, within three (3) years from the Re-compliance Date, the Best (P50) estimate of the "Prospective (recoverable) Resource" (to SPE-PRMS standards) measured in Million Barrels of Oil Equivalent (MBOE) in the Limnytska Licence area is doubled as compared against the initially defined Prospective Resource detailed in the RPS Energy Independent Geological Report for the Limnytska Licence dated around May 2013; and
- (c) 1,000,000 Performance Rights vest if, within five (5) years from the Re-compliance Date, the total production from the Limnytska Licence area exceeds 1,000 BOEPD average for at least 90 days of continuous flow rate; and
- (d) for each class of the Performance Rights, Mr King must have remained employed by the Company for a minimum of 12 months from the Commencement Date of 1 May 2013, otherwise they would have immediately lapsed.

F. Equity Instruments Issued on Exercise of Remuneration Options

No shares were issued during the financial year to Directors or key management as a result of exercising remuneration options.

GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
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15. REMUNERATION REPORT (AUDITED) (CONT)

G. Adoption of Remuneration Report by Shareholders

The adoption of the Remuneration Report for the financial year ended 30 June 2014 was put to the shareholders of the Company at the Annual General Meeting held 28 November 2014. The resolution was passed without amendment on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

H. Equity Instruments Held by Key Management Personnel

Share Holdings of Key Management Personnel

Details of shares held directly, indirectly or beneficially by key management personnel and their related parties at any time during the financial year ended 30 June 2015 are set out below:

30 June 2015	Opening Balance	Received as Remuneration	Participation in Placements	On-Market Purchases	Off-Market Purchases	Change due to appointment / (resignation)	Closing Balance (i)
Directors							
Mr Wall	3,367,862	5,454,546	23,875,099	-	-	-	32,697,507
Mr Jendry	-	-	6,000,000	-	-	(6,000,000)	-
Mr Soshinsky	-	5,162,739	-	-	-	-	5,162,739
Mr Ismail	-	-	-	-	-	785,000	785,000
Mr Bensch	-	4,285,784	-	-	-	(4,285,784)	-
Mr Brown	-	857,143	-	-	-	(857,143)	-
Mr King	350,000	-	-	-	-	(350,000)	-
Mr Davy	-	-	-	-	-	-	-
Mr De Kauwe	-	-	-	-	-	-	-
Other Key Management							
None	-	-	-	-	-	-	-
Total	3,717,862	15,760,212	29,875,099	-	-	(10,707,927)	38,645,246

(i) These closing balances reflect KMP share holdings as at 30 June 2015. KMP share holdings at the date of this report can be found in the Directors Report.

GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
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15. REMUNERATION REPORT (AUDITED) (CONT)

H. Equity Instruments Held by Key Management Personnel (cont'd)

Option Holdings of Key Management Personnel

Details of options held directly, indirectly or beneficially by key management personnel and their related parties at any time during the financial year ended 30 June 2015 are set out below:

30 June 2015	Opening Balance	Lapsed	Participation in Placements	Closing Balance (i)	Not vested and not exercisable	Vested and exercisable
Directors						
Mr Wall	1,815,320	(3,050,597)	1,666,667	431,390	-	431,390
Mr Jendry	-	(1,000,000)	1,000,000	-	-	-
Mr Soshinsky	-	-	-	-	-	-
Mr Bensch	-	-	-	-	-	-
Mr Brown	-	-	-	-	-	-
Mr King	175,000	(175,000)	-	-	-	-
Mr Davy	-	-	-	-	-	-
Mr De Kauwe	-	-	-	-	-	-
Other Key Management						
None	-	-	-	-	-	-
Total	1,990,320	(4,225,597)	2,666,667	431,390	-	431,390

(i) These closing balances reflect KMP option holdings as at 30 June 2015. KMP option holdings at the date of this report can be found in the Directors Report.

Performance Rights Holdings of Key Management Personnel

Details of performance rights held directly, indirectly or beneficially by key management personnel and their related parties at any time during the financial year ended 30 June 2015 are set out below:

30 June 2015	Opening Balance	Received as Remuneration	Lapsed	Change due to Appointment/ (Resignation Date)	Closing Balance
Directors					
Mr Wall	-	3,000,000	-	-	3,000,000
Mr Jendry	-	3,000,000	(3,000,000)	-	-
Mr Soshinsky	3,000,000	-	-	-	3,000,000
Mr Bensch	-	-	-	-	-
Mr Brown	-	-	-	-	-
Mr King	3,000,000	-	-	(3,000,000)	-
Mr Davy	-	-	-	-	-
Mr De Kauwe	-	-	-	-	-
Other Key Management					
None	-	-	-	-	-
Total	6,000,000	6,000,000	(3,000,000)	(3,000,000)	6,000,000

**GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
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15. REMUNERATION REPORT (AUDITED) (CONT)

I. Loans to Key Management Personnel

There were no loans to or from Directors or any other Key Management Personnel during the financial year ended 30 June 2015.

J. Other Transactions with Key Management Personnel

A Director, Faldi Ismail, is a Director of Otsana Capital Pty Ltd. Otsana Capital has provided capital raising services to the Company during the current and previous financial year on normal commercial terms and conditions as follows:

	<u>30-Jun-15</u>	<u>30-Jun-14</u>
	\$	\$
Otsana Capital:		
A firm which Director Faldi Ismail is a Director – capital raising services	13,200	-

A Director, Peter Wall, is a Partner in the firm Steinepreis Paganin. Steinepreis & Paganin has provided legal services to the Company during the current and previous financial year on normal commercial terms and conditions as follows:

	<u>30-Jun-15</u>	<u>30-Jun-14</u>
	\$	\$
Steinepreis Paganin Lawyers & Consultants:		
A firm which Director Peter Wall is a partner - Legal services	83,683	187,632

A Director, Igor Soshinski, is a Director of Subsoil Service Group. Subsoil has provided oil and gas exploration technical expertise in relation to the Limnytska Licence, management, administration, corporate compliance, accounting and secretarial services in relation to the Company's 100% owned subsidiary Geo Poshuk per a services agreement.

	<u>30-Jun-15</u>	<u>30-Jun-14</u>
	\$	\$
Subsoil Service Group:		
A firm which Director Igor Soshinsky is a Director - Technical expertise, management and corporate compliance services.	403,241	444,767

[End of remuneration report]

**GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

16. CORPORATE GOVERNANCE

The Company's corporate governance statement can be found at the following URL:
<http://www.galiciaenergy.com/corp-governance.htm>

Corporate governance disclosures not included in the Company's corporate governance statement or elsewhere in this report are as follows:

Environmental Regulation and Performance

The Group is subject to significant environmental regulation in respect to its exploration activities. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the period under review.

17. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the financial year ended 30 June 2015 has been received and can be found on the following page.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Mr Peter Wall
Non-Executive Chairman
Perth, Western Australia
30 September 2015

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Galicia Energy Corporation Limited

In relation to the independent audit for the year ended 30 June 2015, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

This declaration is in respect of Galicia Energy Corporation Limited and the entities it controlled during the year.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD



PAUL MULLIGAN
Executive Director
Perth, WA
30 September 2015

GALICIA ENERGY CORPORATION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30-Jun-15 \$	30-Jun-14 \$
Revenue and other income from continuing operations	6	25,039	223,246
Employee benefits expense	7	(187,818)	(306,532)
Administration expenses	7	(1,273,693)	(1,961,047)
Finance costs	7	-	(1,001)
Depreciation & amortisation	7	(2,013)	(404)
Impairment expense	12, 13	(12,741,450)	-
Share-based payments	17	(65,358)	(372,760)
Foreign exchange loss		(137)	(4,429)
Loss from continuing operations before income tax		(14,245,430)	(2,422,928)
Income tax expense	8	(503)	(39,729)
Loss from continuing operations after income tax		(14,245,933)	(2,462,656)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange difference on translation of foreign operations		(512,262)	(205,049)
Other comprehensive loss for the year, net of tax		(512,262)	(205,049)
Total comprehensive loss for the year		(14,758,195)	(2,667,706)
		<u>Cents</u>	<u>Cents</u>
Loss per share attributable to the ordinary equity holders of the company:			
Basic loss per share - cents per share	19	(4.553)	(3.804)
Diluted loss per share - cents per share	19	(4.553)	(3.804)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

GALICIA ENERGY CORPORATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	30-Jun-15 \$	30-Jun-14 \$
Current Assets			
Cash and cash equivalents	9	1,671,734	3,037,288
Trade and other receivables	10	601,836	201,615
Total Current Assets		<u>2,273,570</u>	<u>3,238,903</u>
Non-Current Assets			
Other assets	11	-	9,986
Plant and equipment	12	8,651	96,403
Exploration and evaluation costs	13	-	10,806,987
Total Non-Current Assets		<u>8,651</u>	<u>10,913,376</u>
TOTAL ASSETS		<u>2,282,221</u>	<u>14,152,279</u>
Current Liabilities			
Trade and other payables	14	196,684	644,937
Provisions	15	255,605	10,367
Total Current Liabilities		<u>452,289</u>	<u>655,304</u>
TOTAL LIABILITIES		<u>452,289</u>	<u>655,304</u>
NET ASSETS		<u>1,829,932</u>	<u>13,496,975</u>
Equity			
Contributed equity	16	28,545,811	25,520,017
Reserves	17	(221,258)	225,646
Accumulated losses	18	(26,494,621)	(12,248,688)
TOTAL EQUITY		<u>1,829,932</u>	<u>13,496,975</u>

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

GALICIA ENERGY CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Contributed Equity	Option Premium Reserves	Equity-based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
At 1 July 2013	11,058,427	1,000	-	-	(9,786,032)	1,273,395
Comprehensive income:						
Loss for the year	-	-	-	-	(2,462,656)	(2,462,656)
Other comprehensive income	-	-	-	(205,049)	-	(205,049)
Total comprehensive loss for the year	-	-	-	(205,049)	(2,462,656)	(2,667,705)
Transactions with owners in their capacity as owners:						
Issue of share capital	15,021,573	-	-	-	-	15,021,573
Capital raising costs	(559,983)	-	-	-	-	(559,983)
Equity-based payments	-	56,935	372,760	-	-	429,695
At 30 June 2014	25,520,017	57,935	372,760	(205,049)	(12,248,688)	13,496,975
At 1 July 2014	25,520,017	57,935	372,760	(205,049)	(12,248,688)	13,496,975
Comprehensive income:						
Loss for the year	-	-	-	-	(14,245,933)	(14,245,933)
Other comprehensive income	-	-	-	(512,262)	-	(512,262)
Total comprehensive loss for the year	-	-	-	(512,262)	(14,245,933)	(14,758,195)
Transactions with owners in their capacity as owners:						
Issue of share capital	3,938,349	-	-	-	-	3,938,349
Capital raising costs	(912,555)	-	-	-	-	(912,555)
Equity-based payments	-	-	65,358	-	-	65,358
At 30 June 2015	28,545,811	57,935	438,118	(717,311)	(26,494,621)	1,829,932

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

GALICIA ENERGY CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30-Jun-15	30-Jun-14
		\$	\$
Cash flows used in operating activities			
Payment to suppliers & employees		(1,544,060)	(1,392,927)
Interest received		24,201	25,240
Borrowing costs		(503)	(39,729)
Net cash flows used in operating activities	9(b)	<u>(1,520,362)</u>	<u>(1,407,416)</u>
Cash flows used in investing activities			
Increase in loan receivables		(510,000)	-
Payment for acquisition costs of project		-	(873,789)
Payment for plant & equipment		(354,589)	(94,377)
Payment for exploration and evaluation costs		(1,493,835)	(1,607,075)
Net cash flows used in investing activities		<u>(2,358,424)</u>	<u>(2,575,241)</u>
Cash flows from financing activities			
Proceeds from issue of securities		3,287,482	6,600,508
Proceeds from unissued securities		-	241,079
Security issue transaction costs		(261,688)	(451,891)
Net cash flows provided by financing activities		<u>3,025,794</u>	<u>6,389,696</u>
Net (decrease) / increase in cash and cash equivalents		(852,992)	2,407,039
Cash and cash equivalents at beginning of year		3,037,288	839,726
Effect of exchange rate fluctuations on cash held		(512,562)	(209,477)
Cash and cash equivalents at end of year	9(a)	<u>1,671,734</u>	<u>3,037,288</u>

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. REPORTING ENTITY

Galicia Energy Corporation Limited (“the Company” or “Parent Entity”) and its controlled entities (together the “Group”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited (“ASX”). The addresses of its registered office and principal place of business are disclosed in the Corporate Directory of the annual report.

The separate financial statements of the Parent Entity have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The nature of the operations and principal activities of the Company are described in the Directors’ Report.

The financial report was authorised for issue on 30 September 2015.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board. The Group is a for-profit entity for the purpose of preparing the financial statements.

(b) Basis of measurement

Except for cash flow information, the financial report has been prepared on accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

(c) Functional and presentation currency

The presentation currency of the Group is Australian dollars.

(d) Adoption of new and revised standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. BASIS OF PREPARATION (CONT)

(e) Going Concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Group has incurred a net loss after tax for the year ended 30 June 2015 of \$14,245,933, and a net cash outflow from operations of \$1,520,362. As at 30 June 2015, the Group has net assets of \$1,829,932.

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the planned capital raising of A\$6,000,000 (minimum) for the acquisition of TV2U, are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will achieve the matters set out above and be able to pay its debts as and when they fall due.

The financial statements are normally prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the Group has neither the intention nor the need to liquidate or curtail materially the scale of its operations. If such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in these financial statements.

(a) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities, and results of entities controlled by Galicia Energy Corporation Limited (“Company” or “Parent Entity”) at the end of the reporting period. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group’s interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of the Company.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is revalued to its fair value with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statement of comprehensive income.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(b) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(c) Asset acquisition

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities, as the initial recognition exemption for deferred tax under AASB 112 *Income Taxes* applies. No goodwill will arise on the acquisition.

(d) Foreign currency translation

(i) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars. The functional and presentation currency of the Company is Australian dollars. The functional currencies of the subsidiaries are Euro (EUR) and Ukraine Hryvnia (UAH) and Polish Zloty (ZL).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investments in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statement of Comprehensive Income, within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income on a net basis within other income or other expenses.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date,
- Revenue and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(f) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.
- The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and deferred tax liabilities shall be offset only if:

- (a) there is a legally enforceable right to set-off current tax assets against current tax liabilities; and

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(f) Income Tax (cont'd)

- (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of cash flows.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(i) Trade and Other Receivables

Trade and other receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

(j) Plant and Equipment

Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a work condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components).

Subsequent costs

The Group recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the statement of comprehensive income using a straight line method over the estimated useful lives of each part of an item of plant and equipment.

The estimated useful lives in the current financial year are as follows:

- Plant and equipment – 3 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(k) Exploration and evaluation costs

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

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation costs are expected to be recoups through successful development and exploration of the area of interest, or alternatively, by its sale: or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

When a decision to proceed to development is made the exploration and evaluation costs capitalised to that area are transferred to mine development within property, plant and equipment. All costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(I) Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available for sale financial assets

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(m) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(n) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(o) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(p) Provisions and Employee Leave Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Leave Benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(q) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings Per Share

Basic earnings per share

Basic earnings per share is determined by dividing net profit or loss after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(s) Share-Based Payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a black-scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(t) Comparative information

When required by Accounting Standards, comparative information has been reclassified to be consistent with the presentation in the current year.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(u) Significant Accounting Estimates and Judgments

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 3(k). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the year ended 30 June 2015. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity

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4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT)

will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

5. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

During the period the Group operated as one business segment, being an oil and gas exploration and development company focussed on advancing assets within the oil and gas provinces of the Ukraine and Eastern Europe.

6. REVENUE & OTHER INCOME

	30-Jun-15	30-Jun-14
	\$	\$
Revenue and other income from continuing operations		
Other income	838	198,006
Interest income	24,201	25,240
Total Revenue and other income	25,039	223,246

7. EXPENSES

	30-Jun-15	30-Jun-14
	\$	\$
Employee benefits expense		
Salaries, wages & other employee benefits	50,318	191,532
Directors fees & other benefits	137,500	115,000
Total employee benefits expense	187,818	306,532
Administration expenses		
Consulting & corporate expenses	380,280	1,056,571
Compliance & regulatory expenses	154,986	82,941
Other Administration expenses	738,427	821,535
Total administration expense	1,273,693	1,961,047
Depreciation & amortisation		
Depreciation of plant & equipment	2,013	404
Total depreciation & amortisation	2,013	404
Finance Costs		
Interest expense	-	1,001
Total finance costs	-	1,001

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8. INCOME TAX EXPENSE

	30-Jun-15	30-Jun-14
Numerical reconciliation of income tax expense to prima facie tax payable:	\$	\$
Accounting loss before income tax	(14,245,430)	(2,422,928)
Prima facie tax payable on loss at 30% (2014: 30%)	(4,273,629)	(726,848)
Adjustments in respect of:		
Effect of lower tax rate – Foreign subsidiaries	(704)	(26,865)
Permanent differences	4,030,770	423,532
Net timing differences	(74,438)	(65,359)
Deferred tax assets on losses not recognised	318,504	435,299
Total income tax on operating loss	503	39,729
Unrecognised deferred tax assets and liabilities:		
Deferred tax assets not brought to account:		
Timing differences	203,904	278,341
Tax losses	958,602	640,169
	1,162,506	918,510

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits from.

The potential deferred tax assets will only be obtained if:

- (i) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) The Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation adversely affect the Company in realising the benefits.

Tax Losses

The Group has estimated tax losses for which no deferred tax asset is recognised in the statement of financial position of \$3,195,341 (2014: \$2,133,898) which are available indefinitely for offset against future taxable income subject to meeting the relevant statutory tests.

GALICIA ENERGY CORPORATION LIMITED
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9. CASH & CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the year

	30-Jun-15	30-Jun-14
	\$	\$
Cash at bank and in hand	1,671,734	3,037,288
	1,671,734	3,037,288

(b) Reconciliation of net loss after income tax to net cash flows used in operating activities

	30-Jun-15	30-Jun-14
	\$	\$
Net loss after income tax	(14,245,933)	(2,462,656)
Adjustments for:		
Miscellaneous income	-	(198,006)
Impairment expense	12,741,450	-
Share-based payments	65,358	372,760
Capital raising	-	478,000
Depreciation & amortisation	2,013	404
Others	137	13,431
Change in assets and liabilities		
Trade & other receivables	109,642	91,291
Trade & other payables	(448,253)	288,923
Other assets	9,986	
Provisions	245,238	8,439
Net cash used in operating activities	(1,520,362)	(1,407,416)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. TRADE & OTHER RECEIVABLES

	30-Jun-15	30-Jun-14
	\$	\$
Other receivables	80,054	196,225
Loan receivables	510,000 ¹	-
Prepayments - Other	11,782	5,390
	<u>601,836</u>	<u>201,615</u>

¹ The loan relates to an unsecured interest free loan to TV2U Worldwide Pty Ltd documented by a loan agreement. The maximum that is able to be drawn down under the loan agreement is \$1,000,000.

(a) Trade receivables past due but not impaired

There were no trade receivables past due but not impaired.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to be approximately their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 20 for more information on the risk management policy of the Company and the credit quality of the Company's trade receivables.

11. OTHER ASSETS

	30-Jun-15	30-Jun-14
	\$	\$
Security bonds	-	9,986
	<u>-</u>	<u>9,986</u>

12. PLANT & EQUIPMENT

	30-Jun-15	30-Jun-14
	\$	\$
Computer and plant and equipment		
At cost	452,068	97,179
Impairment	(440,628)	-
Accumulated depreciation	(2,789)	(776)
Total Computer Equipment	<u>8,651</u>	<u>96,403</u>

	Plant and Equipment	Computer Equipment	Total
	\$	\$	\$
Carrying amount at 30 June 2013	-	2,430	2,430
Movement during the year			
Additions	92,377	2,000	94,377
Depreciation expense	-	(404)	(404)
Carrying amount at 30 June 2014	<u>92,377</u>	<u>4,026</u>	<u>96,403</u>
Net additions	354,889	-	354,889
Depreciation expense	-	(2,013)	(2,013)
Impairment expense	(440,628)	-	(440,628)
Carrying amount at 30 June 2015	<u>6,638</u>	<u>2,013</u>	<u>8,651</u>

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13. EXPLORATION & EVALUATION COSTS

	30-Jun-15	30-Jun-14
	\$	\$
Carrying amount of exploration and evaluation costs	-	10,806,987
<u>Movement reconciliation</u>		
Expenditure brought forward	10,806,987	-
Acquisition of tenements (i)	1,177,127	8,895,210
Expenditure incurred during the year	316,708	1,911,777
Impairment of expenditure (ii)	(12,300,822)	-
Expenditure carried forward	-	10,806,987

- (i) During the financial year, the Company acquired 100% of the voting shares of Eastford Investments and Eurogas Polska. The cash consideration paid in relation to the acquisition totaled \$833,500. It is considered that the acquisition of Eastford Investments and Eurogas Polska is not a business combination, but rather an acquisition of assets.

The fair value of the identifiable assets and liabilities of Eastford Investments and Eurogas Polska as at the date of acquisition are:

	Recognised on acquisition \$
Cash and cash equivalents	26,861
Trade and other receivables	43,325
Exploration assets	1,177,127
Trade and other payables	(200,613)
Fair value of identifiable assets	1,046,700
Cost of the acquisition:	
Consideration paid	1,046,700
Total	1,046,700

- (ii) During the reporting year, the Board has considered the recoverability of the carrying values of the assets associated with the Bieszczady Project in Poland, and the Limnytska Licence in the Ukraine. As a result of the board decision to cease from operations in these areas, and change the company strategy into the technology sector, the capitalised costs associated with the Bieszczady project and Limnytska Licence have been written off.

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14. TRADE & OTHER PAYABLES

	30-Jun-15	30-Jun-14
	\$	\$
Trade creditors	90,946	339,003
Accruals	105,738	305,934
	196,684	644,937

All trade & other payables are non-interest bearing and are normally settled on 30-day terms. Due to the short term nature of trade and other payable, their carrying value is assumed to approximate their fair value.

15. PROVISIONS

	30-Jun-15	30-Jun-14
	\$	\$
Decommissioning provision	255,605	-
Provision for annual leave	-	10,367
	255,605	10,367

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16. CONTRIBUTED EQUITY

Issued and fully paid

	30-Jun-15		30-Jun-14	
	\$	No.	\$	No.
Ordinary shares	28,545,811	761,938,681	25,520,017	166,323,529
Movement in shares		\$	No.	Issue price
Balance at 1 July 2013		11,058,427	325,877,006	
Capital consolidation		-	(306,707,556)	-
Shares issued under prospectus		3,213,900	16,069,500	0.20
Shares issued as consideration for acquisition		2,000,000	10,000,000	0.20
Shares issued as consideration for acquisition		6,000,000	30,000,000	0.20
Shares issued as consideration for consulting services		10,000	50,000	0.20
Shares issued as consideration for corporate advisory services		468,000	2,600,000	0.18
Shares issued in private placement		413,153	2,951,090	0.14
Shares issued in private placement		448,020	3,200,143	0.08
Shares issued as placement		2,468,500	82,283,346	0.03
Capital raising costs		(559,983)	-	-
Balance at 30 June 2014		25,520,017	166,323,529	
Shares issued as placement (i)		688,079	22,935,966	0.03
Shares issued as placement (ii)		160,000	5,333,333	0.03
Shares issued pursuant to director share plan (iii)		91,000	13,000,000	0.007
Shares issued under rights issue shortfall (iv)		303,266	60,653,206	0.005
Shares issued under rights issue shortfall (iv)		1,772,662	354,532,400	0.005
Shares issued as consideration for placing shortfall (vi)		655,842	93,691,773	0.07
Shares issued pursuant to director share plan (v)		14,117	1,833,333	0.0077
Shares issued pursuant to director share plan (vii)		5,000	617,284	0.008
Shares issued pursuant to director share plan (viii)		2,383	309,524	0.0077
Shares issued under 10% placement capacity (ix)		246,000	42,708,333	0.006
Capital raising costs		(912,555)	-	-
Balance at 30 June 2015		28,545,811	761,938,681	

GALICIA ENERGY CORPORATION LIMITED
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16. CONTRIBUTED EQUITY (CONT.)

- (i) On 10 July 2014, 22,935,939 shares were issued as part of the Company's over-subscribed \$2.5 million Placement announced on 5 June 2014 to fund the Company's Polish acquisition and for working capital.
- (ii) On 18 August 2014, 5,333,333 shares were issued as part of the Company's over-subscribed \$2.5 million Placement announced on 5 June 2014 to fund the Company's Polish acquisition and for working capital.
- (iii) On 27 January 2015, 13,000,000 fully paid ordinary shares were issued to Non-Executive Directors of the Company in lieu of Director fees owing, as approved by shareholders at the Annual General Meeting held 28 November 2014.
- (iv) On 28 January 2015, a rights issue offer was made and 415,185,656 shares were to be issued at \$0.005 per share to raise \$2,075,928. On 20 February 2015, \$303,266 was raised through the issue of 60,653,206 shares to existing shareholders who subscribed for entitlements under the offer. On 22 April 2015, the placement of shortfall shares under the rights issue offer was completed and the remaining \$1,772,662 was raised through the issue of 354,532,400 shortfall shares at \$0.005 per share.
- (v) On 22 April 2015, 1,833,333 fully paid ordinary shares were issued to Non-Executive Directors of the Company in lieu of Director fees owing, as approved by shareholders at the Annual General Meeting held 28 November 2014.
- (vi) On 22 April 2015, 93,691,773 shares were issued as part of consideration for placing the shortfall shares under the rights issue pursuant to the offer document dated 28 January 2015.
- (vii) On 24 June 2015, 617,284 fully paid ordinary shares were issued to Non-Executive Directors of the Company in lieu of Director fees owing, as approved by shareholders at the Annual General Meeting held 28 November 2014.
- (viii) The issue price for shares issued to Non-Executive Directors in lieu of director fees owed in (iii) above was incorrectly stated at \$0.009 per shares. The correct issue price in accordance with the Company's Director Share Plan was \$0.0077 per share. As a result, 309,524 shares were issued on 28 April 2015 to bring the total shares issued to Directors to 2,142,857 (utilising the correct issue price of \$0.77 per share).
- (ix) On 28 April 2015, 42,708,333 shares were issued at \$0.00576 per share to sophisticated and professional investors under the 10% placement capacity under listing Rule 7.1A to raise \$246,000.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The Company has unlimited authorised capital with no par value.

Capital Risk Management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

Management effectively manages capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses may include the issue of new shares, return of capital to shareholders, the entering into of joint ventures and or the sale of assets.

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16. CONTRIBUTED EQUITY (CONT.)

Capital Risk Management (cont.)

The Company does not have a defined share buy-back plan. Management reviews management accounts on a monthly basis and regularly reviews actual expenditures against budget. The Group is not subject to externally imposed capital requirements.

Share options

At 30 June 2015, there were 7,882,362 unissued ordinary shares under options (2014: 70,600,860 options). The details of the options are as follows:

Number	Exercise Price (\$)	Expiry Date
7,882,362	0.17	29 February 2016

76,853,152 listed options with an issue price of 8 cents, expiring 30 June 2015, expired on 30 June 2015.

17. RESERVES

	30-Jun-15	30-Jun-14
	\$	\$
Option reserves	57,935	57,935
Equity Based Payment Reserve	438,118	372,760
Foreign Currency Translation Reserve	(717,311)	(205,049)
	<u>(221,258)</u>	<u>225,646</u>

Movements in reserves

Option Reserve

At beginning of the year	57,935	1,000
Options issued	-	56,935
Balance at end of the year	<u>57,935</u>	<u>57,935</u>

Equity Based Payment Reserve

At beginning of the period	372,760	-
Consideration options (i)	-	235,200
Performance Rights (ii)	65,358	137,560
Balance at end of the year	<u>438,118</u>	<u>372,760</u>

Foreign Currency Translation Reserve

At beginning of the period	(205,049)	-
Foreign currency translation	(512,262)	(205,049)
Balance at end of the year	<u>(717,311)</u>	<u>(205,049)</u>

GALICIA ENERGY CORPORATION LIMITED
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17. RESERVES (CONT.)

(ii) Consideration Options

No options issued during the year.

On 19 November 2013, 2,000,000 options were issued as consideration for services provided, with the options to vest immediately.

The Company has internally measured the fair value of the options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below:

Black-Scholes Option Pricing Model	
Grant Date	19/11/2013
Expiry Date	29/02/2016
Exercise Price	0.17
Underlying Share Price (at date of issue)	0.23
Risk Free Interest Rate (at date of issue)	2.84%
Volatility (up to date of issue)	69.64
Years to Expiry	2.28
Number of Options Granted	2,000,000
Dividend Yield	0%
Black-Scholes Valuation	0.1176
Total Fair Value of Options	235,200

Recognised equity-based payment expense

The options vest immediately therefore the equity based payment recognised in the prior year is \$235,200.

(iii) Performance Rights

Fair value of performance rights granted during the year

During the previous period the Board adopted a Performance Rights Plan (“PRP”) to allow the Directors and employees to be granted performance rights (Performance Rights) to acquire Shares in the Company.

The reason for the adoption of a new PRP is due to taxation legislation changes made in Australia in late 2009. This new taxation treatment has significantly reduced the effectiveness of Options as an incentive for the Company’s Directors and employees. Accordingly, the new PRP is structured that the Board awards Performance Rights which ultimately can vest into Shares, should circumstances permit.

A Performance Right does not have an exercise price and therefore allows a recipient, subject to satisfaction of the relevant vesting conditions and performance hurdles (as applicable), to benefit by their Performance Rights vesting into ordinary shares in the Company. The adoption of such an incentive mechanism which allows the grant of Performance Rights is a current trend among the Company’s ASX listed industry peer group.

The objective of the PRP is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of the Directors and employees in achieving specified performance milestones within a specified performance period. The Board will ensure that the performance milestones attached to the securities issued pursuant to the PRP are aligned with the successful growth of the Company’s business activities.

GALICIA ENERGY CORPORATION LIMITED
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17. RESERVES (CONT.)

(ii) Performance Rights (cont.)

The Directors and employees of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the PRP is an appropriate method to:

- (a) reward Directors and employees for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate Directors and generate loyalty from senior employees; and
- (d) assist to retain the services of valuable Directors and employees.

The PRP will be used as part of the remuneration planning for executive and non-executive Directors and employees. The Corporate Governance Council Guidelines recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals. The Performance Rights will also be used as part of the remuneration planning for non-executive Directors. Although this is not in accordance with the recommendations contained in the Corporate Governance Council Guidelines, the Company considers that it is appropriate for non-executive Directors to be granted Performance Rights.

During the year the Company issued performance rights to the following Key Management Personnel:

- On 28 December 2014, the Company issued 3,000,000 performance rights to Mr Doug Jendry; and
- On 28 December 2014, the Company issued 3,000,000 performance rights to Mr Peter Wall.

In prior year, the Company issued performance rights to the following Key Management Personnel:

- On 19 August 2013, the Company issued 3,000,000 performance rights to the Mr David King; and
- On 28 November 2013, the Company issued 3,000,000 performance rights to Igor Soshinsky.

The Performance rights were issued as incentive to motivate and reward performance in achieving specified performance milestones within a specified performance period.

In order for the Performance Rights to vest as Shares, the following Performance Milestones must be achieved:

- (a) 2,000,000 Performance Rights will vest if, within 3 years from the date the Company re-complies with Chapters 1 and 2 of the Listing Rules, the production of hydrocarbons from the shallow reservoir in the Limnytska Licence area is greater than 400 Barrels of Oil Equivalent Per Day (BOEPD) (based on a 30 day average of continuous flow rate, within 90 days of production from the well commencing or following remedial action on the well);
- (b) 2,000,000 Performance Rights will vest if, within three (3) years from the date the Company re-complies with Chapters 1 and 2 of the Listing Rules, the Best (P50) estimate of the "Prospective (recoverable) Resource" (to SPE-PRMS standards) measured in Million Barrels of Oil Equivalent (MBOE) in the Limnytska Licence area is doubled as compared against the initially defined Prospective Resource detailed in the RPS Energy Independent Geological Report for the Limnytska Licence dated around May 2013; and
- (c) 2,000,000 Performance Rights will vest if, within five (5) years from the date the Company re-complies with Chapters 1 and 2 of the Listing Rules, the total production from the Limnytska Licence area exceeds 1,000 BOEPD average for at least 90 days of continuous flow rate; and (together, Vesting Conditions).

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

17. RESERVES (CONT.)

(ii) Performance Rights (cont.)

In addition, for each class of the Performance Rights, the Director must remain employed by the Company for a minimum of 12 months from the commencement date, otherwise they will immediately lapse.

Mr Doug Jendry's employment contract with the Company as Managing Director commenced on 16 June 2014. Mr Peter Wall's appointment to the Board as Non-Executive Chairman commenced on 29 February 2012.

Mr King's employment contract with the Company as Managing Director commenced on 1 May 2013. Mr Soshinsky's appointment to the Board as Non-Executive Director commenced on 28 November 2013.

The model inputs are shown in the tables below:

Mr Doug Jendry

Vesting Conditions	(a)	(b)	(c)
Date of Grant	28/12/2014	28/12/2014	28/12/2014
Date of Expiry	27/12/2017	27/12/2017	27/12/2019
Exercise price	Nil	Nil	Nil
Risk Free Interest rate	-	-	-
Volatility	-	-	-
Years to Expiry	3	3	5
Number of Rights Granted	1,000,000	1,000,000	1,000,000
Total Fair Value of Rights (\$)	15,600	15,600	15,600

Mr Peter Wall

Vesting Conditions	(a)	(b)	(c)
Date of Grant	28/12/2014	28/12/2014	28/12/2014
Date of Expiry	27/12/2017	27/12/2017	27/12/2019
Exercise price	Nil	Nil	Nil
Risk Free Interest rate	-	-	-
Volatility	-	-	-
Years to Expiry	3	3	5
Number of Rights Granted	1,000,000	1,000,000	1,000,000
Total Fair Value of Rights (\$)	15,600	15,600	15,600

Mr David King

Vesting Conditions	(a)	(b)	(c)
Date of Grant	19/08/2013	19/08/2013	19/08/2013
Date of Expiry	18/08/2016	18/08/2016	18/08/2018
Exercise price	Nil	Nil	Nil
Risk Free Interest rate	2.84%	2.84%	2.84%
Volatility	69.64	69.64	69.64
Years to Expiry	3	3	5
Number of Rights Granted	1,000,000	1,000,000	1,000,000
Total Fair Value of Rights (\$)	114,000	100,000	106,000

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

17. RESERVES (CONT.)

(ii) Performance Rights (cont.)

Mr Igor Soshinsky

Vesting Conditions	(a)	(b)	(c)
Date of Grant	28/11/2013	28/11/2013	28/11/2013
Date of Expiry	27/11/2016	27/11/2016	27/11/2018
Exercise Price	Nil	Nil	Nil
Risk Free Interest Rate	2.84%	2.84%	2.84%
Volatility	69.64	69.64	69.64
Years to Expiry	3	3	5
Number of Rights Granted	1,000,000	1,000,000	1,000,000
Total Fair Value of Rights (\$)	121,249	106,358	112,740

Due to these vesting conditions being dependent on certain production milestones being achieved, the Company has estimated the probability of the milestones being met.

Recognised equity-based payment expense

The total expense recognised for Key Management Personnel under the PRP for the period are as follows:

	30 June 2015		30 June 2014	
	Value recognised during the year	Value to be recognised in future periods	Value recognised during the year	Value to be recognised in future periods
	\$	\$	\$	\$
Key Management Personnel				
Performance Rights – Mr Doug Jendry (i)	-	-	-	-
Performance Rights – Mr Peter Wall	46,800	-	-	-
Performance Rights – Mr David King (ii)	(79,858)	-	79,858	240,142
Performance Rights – Mr Igor Soshinsky	98,416	184,229	57,702	282,645
Total	65,358	184,229	137,560	522,787

(i) Mr Jendry resigned 18 May 2015.

(ii) Mr King resigned on 31 July 2014.

18. ACCUMULATED LOSSES

Movement in accumulated losses were as follows:

	30-Jun-15	30-Jun-14
	\$	\$
Balance at 1 July	(12,248,688)	(9,786,032)
Net loss for the financial year	(14,245,933)	(2,462,656)
Balance at 30 June	(26,494,621)	(12,248,688)

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

19. EARNINGS PER SHARE

The calculation of basic loss per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of \$14,245,933 (2014: \$2,462,656) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2015 of 312,850,392 (2014: 64,744,410) calculated as follows:

	<u>30-Jun-15</u>	<u>30-Jun-14</u>
Net loss attributable to ordinary equity holders of the Company (\$)	(14,245,933)	(2,462,656)
Weighted average number of ordinary shares for basis per share (No.)	<u>312,850,392</u>	<u>64,744,410</u>
Continuing operations		
- Basic loss per share (cents)	<u>(4.553)</u>	<u>(3.804)</u>
Potential ordinary shares that are not dilutive and not used in the calculation of diluted EPS:		
	No.	No.
Share Options (No.)	7,882,362	70,600,860
Performance Rights (No.)	6,000,000	6,000,000

20. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

At the reporting date, the Group had the following mix of financial assets and liabilities.

	<u>30-Jun-15</u>	<u>30-Jun-14</u>
	\$	\$
Financial Assets		
Cash & cash equivalents	1,671,734	3,037,288
Trade & other receivables	601,836	201,615
Total Financial Assets	<u>2,273,570</u>	<u>3,238,903</u>
Financial Liabilities		
Trade & other payables	(196,684)	(644,937)
Total Financial Liabilities	<u>(196,684)</u>	<u>(644,937)</u>
Net exposure	<u>2,076,886</u>	<u>2,593,966</u>

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

20. FINANCIAL RISK MANAGEMENT (CONT.)

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Group has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At reporting date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Weighted Average Interest Rate	30-Jun-15	Weighted Average Interest Rate	30-Jun-14
	%	\$	%	\$
Cash & cash equivalents	2.15%	1,671,734	2.35%	3,037,288

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

20. FINANCIAL RISK MANAGEMENT (CONT.)

Interest Rate Risk (CONT.)

At 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

	<u>30-Jun-15</u>	<u>30-Jun-14</u>
	\$	\$
Judgements of reasonably possible movements:		
Post tax profit – higher / (lower)		
+ 0.5%	8,359	15,186
- 0.5%	(8,359)	(15,186)
Equity – higher / (lower)		
+ 0.5%	8,359	15,186
- 0.5%	(8,359)	(15,186)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financing loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the Group's maximum exposure to credit risk. All receivables are due within 30 days and none are past due.

Cash

The Group's primary banker is National Australia Bank. The Board considers the use of this financial institution, which has a short term rating of A- from Standards and Poors to be sufficient in the management of credit risk with regards to these funds.

Trade & other receivables

While the Group has policies in place to ensure that transactions with third parties have an appropriate credit history, the management of current and potential credit risk exposures is limited as far as is considered commercially appropriate. Up to the date of this report, the Board has placed no requirement for collateral on existing debtors.

Cash at bank and short-term bank deposits:

	<u>30-Jun-15</u>	<u>30-Jun-14</u>
	\$	\$
Standards & Poors rating		
A-	1,671,734	3,037,288

There are no significant concentrations of credit risk within the Group.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

20. FINANCIAL RISK MANAGEMENT (CONT.)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

The table below reflects the respective undiscounted cash flows for financial liabilities. The risk implied from the values shown in the table below reflects outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in the Company's on-going operations.

Contractual maturities of financial liabilities	<6 months	6 - 12 months	>12 months	Total Contractual Cash Flow	Carrying Amount
	\$	\$	\$	\$	\$
<u>30-Jun-15</u>					
Trade & other payables	196,684	-	-	196,684	196,684
	196,684	-	-	196,684	196,684
<u>30-Jun-14</u>					
Trade & other payables	644,937	-	-	644,937	644,937
	644,937	-	-	644,937	644,937

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

21. RELATED PARTY DISCLOSURE

a) Equity interests

Name	Country of Incorporation	Equity Interest	
		30-Jun-15	30-Jun-14
		%	%
Cossack Investments Pty Ltd	Australia	100	100
Zinest Holdings Limited	Cyprus	100	100
Geo Poshuk Ltd	Ukraine	100	100
Eastford Investments Sp. z o.o.	Poland	100	-
Eurogas Polska Sp. z o.o.	Poland	100	-

b) Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

A Director, Faldi Ismail, is a Director of Otsana Capital Pty Ltd. Otsana Capital has provided capital raising services to the Company during the current and previous financial year on normal commercial terms and conditions as follows:

	30-Jun-15	30-Jun-14
	\$	\$
Otsana Capital:		
A firm which Director Faldi Ismail is a Director – capital raising services	13,200	-
	30-Jun-15	30-Jun-14
	\$	\$
Steinepreis Paganin Lawyers & Consultants:		
A firm which Director Peter Wall is a partner - Legal services	83,683	187,632
Subsoil Service Group:		
A firm which Director Igor Soshinsky is a Director – Technical expertise, management and corporate compliance services	403,241	444,767

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

c) Key Management Personnel Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2015 and 30 June 2014.

	30-Jun-15	30-Jun-14
	\$	\$
Compensation by category		
Short-term employee benefits	137,371	281,954
Post-employment benefits	5,447	15,443
Termination benefits	25,000	-
Equity based payments	232,216	137,560
	400,034	434,957

d) Loans from related parties

There were no loans to or from related parties during the financial year.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

22. COMMITMENTS AND CONTINGENCIES

Leasing Agreement

	30-Jun-15	30-Jun-14
	\$	\$
Within one year	4,700	31,020
After one year but not more than five years	-	5,170
More than five years	-	-
Total minimum commitment	4,700	36,190

The commitment above relates to the following leasing agreements:

SmallCap Corporate Pty Ltd

The Company entered into an Agreement with SmallCap Corporate Pty Ltd on 19 February 2014. The Agreement expired on 5 September 2015.

In relation to the transaction with TV2U, subject to the satisfaction of the conditions precedent set out in the Review of Operations section of this Annual Report, the Company will issue to the TV2U shareholders, in consideration for Acquisition, the following:

714,285,714 fully paid ordinary shares in the capital of Galicia at a deemed issue price of A\$0.014 each and Up to 1,035,714,286 Performance Shares, being:

- 178,571,429 Class A Performance Shares in the capital of Galicia that convert into Galicia Shares on a one (1) for one (1) basis in the event that the earnings before interest, tax, depreciation and amortisation (**EBITDA**) is greater than or equal to \$5 million (in any rolling 12 month period) within two years of completion of the Acquisition;
- 214,285,714 Class B Performance Shares in the capital of Galicia that convert into Galicia Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$10 million (in any rolling 12 month period) within three years of completion of the Acquisition;
- 285,714,286 Class C Performance Shares in the capital of Galicia that convert into Galicia Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$15 million (in any rolling 12 month period) within four years of completion of the Acquisition; and
- 357,142,857 Class D Performance Shares in the capital of Galicia that convert into Galicia Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$20 million (in any rolling 12 month period) within four years of Settlement.

There are currently no contingent liabilities or contingent assets outstanding at the end of the current reporting year.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. AUDITOR'S REMUNERATION

	<u>30-Jun-15</u>	<u>30-Jun-14</u>
	\$	\$
Amounts received or due and receivable by Pitcher Partners Corporate & Audit (WA) Pty Ltd for:		
(i) Audit and review of the financial report of the entity	40,000	39,000
Total remuneration	<u>40,000</u>	<u>39,000</u>

24. DIVIDENDS

No dividend was paid or declared by the Group in the period since the end of the financial year up to the date of this report. The Directors do not recommend that any amount to be paid by way of dividend for the financial year ended 30 June 2015.

GALICIA ENERGY CORPORATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

25. PARENT ENTITY INFORMATION

(a) Summary financial information

Financial Position

	Parent	
	30-Jun-15	30-Jun-14
	\$	\$
Assets		
Current assets	2,137,341	2,942,568
Non-current assets	2,013	11,198,447
Total assets	<u>2,139,354</u>	<u>14,141,015</u>
Liabilities		
Current liabilities	196,684	424,685
Total liabilities	<u>196,684</u>	<u>424,685</u>
Equity		
Issued capital	28,545,811	25,576,952
Reserves	542,854	373,760
Accumulated losses	(27,145,995)	(12,234,382)
Total equity	<u>1,942,670</u>	<u>13,716,330</u>

Financial Performance

	Parent	
Loss for the year	(14,918,114)	(2,448,350)
Other comprehensive (loss) / income	-	-
Total comprehensive loss for the year	<u>(14,918,114)</u>	<u>(2,448,351)</u>

b) Guarantees

The Company has not entered into any guarantees in relation to the debts of its subsidiaries.

c) Other Commitments and Contingencies

Other than disclosed in Note 22 above, the Company has no commitments to acquire property, plant and equipment, and has no contingent liabilities.

26. SUBSEQUENT EVENTS

Subsequent to year end, the Company executed an agreement to exit from its 24% interest in the Bieszczady Project in Poland at no cost and without having to pay any historical work commitment liabilities.

Further, the Company reached an in principle agreement to sell Zinest Holdings, the holding company of its Ukraine oil and gas asset. The sale will enable the Company to exit the asset at no cost and will release Galicia from all obligations under the original Sale Agreement. Upon completion of the sale the deal will remain subject to shareholder approval because the asset is technically Galicia's main undertaking. This approval will be sought at the General Meeting to be held 7 October 2015.

As announced on 3 June 2015 the Company intends to move into the technology sector with the acquisition of TV2U, a leading digital content enabler and technology provider to the media, entertainment and telecommunications industries. On 21 August 2015, the Company despatched a Notice of Meeting to shareholders to obtain the necessary approvals for the transaction with TV2U.

**GALICIA ENERGY CORPORATION LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2015**

In the Directors' opinion:

- (a) The financial statements and notes are in accordance with the Corporations Act 2001; and
 - (i) Comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) give a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Board of Directors



Mr Peter Wall
Non-Executive Chairman
Perth, Western Australia
30 September 2015

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GALICIA ENERGY CORPORATION LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Galicia Energy Corporation Limited and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Group 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GALICIA ENERGY CORPORATION LIMITED**

Opinion

In our opinion:

- (a) the consolidated financial report of Galicia Energy Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 (e) to the consolidated financial report which indicates that the Group incurred a net loss of \$14,245,933 during the year ended 30 June 2015. As of that date, the Group has a cash balance of \$1,671,734. However, in order to continue operations for the next 12 months the Group is dependent upon raising additional finance. These conditions, along with other matters as set forth in Note 2 (e), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

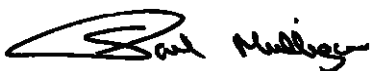
We have audited the Remuneration Report included in pages 16 to 28 of the directors' report for the year ended 30 June 2014. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Galicia Energy Corporation Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD



Paul Mulligan
Executive Director
Perth, WA
30 September 2015

GALICIA ENERGY CORPORATION LIMITED (FORMERLY COSSACK ENERGY LIMITED)
SHAREHOLDER INFORMATION

a) Number of holders of each class of equity securities and the voting rights attached:

As at 30 September 2015 the equity securities are as follows:

Class of security	No. of Holders	Voting Rights Attached
Ordinary Shares	1372	Each shareholder is entitled to one vote per share held.
Unlisted Options (\$0.17, 29/2/16)	18	There are no voting rights attached to these options.
Performance Rights	3	There are no voting rights attached to these securities.

All ordinary shares carry one vote per share without restriction.

b) Distribution schedule of the number of holders in each listed class of equity security as at 30 September 2015:

Range of Holding	ORD Issued Capital	
	No. of Shareholders	Percent of Issued Capital (%)
1 – 1,000	217	0.00
1,001 – 5,000	72	0.03
5,001 – 10,000	64	0.08
10,001 – 100,000	379	2.86
100,001 and over	640	97.03
Total	1,372	100.00

c) Holders of non-marketable parcels:

Number of shareholders with less than a marketable parcel is 204.

GALICIA ENERGY CORPORATION LIMITED (FORMERLY COSSACK ENERGY LIMITED)
SHAREHOLDER INFORMATION

d) Twenty Largest Holders of Ordinary Shares:

No.	Name	No. of Shares	Percent of Issued Capital (%)
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	45,323,036	5.95
2	MR JOHN EDWIN MILLIGAN & MRS JOANNA MILLIGAN <THE TEAM ELITE FAMILY A/C>	28,645,000	3.76
3	PHEAKES PTY LTD <SENATE A/C>	28,421,908	3.73
4	BBY NOMINEES LIMITED	20,833,333	2.73
5	AH SUPER PTY LTD <THE AH SUPER FUND A/C>	15,610,019	2.05
6	MRS JOANNA MILLIGAN & MR JOHN EDWIN MILLIGAN <TEAM ELITE SUPER FUND A/C>	13,550,000	1.78
7	GARF PTY LIMITED <GAR NATIONAL PRIVATE S/F A/C>	11,666,667	1.53
8	COMSEC NOMINEES PTY LIMITED	11,114,081	1.46
9	KATERYNA LYSENKO	10,500,000	1.38
10	ANNA ELTSOVA	10,489,500	1.38
11	MR JUSTIN LAURENCE BARRY	10,179,000	1.34
12	BBY NOMINEES LIMITED	10,000,000	1.31
13	VATHIEL FINANCE CORP	9,000,000	1.18
14	PATICOA NOMINEES PTY LTD	7,108,983	0.93
15	H E 2 HOLDINGS PTY LTD	6,850,000	0.90
16	PERSHING AUSTRALIA NOMINEES PTY LTD <ACCUM A/C>	6,439,981	0.84
17	MR MARK DAVID MORRIS	6,420,276	0.84
18	MRS MIRIAM EVELYN DE KAUWE	6,011,765	0.79
19	MR MICHAEL JOHN HAYMAN	6,000,000	0.79
20	PROF YEW KWANG NG	6,000,000	0.79
	TOTAL TOP 20 HOLDERS	270,163,549	35.44
	TOTAL REMAINING HOLDERS BALANCE	492,083,774	64.55

**GALICIA ENERGY CORPORATION LIMITED (FORMERLY COSSACK ENERGY LIMITED)
SHAREHOLDER INFORMATION**

e) Substantial shareholders of ordinary fully paid shares:

Name	No. of Shares	Percent of Issued Capital (%)
J P MORGAN NOMINEES AUSTRALIA LIMITED	45,323,036	5.95

f) Unquoted equity securities

The following unlisted options over unissued ordinary shares are on issue:

No. Under Option	No. of Holders	Date of Issue	Date of Expiry	Exercise Price
7,882,362	18	29/2/2012	29/2/2016	\$0.17

The following unlisted performance rights are on issue:

No. Performance Rights	No. of Holders	Date/s of Issue	Note
9,000,000	3	19 August 2013, 28 November 2013, 28 December 2014	Subject to various vesting and performance conditions

g) On Market Buy-Back

There is currently no on market buy-back.

h) Restricted securities subject to escrow

There are no securities subject to escrow.

i) Group cash and assets

In accordance with Listing Rule 4.10.19, the Group confirms that it has been using the cash and assets it had acquired at the time of admission and for the period ended 30 June 2015 in a way that is consistent with its business objective and strategy. The Company has an interest in the following projects:

Licence	Licence #	Location	Current Interest
Limnytska ¹	2971	Ukraine	100%

¹ The Company has reached an in principle agreement to sell its interest in the Limnytska Licence as announced on 13th august 2015