

The background of the slide is a photograph of a rural landscape. In the foreground, there is a dirt road that curves to the right, bordered by a lush green field. In the middle ground, there are rolling hills with patches of green grass and brown, tilled soil. In the background, there are more hills and mountains under a cloudy sky.

FNQ NRM LTD

Annual Audit Completion Report

Year ended 30 June 2026

Executive summary

Dear Finance, Audit and Risk Sub-Committee Members

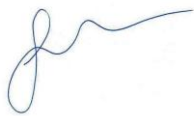
We are pleased to present this report to the Committee Members of FNQ NRM Limited in relation to the 30 June 2026 annual audit.

We have completed our audit and issued an unmodified audit report.

We have set out in this document the significant matters arising from our audit. This summary covers those matters we believe to be material in the context of our work, and this report has been discussed with management.

Should you require clarification on any matter in this report before this date, please do not hesitate to contact me on 4046 0090.

We would like to take this opportunity to extend our appreciation to the Finance Team for their assistance and cooperation throughout the course of our audit.



Yours faithfully

James Gaustad

19 October 2026

Scope

Our audit was conducted in accordance with Australian Auditing Standards and Australian Charities and Not-for-profits Commission Act 2012 for the year ended 30 June 2026.

Areas of focus

In performing our audit, we identified the following as areas of most significance:

- Grant expenditure
- Management override
- Accounting treatment of grant revenue
- Lease accounting

Refer to the [Areas of focus](#) section of this report for further details on the above matters and the results of work performed.

Summary of misstatements

We not identified any misstatements during our audit. This is a testament to the work that the Finance Team have put in.

Areas of focus

We set out the areas that were considered key areas of focus along with an outline of the work performed and a summary of findings.

Risk area	Description	Audit work performed	Summary of findings
Grant expenditure	Given the nature of grant funding, there is a risk that expenditure may be inappropriately reported under the terms and conditions of the funding agreement or manipulated to show grant funding as having been fully spent.	We reviewed the funding agreements for material grants, particularly around expenditure that is allowed and not allowed. We reviewed journals that transferred expenses between grant funded programs. We reviewed the allocation of overheads and administration charges to confirm whether the allocation is reasonable. Any testing we performed on expenditure and payroll included consideration of the allocation of the expenses to grant funded projects.	We did not identify any grant expenditure that was incorrectly allocated to grant funded programs.
Management override of controls	There is a presumed risk with all financial statement audits that figures in the financial statements could be manipulated so as to not reflect the underlying balances.	We reviewed journal entries posted at year end and throughout the year. We also looked at the controls over posting and approval of journals. We agreed balances in the financial statements to the underlying records.	We did not identify any evidence of manipulation of the financial statements.

Areas of focus *continued*

Risk area	Description	Audit work performed	Summary of findings
Grant revenue accounting	There is a risk of material misstatement due to judgement involved in determining whether grants meet the recognition requirements of AASB 15 and AASB 1058. Depending on the terms of the individual grant agreements, some grant revenue should be recognised as revenue when it is received, and some should be deferred and recognised as the project or activity is complete.	For all material grant funded projects, we reviewed the funding agreement and considered whether the treatment was appropriate. In some cases, additional evidence was reviewed, such as the approved budget or relevant activity/work plan. We also reviewed grants to determine whether historical underspends were required to be returned to the funding provider.	We are satisfied that revenue from material grants was treated correctly in the financial statements.
Lease accounting	Due to the nature of judgemental accounting, there is a risk that leases are not captured, or lease calculations are performed with incorrect inputs, leading to material misstatement of both ROU Asset and Lease Liability balance.	Compared management workings to balances recognised in the financial statements. For new leases or modified leases, we reviewed management's assessment of arrangements and considered whether capitalised leases are complete. We reviewed lease calculations for accuracy and agreement to underlying inputs. We reviewed expense accounts for any potential lease liabilities that have not been recorded. We reviewed the status of the Cairns office lease to confirm no extension needed to be accounted for in 2026.	We are satisfied that there is not a material error in the financial statements in regard to lease accounting.

Internal control

The purpose of the audit was for the auditor to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

We are required to communicate significant deficiencies to you. Our audit procedures did not identify any significant deficiencies that in our professional judgment are of sufficient importance to merit the attention of the committee.

New developments

Financial reporting - NFPs

2029	2030
01	02
AASB 18 - Presentation and Disclosure in Financial Statements	AASB 1061 - General Purpose Financial Statements - Not-for-Profit Private Sector Tier 3 Entities
For financial years beginning on or after 1 January 2028 (Year-end 30 June 2029)	For financial years beginning on or after 1 July 2029 (Year-end 30 June 2030) Early adoption permitted
Replaces IAS 1 <i>Presentation of Financial Statements</i>. Requires income and expenses to be classified into one of five categories following an entity's 'main business activities'. The Statement of Profit or Loss also includes two mandatory subtotals: 'operating profit or loss' and 'profit or loss before financing and income taxes'. There are also new disclosures for 'management-defined performance measures'.	Introduces a new simplified financial reporting framework for Tier 3 private sector NFP entities. The Standard provides simplified recognition, measurement, presentation and disclosure requirements that are intended to reduce reporting complexity while maintaining the usefulness of general-purpose financial statements. Once AASB 1061 is effective, Tier 3 private sector NFP entities will no longer be able to prepare special purpose financial statements. AASB 1061 does not mandate which smaller NFPs can apply it as a basis for preparing GPFS. Instead, it relies on legislators such as the Australian Charities and Not-for-profits Commission (ACNC) and the Treasury to amend the Australian Charities and Not-for-profits Commission Act 2012 and the Corporations Act 2001, respectively. As a result, we don't recommend applying this standard until legislators clarify which entities can use it.
Learn more	Learn more

Appendices

01

Auditor Independence

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02

Other reporting requirements

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Appendix 1: Auditor Independence

Relevant ethical requirements

In conducting our audit, we have complied with the independence requirements of Part 4A of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

We have obtained independence declarations from all staff engaged in the audit, including network firms when applicable. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

We have not become aware of any issue that would cause any member of the engagement team, BDO or any BDO network firm to contravene any ethical requirement or any regulatory requirement that applies to the audit engagement.

BDO has not provided any non-audit services during the audit to FNQ NRM Limited, other than assistance with financial statement preparation. Financial statement preparation does not impact our independence.

We are responsible for forming and expressing an opinion on the financial report.

This report has been prepared by management with the oversight of those charged with governance. The audit of the financial report does not relieve management or those charged with governance of their responsibilities.

Appendix 2: Other reporting requirements

Non-compliance with laws and regulations

We have made enquiries in relation to any non-compliance with laws and regulations (NOCLAR) during the course of our audit. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries.

Fraud

Management has confirmed that there were no matters of fraud identified for the period under audit, or subsequently. It should be noted that our audit is not designed to detect fraud; however, should instances of fraud come to our attention we will report them to you.

We have not identified any instances of fraud during the course of our audit.

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We have prepared this report solely for the use of FNQ NRM Limited. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason, we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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