



**Peak Oil & Gas Limited**  
ABN 79 131 843 868

Interim Financial Report  
31 December 2013

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### Directors

Geoffrey Albers	Non-Executive Chairman
Frank Jacobs	Non-Executive Director
Jeffrey Steketee	Managing Director
James Durrant	Executive Director

### Company Secretary

Raewyn Clark

### Registered Office

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West Perth WA 6005

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West Perth WA 6872

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### Auditor

HLB Mann Judd  
Level 4, 130 Stirling Street  
Perth WA 6000  
Email: [hlb@hlbwa.com.au](mailto:hlb@hlbwa.com.au)  
Ph: (08) 9227 7500  
Fax: (08) 9227 7533

### Legal Adviser

Clayton Utz Lawyers  
QV1 Building, 250 St Georges Terrace  
Perth WA 6000  
Ph: (08) 9426 8000  
Fax: (08) 9481 3095

### Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway, Applecross WA 6153  
Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)  
Ph: (08) 9315 2333  
Fax: (08) 9315 2233

### Stock Exchange Listing

ASX Limited  
Level 8, Exchange Plaza  
2 The Esplanade  
Perth, WA, 6000  
Website: [www.asx.com.au](http://www.asx.com.au)

ASX Code: PKO  
Incorporated in Western Australia 25 June 2008

## Directors' Report

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Your Directors submit the interim financial report on the Group for the half-year ended 31 December 2013. In order to comply with the Corporations Act 2001, the Directors report as follows:

### Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Geoffrey Albers	Non-Executive Director
Frank Jacobs	Non-Executive Director
Jeffrey Steketee	Managing Director
James Durrant	Executive (Technical) Director

### Review of Operations

The consolidated net loss after income tax for the six months to 31 December 2013 was \$8,704,313 of which \$8,073,014 was the result of impairment of the Cadlao project (six months to 31 December 2012: \$983,137).

At 31 December 2013 the Company had \$469,197 in cash and at call deposits. Shortly after 31 December 2013 the Company successfully completed a fully underwritten non-renounceable rights issue to raise \$1,943,580 million before costs.

Funds raised from the rights issue have enabled the Company to continue its exploration program including the prospective South Block A project in Indonesia.

At 31 December 2013, the Company had oil and gas deferred exploration assets of \$2,127,162 (30 June 2013: \$1,932,383), oil and gas development assets of \$Nil as a result of impairment of the Cadlao project (30 June 2013: \$10,889,989) and mineral exploration project acquisition assets of \$189,113 (30 June 2013: \$189,113).

During the half-year the Group continued its exploration and development activities as outlined below.

#### Cadlao Project

The Group continued its efforts to negotiate settlement of its outstanding dispute with Cadlao Development Company Limited (**Cadco**), formerly Blade Petroleum Limited, in relation to Cadco's purported early termination of the farmin agreement (**Farmin Agreement**) made between the parties and its consequent effect on the status and ownership of the 25% working interest (**WI**) previously earned by Peak in SC6 Cadlao, which Peak asserts is held on trust for Peak by Cadco.

Cadco is seeking to reacquire Peak's previously earned 25% WI in SC6 Cadlao which, under the terms of the Farmin Agreement, would result in a cash payment of \$6.5 – 7m to Peak. In an effort to advance the Cadlao Redevelopment Project (**Cadlao Project**), Peak would, in principle, be agreeable to this outcome, subject to appropriate viable arrangements for completion of the Cadlao Project being implemented.

However, it should be noted that, notwithstanding the purported termination by Cadco of Peak's rights under the Farmin Agreement, Cadco has, to date, failed to make any significant progress in implementing the Cadlao Project or in carrying out the Work Program & Budget approved by the Philippines Department of Energy (**DOE**).

Further, subsequent to 31 December 2013, the DOE put Cadco on notice that the DOE considers it is entitled to cancel SC6 Cadlao due to non-performance by Cadco in carrying out the approved Work Program and Budget to date. Following the above, Peak has recommenced the previously suspended arbitration process to protect its rights with respect to the previously earned 25% WI acquired under the Farmin Agreement.

On 4 March 2014, Peak and VenturOil Philippines Inc (**VenturOil**) met with the DOE and presented an alternate funding and development plan for SC6 Cadlao to the DOE. Peak and VenturOil intend to implement these plans through the joint venture processes. The DOE has verbally agreed not to terminate SC Cadlao for at least two (2) months whilst VenturOil attempts to finalise these matters.

## Directors' Report

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Unless satisfactory arrangements for implementation of the Cadlao Project are made, either by VenturOil or by Cadco, with DOE approval, then implemented, it is considered likely that DOE will cancel SC6 Cadlao.

### *Peak's Project Interests*

In addition to the 25% WI held on trust by Cadco, Peak has the right to earn up to a 16.25% indirect economic interest in SC6 Cadlao through both its partial ownership of VenturOil and under the terms of a shareholders agreement between the VenturOil shareholders.

In accordance with the terms of VenturOil shareholders agreement, Peak is obligated to fund VenturOil's full 20% WI in the Cadlao Field by loan to VenturOil. On current capex estimates, that cost is likely to be US\$10 – 12m including costs accrued to date. Additionally Peak must make two further payments of US\$1.4m to Clove Capital Partners Limited from each of the first two sales cargoes as part of the terms on which Peak first acquired its rights in respect of VenturOil and VenturOil's interests in SC6 Cadlao. Each cargo is likely to result in gross revenues of in excess of US\$7m, (subject to size and oil price) from which Peak can fund those payments. In accordance with the farmin terms agreed between VenturOil and Cadco, VenturOil is not required to contribute to the funding of the Cadlao Project until the first development well is spudded. On current scheduling, spudding would take place a few months prior to first oil from the Cadlao Project, which closely ties project funding with project revenues.

### *Cadlao Project Valuation and Carrying Value*

If the Cadlao Project continues and SC6 Cadlao is not cancelled by DOE and Peak retains its interests (including the previously earned 25% WI (or is paid the \$6.5 - \$7 mill referred to above), the Cadlao Project will represent an attractive project for Peak.

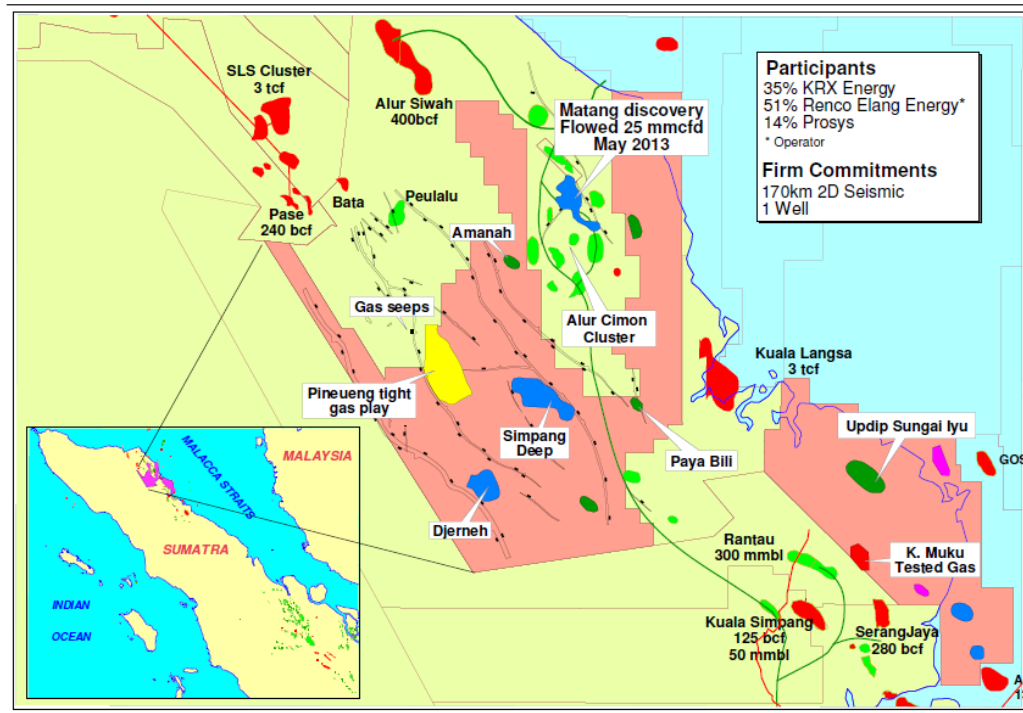
Notwithstanding the potential of the Cadlao Project (if it is realisable by Peak) Peak's directors have decided that it is prudent to write off the full value of the Cadlao Project interest in Peak's statement of financial position. The underlying rationale for the write off is the extreme uncertainty surrounding the future of the Cadlao Project, including, but not limited to, the possibility of DOE terminating SC6 Cadlao. Clearly, upon a successful outcome for Peak from the Cadlao Project, that write off would be reversed, in whole or in part, depending on the scope and nature of the outcome and benefits flowing to Peak.

### South Block A (SBA) North Sumatra

Peak's majority controlled company, RENCO Elang Energy Pte. Ltd (**REE**), is Operator and has a 51% interest in SBA (net 38.25% to Peak).

Quest Geophysical Company has been contracted on a turnkey basis to complete a 170 line km seismic program. This program is progressing well with around 80% of the seismic program completed as of the end of March. As of the 15th February, approximately 818,985 man hours were recorded with no lost time injuries (LTI's) reported and vehicle kilometres driven during the period were approximately 359,063.

The seismic field operations commenced in SBA are located to mature and prioritise seven oil and gas leads (shown on the map below) to prospect status, one of which will be selected for drilling.



### South Block A Leads – 2,105sq km onshore North Sumatra

Together these seven oil and gas leads provide an updated Unrisked P50 Prospective Resource of 439 BCF of gas and 47 MMBBLS of oil and condensate. The largest of the gas leads has been mapped to have the potential to contain an Unrisked P50 Prospective Resource of 285 BCF Recoverable Gas and 16 MMBBLS Condensate.

During the half-year, Government approval was received for a 10% (201.5km<sup>2</sup>) relinquishment covering areas to the south east and also northwest of Area 1. The area of Area 1 will be reduced to 1,256.5 km<sup>2</sup> and the total Block Area to 1,894.5 km<sup>2</sup>. The proposal does not impact Area 2 which has an area of 637 km<sup>2</sup>. Industry recognition of the petroleum prospectivity of Peak's majority controlled North Sumatra Production Sharing Contract, South Block A (SBA), was confirmed by the KRX Energy farm-in to our Indonesian joint venture partner's interest. KRX Energy will earn a 35% interest in SBA by farming into the current 49% interest held by Prosys Oil & Gas (14% residual). Completion of the transaction was confirmed by approval received from the Minister of Energy and Mineral Resources, Republic of Indonesia.

Subsequently Lion Energy Limited (Lion) (ASX: LIO) has acquired KRX (Peak's SBA joint venture partner). Lion also undertook an associated capital restructure to effect the investment of \$7.5Million by Risco Energy Investments Pte Ltd and Tower Energy Indonesia Limited.

Lion issued a prospectus dated 6 November 2013 in relation to its capital restructure that includes an independent technical expert report on the resource potential of the 35% KRX interest in the SBA PSC. The ResourceInvest technical expert report is referred to as a matter which is of some relevance to Peak's shareholders and interested shareholders are encouraged to refer to the report as contained in the Lion prospectus.

Peak believes the Risco/Tower \$7.5million investment in Lion, together with the independent technical expert report by ResourceInvest, are strong endorsements of the potential of SBA.

### New Ventures

Peak participated in the 2013 offshore acreage bidding round in the Republic of Myanmar and expects the results to be announced in 1Q14.

## Directors' Report

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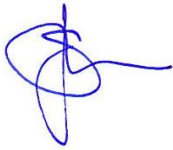
### Minerals Projects

Peak remains focused on its oil and gas portfolio and continues to review options for monetising the Company's remaining minerals project. Peak believes its Sunday Creek project will provide future value to shareholders when the uranium sector recovers and the Company remains open to offers from interested parties.

### **Auditor independence**

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the half yearly report. This Independence Declaration is set out on page 8 and forms part of this directors' report for the period ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Jeffrey Steketee  
Managing Director  
Perth, Western Australia  
14 March 2014

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the interim financial report of Peak Oil & Gas Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia**  
**14 March 2014**



**W M Clark**  
**Partner**



**Condensed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2013**

	<b>Consolidated</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
Revenue from ordinary operations		
Financial income	5,622	21,688
Other income	192,573	61,109
	<u>198,195</u>	<u>82,797</u>
Expenses from ordinary operations		
Administrative expenses	(680,189)	(759,513)
Professional and consultancy fees	(113,513)	(228,423)
Depreciation charges	(33,771)	(36,498)
Loss from sale of fixed assets	-	(2,119)
Financial expense	(1,540)	-
Exploration expenditure incurred	(481)	(10,793)
Oil & gas development expenditure impairment	(8,073,014)	-
Oil & gas deferred exploration expenditure written off	-	(17,612)
Mineral exploration project acquisition costs written off	-	(10,976)
	<u>(8,902,508)</u>	<u>(1,065,934)</u>
<b>Loss before income tax expense</b>	<b>(8,704,313)</b>	<b>(983,137)</b>
Income tax expense	-	-
<b>Net loss for the half-year</b>	<b>(8,704,313)</b>	<b>(983,137)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Foreign exchange gain on translation of subsidiary financial statements	(5,375)	1,066
Foreign exchange gain on translation of subsidiary foreign loan	293,218	(167,904)
<b>Other comprehensive income/(loss), net of tax</b>	<b>287,843</b>	<b>(166,838)</b>
<b>Total comprehensive loss for the half-year</b>	<b>(8,416,470)</b>	<b>(1,149,975)</b>
	<u>Cents</u>	<u>Cents</u>
Basic loss per share		
(cents per share)	(1.79)	(0.31)

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

## Condensed Consolidated Statement of Financial Position as at 31 December 2013

		Consolidated	
		31 December 2013	30 June 2013
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		469,197	1,206,191
Trade and other receivables		60,382	103,868
<b>Total Current Assets</b>		<b>529,579</b>	<b>1,310,059</b>
<b>Non-Current Assets</b>			
Trade and other receivables		1,603,862	1,408,356
Plant and equipment		35,604	66,411
Oil and gas deferred exploration expenditure	3	2,127,162	1,932,383
Oil and gas development expenditure	4	-	10,889,989
Mineral exploration project acquisition costs	5	189,113	189,113
<b>Total Non-Current Assets</b>		<b>3,955,741</b>	<b>14,486,252</b>
<b>Total Assets</b>		<b>4,485,320</b>	<b>15,796,311</b>
<b>Current Liabilities</b>			
Trade and other payables		933,770	747,786
<b>Total Current Liabilities</b>		<b>933,770</b>	<b>747,786</b>
<b>Non-Current Liabilities</b>			
Trade and other payables		-	3,065,805
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>3,065,805</b>
<b>Total Liabilities</b>		<b>933,770</b>	<b>3,813,591</b>
<b>Net Assets</b>		<b>3,551,550</b>	<b>11,982,720</b>
<b>Equity</b>			
Issued capital	6	34,710,576	34,725,276
Reserves		2,882,966	2,595,123
Accumulated losses		(34,041,992)	(25,337,679)
<b>Total Equity</b>		<b>3,551,550</b>	<b>11,982,720</b>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

## Condensed Consolidated Statement of Changes in Equity for the half-year ended 31 December 2013

Consolidated	Issued capital \$	Options reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2012</b>	<b>31,886,009</b>	<b>1,503,016</b>	<b>(279,309)</b>	<b>(22,877,140)</b>	<b>10,232,575</b>
Loss for the period	-	-	-	(983,137)	(983,137)
Other comprehensive income	-	-	(166,838)	-	(166,838)
Total comprehensive loss for the half-year	-	-	<b>(166,838)</b>	<b>(983,137)</b>	<b>(1,149,975)</b>
<b>Balance at 31 December 2012</b>	<b>31,886,009</b>	<b>1,503,016</b>	<b>(446,147)</b>	<b>(23,860,277)</b>	<b>9,082,600</b>
<b>Balance 1 July 2013</b>	<b>34,725,276</b>	<b>1,895,126</b>	<b>699,997</b>	<b>(25,337,679)</b>	<b>11,982,720</b>
Loss for the period	-	-	-	(8,704,313)	(8,704,313)
Other comprehensive income	-	-	287,843	-	287,843
Total comprehensive loss for the half-year	-	-	<b>287,843</b>	<b>(8,704,313)</b>	<b>(8,416,470)</b>
Share issue costs	(14,700)	-	-	-	(14,700)
<b>Balance at 31 December 2013</b>	<b>34,710,576</b>	<b>1,895,126</b>	<b>987,840</b>	<b>(34,041,992)</b>	<b>3,551,550</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

## Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2013

	Note	Consolidated	
		31 December 2013	31 December 2012
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(639,191)	(621,450)
Interest paid		(1,540)	-
<b>Net cash outflow from operating activities</b>		<b>(640,731)</b>	<b>(621,450)</b>
<b>Cash flows from investing activities</b>			
Interest received		1,834	20,032
Purchase of plant and equipment		(2,964)	(2,920)
Sale of property, plant and equipment		-	6,000
Payments for oil and gas deferred exploration expenditure	3	(21,925)	-
Payments for oil and gas development expenditure		(28,171)	(515,600)
Net receipt from joint venture capital contribution adjustment		-	103,986
Loan to other entities		(42,257)	-
<b>Net cash outflow from investing activities</b>		<b>(93,483)</b>	<b>(388,502)</b>
<b>Cash flows from financing activities</b>			
Payment of share issue costs		(14,700)	-
<b>Net cash outflow from financing activities</b>		<b>(14,700)</b>	<b>-</b>
<b>Net decrease in cash held</b>		<b>(748,914)</b>	<b>(1,009,952)</b>
Cash at the beginning of half-year		1,206,191	1,844,928
Effect of exchange rate fluctuations on cash held		11,920	-
<b>Cash at the end of the half-year</b>		<b>469,197</b>	<b>834,976</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## **Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2013**

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### **Note 1: Statement of significant accounting policies**

#### **Statement of compliance**

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Peak Oil and Gas Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

#### **Basis of preparation**

The interim financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

#### **Accounting policies and methods of computation**

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and International Reporting Standards.

#### **Significant accounting judgments and key estimates**

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's financial report for the year ended 30 June 2013.

## Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2013

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### Note 1: Statement of significant accounting policies (continued)

#### Going Concern

As at 31 December 2013, the Group had a working capital deficit of \$404,191. For the half-year ended 31 December 2013, the Group incurred a net cash outflow from operating and investing activities of \$734,214 and a net loss after tax of \$8,704,313.

The Board considers that the Group is a going concern and recognises that additional funding is required to ensure that it can continue to fund its operations and further develop its oil and gas assets during the twelve month period from the date of this interim financial report. Such additional funding may be derived from either one or a combination of the following:

- an underwritten rights issue made to all shareholders
- the placement of securities under the ASX Listing Rule 7.1 and or 7.1A;
- an excluded offer pursuant to the Corporations Act 2001;
- debt funding; or
- the sale of assets.

It should be noted that subsequent to 31 December 2013, the Company successfully raised capital through a fully underwritten non-renounceable rights issue, as detailed in note 9.

The ability of the Group to continue as a going concern for the coming year is dependent on securing additional funding for further exploration activity and development. The Directors are confident that the Group will be able to secure additional funding to enable it to continue as a going concern for at least 12 months from the signing of the interim financial report. If the Group is unable to raise sufficient capital for these purposes, there is a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

It should be noted that Peak and Octanex NL (ASX:OXX) have agreed to work towards a merger of the two companies (**Merger**). The Merger is proposed to be implemented by a Scheme of Arrangement (**Scheme**) under which Peak members will exchange their Peak shares for Octanex shares. If accepted by Peak members, the Merger is due to be completed by 30 June 2014.

### Note 2: Segment information

For management purposes, the Directors of Peak Oil and Gas Limited have been defined as the Chief Operating Decision Maker. Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure.

During the half-year the Group operated predominantly in two business segments that consisted of oil and gas exploration and development and mineral exploration. Geographically, the Group operates in The Philippines, Indonesia, and Australia. Offices are maintained in Australia and Indonesia. Segment accounting policies are the same as the Group's policies described in Note 1. Segment results are classified in accordance with their use within geographic segments regardless of legal entity ownership. Intersegment pricing is determined on an arm's length basis.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The following table present revenue and result information and certain asset and liability information regarding business segments for the half-years ended 31 December 2013 and 31 December 2012.

## Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2013

### Note 2: Segment information (continued)

	Oil and Gas Exploration & Development			Mineral Exploration	Unallocated	Total
	Philippines	Indonesia	New Zealand	Australia		
	\$	\$	\$	\$	\$	\$
<b>31 December 2013</b>						
Segment revenue	-	10,632	-	-	187,563	198,195
Segment loss for the half-year	(8,075,760)	10,632	-	-	(639,185)	(8,704,313)
Segment assets	748,984	2,970,942	-	189,113	576,281	4,485,320
Segment liabilities	(1,063)	(121,505)	-	-	(811,202)	(933,770)
<b>31 December 2012</b>						
Segment revenue	-	-	-	-	82,797	82,797
Segment loss for the half-year	-	-	(17,612)	(10,976)	(954,549)	(983,137)
Segment assets	7,586,287	1,682,310	-	189,113	1,674,928	11,132,638
Segment liabilities	(144,600)	(400,172)	-	-	(1,505,265)	(2,050,037)

### Note 3: Oil and gas deferred exploration expenditure

	Consolidated	
	Six months to 31 December 2013 \$	Year to 30 June 2013 \$
Balance at the beginning of the period	1,932,383	947,653
Expenditure incurred	21,925	1,068,164
Expenditure accrued	172,854	-
Costs written off	-	(83,434)
Balance at the end of the period	<b>2,127,162</b>	<b>1,932,383</b>

The recoupment of oil and gas deferred exploration expenditure is dependent upon the recoupment of costs through successful development and commercial exploitation, or alternatively by sale of the respective areas.

## Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2013

### Note 4: Oil and gas development expenditure

	Consolidated	
	Six months to 31 December 2013	Year to 30 June 2013
	\$	\$
Balance at the beginning of the period	10,889,989	7,528,569
Expenditure incurred*	-	664,948
Expenditure accrued*	(3,155,096)	2,760,149
Impairment**	(8,073,014)	(719,233)
Disposals	-	(391,180)
Foreign exchange differences	338,121	1,198,736
Expensed	-	(152,000)
Balance at the end of the period	-	<b>10,889,989</b>

\*Expenditure incurred and expenditure accrued in the year to 30 June 2013 includes USD3,575,000 (AUD3,425,097) for the acquisition of an entity that holds the Company's 16.25% Working Interest in the Cadlao Project, held through VenturOil Philippines Inc. The majority of the accrued expenditure (USD2,800,000) is only payable if the Group retains its economic interest in the Cadlao Project via VenturOil and will be payable in equal instalments following each of the first two liftings of oil from the project. At 31 December 2013 this expenditure was reclassified as a contingent liability in light of the uncertainty surrounding the DOE's intentions with regard to terminating SC6 Cadlao.

\*\*The Company is negotiating a settlement with Cadlao Development Company Limited (**Cadco**), formerly Blade Petroleum Limited in respect of the Acquisition and Farm-in Agreement (**Farmin Agreement**) for the Cadlao Redevelopment Project (Cadlao **Project**). Under the Agreement, Cadco has the option to acquire the Company's existing 25% interest (together with associated royalties) in the Cadlao Project for a sum calculated in accordance with the Farmin Agreement and estimated by the Company to be approximately \$6,500,000 to \$7,000,000. Subsequent to 31 December 2013, the Philippines Department of Energy (**DOE**) threatened termination of the Project due to non-performance by Cadco. Peak and its partially owned subsidiary VenturOil have presented DOE with alternate funding and development plans which the DOE has agreed to provide at least 2 months to finalise. However, due to the uncertainty surrounding the DOE's intentions to terminate the Cadlao Project Peak's directors have determined that it is prudent to impair the full value of the project on Peak's Statement of Financial Position.

### Note 5: Mineral exploration project acquisition costs

	Consolidated	
	Six months to 31 December 2013	Year to 30 June 2013
	\$	\$
Balance at the beginning of the period	189,113	200,089
Costs written off	-	(10,976)
Balance at the end of the period	<b>189,113</b>	<b>189,113</b>

The recoupment of exploration project acquisition costs carried forward is dependent upon the recoupment of costs through successful development and commercial exploitation, or alternatively by sale of the respective areas. Project acquisition costs written off relate to tenements that have been surrendered.



## Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2013

### Note 6: Issued Capital

As at 31 December 2013 there were 485,895,247 fully paid ordinary shares on issue (30 June 2013: 485,895,247).

Movement in ordinary share capital	Group			
	Six months to 31 December 2013 \$	Year to 30 June 2013 \$	Six months to 31 December 2013 Number	Year to 30 June 2013 Number
Balance at the beginning of the period	34,725,276	31,886,009	485,895,247	316,838,672
Shares issued during the period	-	3,000,000	-	169,056,575
Costs associated with share issue	(14,700)	(160,733)	-	-
Balance at the end of the period	<b>34,710,576</b>	<b>34,725,276</b>	<b>485,895,247</b>	<b>485,895,247</b>

### Note 7: Options

Options held by employees, key management personnel and their associates share options:

	Group	
	Six months to 31 December 2013 Number	Year to 30 June 2013 Number
Balance at the beginning of the period	95,107,569	38,400,000
Granted	-	68,207,569
Expired	(12,650,000)	(11,500,000)
Balance at the end of the period	<b>82,457,569</b>	<b>95,107,569</b>

Options held by consultants/other parties:

Balance at the beginning of the period	28,700,000	36,700,000
Granted	-	1,000,000
Expired	(3,850,000)	(9,000,000)
Balance at the end of the period	<b>24,850,000</b>	<b>28,700,000</b>
Total options on issue by the Company	<b>107,307,569</b>	<b>123,807,569</b>

## Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2013

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### Note 8: Contingent Liabilities

On 3 July 2012, the Group acquired Energy Best Limited (EBL), a BVI domiciled company which holds a 40% interest in VenturOil. Under a funding agreement with VenturOil, the Group has acquired a 16.25% indirect working interest in the Cadlao Redevelopment Project (**Cadlao Project**).

Acquisition terms were structured to reflect project performance with the Company paying an initial fee to the vendor followed by two further cash payments, one from each of the first two liftings of oil from the Cadlao Project. As at 31 December 2013, there is uncertainty surrounding the DOE's intentions to terminate the Project (Note 4) and the accrual for US\$2,800,000 (AUD3,155,096) has been reversed. However, should this uncertainty be removed, and the Cadlao Project successfully reach the liftings milestones, the Company will be liable to pay the USD2,800,000.

### Note 9: Events subsequent to reporting date

#### Capital Raising

On 24 December 2013 the Company announced a fully underwritten non-renounceable rights issue to raise \$1,943,580 million (before costs) which subsequent to half year end was successfully completed. Funds raised will provide funding for the advancement of the South Block A project and provide ongoing working capital.

#### Cadlao Project

Subsequent to 31 December 2013, the Philippines Department of Energy (**DOE**) threatened termination of the Project due to non-performance by Cadco. Peak and its partially owned subsidiary VenturOil have presented DOE with alternate funding and development plans which the DOE has agreed to provide at least 2 months to finalise. However, due to the uncertainty surrounding the DOE's intentions to terminate the Project the directors have determined that it is prudent to impair the full value of the project, of \$11,228,110 on Peak's Statement of Financial Position.

## Directors' Declaration

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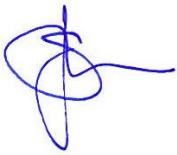
In the opinion of the directors:

1. The accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year then ended; and
- b. complying with Accounting Standards, and the Corporations Regulations 2001 and other mandatory professional requirements.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



**Jeffrey Steketee**  
Managing Director

Perth, Western Australia  
14 March 2014

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Peak Oil &amp; Gas Limited

**Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Peak Oil & Gas Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim 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 half year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Peak Oil & Gas Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 to the interim financial report which indicates that the Group is dependent on additional funding to enable it to continue as a going concern for at least the period of 12 months from the signing of the annual report. If the Group is unable to obtain additional funding, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.



**HLB Mann Judd**  
**Chartered Accountants**



**W M Clark**  
**Partner**

**Perth, Western Australia**  
**14 March 2014**