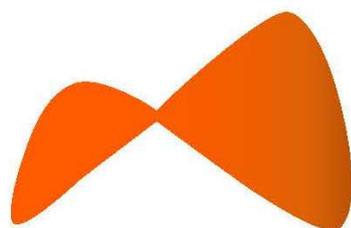


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# Peak Oil & Gas

**Peak Oil & Gas Limited**

**ABN 79 131 843 868**

Annual Report  
for the year ended 30 June 2014

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### **Forward –looking Statements**

This Financial Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the meeting of objectives and their investment considerations, as well as other matters not yet known to the company or not currently considered material by the Company.

### **Risk Factors**

Exploration and development of oil and gas is speculative, expensive and subject to a wide range of risks. There can be no assurance that any well drilled by the company will result in the discovery of oil or gas, nor that any discovery or development will prove to be commercially viable. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional adviser as to the suitability of an investment in the company.

### 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

Level 2, 5 Ord Street  
West Perth WA 6005

PO Box 1255  
West Perth WA 6872

Website: [www.peakoil-gas.com](http://www.peakoil-gas.com)  
Email: [info@peakoil-gas.com](mailto:info@peakoil-gas.com)  
Ph: (08) 6143 1800  
Fax: (08) 6143 1818

### 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

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## Chairman's letter

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Dear Shareholders,

On behalf of the Board and management team, I present Peak Oil & Gas Limited's Annual Report and Financial Statements for the year ended 30 June 2014.

Over the last twelve months, your Company continued its focus on adding value to its Asian oil and gas interests. In North Sumatra, Indonesia, this included completing the 2D seismic program within the "South Block A" Production Sharing Contract (PSC) which identified five (5) potential targets for the drilling of an exploration well next year. This program was completed by REE, Peak's operating entity in Indonesia, safely and within budget. Importantly, the program saw the completion of Peak's farm-in obligations, such that the Company now holds its full 38.25% interest in the PSC. The program also encountered live oil seeping to the surface, an encouraging sign for the upcoming drilling campaign.

Peak also sought to advance its Cadlao Project, offshore the Philippines. However, the project continues to remain subject to the project operator, Cadlao Development Company (Cadco), successfully completing its project financing; an effort which has proved to be difficult. Importantly, the Philippines Department of Energy (DOE) approved an extension of time for the Cadlao Project to reach first oil through to June 2015.

Peak continued to seek a negotiated resolution to the Company's outstanding legal dispute with Cadco. This relates to the purported premature termination by Cadco of a relevant farm-in agreement, some years ago now, made between Peak and Cadco. This has also proved difficult, with the Company deciding that the best option was to resolve the matter by completing the arbitration process previously suspended during settlement negotiations. This has occurred, with a result due in early 2015.

Just under \$2m in new capital was secured in early 2014 through a pro-rata rights issue which was fully underwritten by Octanex NL, a company associated with myself. As a result of the shortfall, Octanex NL holds a 21% interest in Peak (which, when taken together with my personal holdings, represents an aggregate 49.32% interest held by the Octanex Group in Peak). The two companies have agreed to a merger by way of a Scheme of Arrangement proposed between Peak members and optionholders in which Peak holders would receive shares and options in Octanex. The merger process is planned to take place in late 2014. In the interim, Octanex NL has agreed to loan sufficient funds to meet Peak's project and corporate obligations so that operations can continue unhindered.

The Board and management continue to strive for a positive outcome for members. I would particularly like to thank the Peak management team for their support in rationalizing expenses and overheads in this time of difficult financial circumstances.

Yours sincerely

Geoffrey Albers  
**Chairman**  
**Peak Oil & Gas Limited**  
30 September 2014

CORPORATE

Peak raised just under \$2 million in new equity in January 2014 by way of a pro-rata, non-renounceable rights issue fully underwritten by Octanex NL which provided funds primarily for continuing the Company's onshore seismic operations in Indonesia. Additionally, Peak and Octanex entered into a loan agreement whereby Octanex will lend up to \$2.4m over the course of 2014 to fund Peak's corporate and operational obligations.

Early in 2014, Peak and Octanex agreed to a merger of the two companies by way of a scheme of arrangement and subsequently entered into an implementation agreement in May. It is expected the merger will be completed by the end of 2014.

OIL & GAS INTERESTS

INDONESIA

South Block A PSC – North Sumatra, Indonesia

Seismic acquisition program successfully completed

Peak Oil and Gas (Peak's) majority controlled company, Renco Elang Energy Pte Ltd (REE), is Operator of the South Block A (SBA) Production Sharing Contract (PSC) with a 51% working interest (Peak net 38.25%).

Peak, through REE, together with seismic contractor, Quest Geophysical Company, and with the assistance of our Joint Venture Partner, KRX (a wholly owned subsidiary of Lion Energy Ltd), completed seismic recording operations early in the April – June quarter, acquiring 183 km of 2D seismic. During the survey an extra three lines were acquired over the shallow Paya Bili lead due to positive results from the initial seismic. In completing the seismic survey we logged around 1.2 million man hours incurring only one, relatively minor, Lost Time Injury (LTI).

Data is of good quality for the area and processing is completed. A number of interesting oil and gas prospects are being matured following receipt of final processed data, with a drilling location to be selected in the near term to target an attractive shallow oil prospect for drilling at the end of this year. Early well planning is underway.

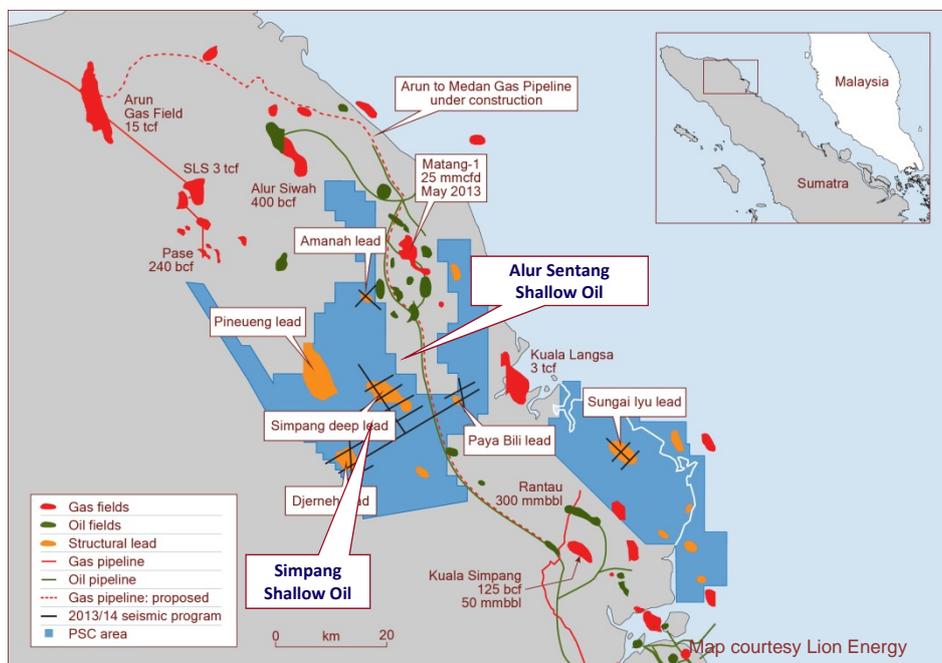


Fig 1: SBA map showing location of key leads, new seismic, shallow oil samples and gas pipeline under construction

## Operations report

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### High quality live oil encountered in hand drilled shallow wells on flank of Simpang Lead

During seismic line clearing operations over the Simpang lead, high quality, live oil was sampled from shallow wells, hand drilled by locals and producing around 100L (3-4 Jerry Cans) per day. A similar occurrence was also encountered at Alur Sentang, to the north of the Paya-Bili lead (as indicated on above map). Samples of the oil being produced were obtained and analysed indicating high quality oil (results below).

The Simpang oil sample is described as low viscosity, brownish black liquid, smelling like a mixture of diesel and petrol. The gas chromatography (GC) profile is characterized by suites of normal paraffin's ranging from  $nC_5$  to  $nC_{25+}$ . There is a relatively low abundance of waxy components ( $>nC_{25}$ ) and no evidence of biodegradation. The GC fingerprint profile is consistent with the existence of light oil, confirmed by analysis as a 50° API light, high quality oil.

These shallow oil shows validate the presence of an active petroleum system in the immediate locality, close to SBA Leads, and supports the oil potential in the block.

### New gas pipeline infrastructure under construction through SBA

SBA is prospective for both oil and gas exploration, with both commodities in strong demand within Sumatra. A new gas pipeline is under construction between Arun and Medan, the largest city in Sumatra and the fourth largest city in Indonesia. The pipeline passes through SBA (above map) and is reported to have a capacity of 400 MMSCF per day and will transport gas from the Arun gas facilities (including an LNG receival terminal currently being built). Peak understands it will be an open access pipeline with around 200 MMSCFD forecast spare capacity. As the pipeline is located close to key prospects within the SBA permit, it represents a potentially attractive gas transportation option and could assist in commercialising any gas discovery Peak should make through its drilling program.

### New seismic now being processed and interpreted to mature best prospect for drilling around the end of this year

The successfully acquired seismic data was located to mature and prioritise five oil and gas leads to prospect status (shown on the above Fig 1), one of which will be selected for drilling later in the year.

As previously reported, the five oil and gas leads, on an aggregate basis, result in an Unrisked P50 Prospective Resource estimate<sup>1</sup> 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<sup>1</sup> of 285 BCF recoverable gas and 16 MMBBLS condensate. The shallow oil leads targeted have P50 Prospective Resources<sup>1</sup> ranging in size from 4 to 8 MMBBLS and represent attractive near term commercialisation opportunities.

### SBA providing a new value proposition for the Company

Located in a highly regarded area of the prolific North Sumatra Basin, in close proximity to established pipelines and facilities, containing proven hydrocarbons with gas and oil flows from old wells and scheduled for new drilling, SBA is maturing as a new value proposition for the Company.

The new phase of exploration is targeting overlooked high quality, shallow oil and large scale wet gas, underpinned by growing energy demand leading to attractive gas prices in the rapidly expanding economy of the region.

The successful completion of the SBA Seismic Survey, contemporaneously with the presence of oil in hand drilled shallow wells on the flank of one our major leads, is highly positive for the potential of the planned drilling of an attractive shallow oil target.

The construction of new gas pipeline infrastructure through SBA provides a new incentive to gas exploration in the block as a potential contribution to the increasing energy demand required to underpin the continuation of strong economic growth in the province. Peak is excited by the potential for material gas-condensate discoveries in the block to help meet the region's growing gas demand. We anticipate the completed seismic program will also mature an attractive gas-condensate prospect for drilling in 2015.

## Operations report

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### SBA Joint Venture Interests

<b>REE (Operator)</b>	51%	Peak controls REE, the Operator and 51% interest holder in SBA (effective prospective net to Peak of 38.25% earning through farm-in)
<b>KRX Energy Pte Ltd (KRX)</b>	35%	A wholly owned subsidiary of Lion Energy Ltd ASX: LIO
<b>PT Prosys Oil &amp; Gas</b>	14%	

### PHILIPPINES

#### SC6 (Cadlao) - Cadlao Oilfield Redevelopment Project

##### Project Status

After initially advising that they considered the Service Contract liable for cancellation, the Philippines' Department of Energy (**DOE**) then formally confirmed extension of SC6 Cadlao, which hosts the Cadlao Redevelopment Project (**Cadlao Project**). The DOE granted approval for the implementation of the Cadlao joint venture's CY2014 Work Program & Budget as well as an extension of the timeline for the drilling of two (2) initial wells in March – April 2015 and "First Oil" in June 2015.

##### Peak – Cadco Settlement Negotiations

Due to the failure of settlement negotiations, Peak recommenced its arbitration proceedings (**Arbitration**) with Cadlao Development Company Limited (**Cadco**) (formerly Blade Philippines Limited) in April 2014 to settle its outstanding dispute in relation to Cadco's purported early termination of the farmin agreement (**Farmin Agreement**).

These proceedings continued to 30 June 2014. However, post this date, Cadco proposed a further settlement. Unfortunately, Cadco did not meet its obligations under the relevant agreement so Peak is continuing to progress the Arbitration as quickly as possible to realise a definitive outcome. Tentative dates of 3 – 5 December have now been set by the arbitrator for the substantive hearings.

##### Cadlao Project Valuation

The Cadlao Project continues to represent a potentially attractive investment for Peak given its 1P and 2P reserves and location within the Philippines' generous fiscal system. Under the Farmin Agreement, Peak initially assumed the role of SC6 Cadlao Operator and commissioned Gaffney Cline and Associates ("GCA") to certify the Cadlao field's recoverable reserves and estimate the economic value of the Cadlao Project using Peak's planned development solution. This resulted in a Proved + Probable (**2P**) reserves estimate of 6.05 mmbbl and project NPV of around US\$136m (each on a 100% basis).

Cadco (as Operator) has selected a different development solution to that previously advocated by Peak. Further, the passage of time has resulted in cost increases as the markets for certain goods and services in the oil and gas sector continue to tighten. Cadco has advised the SC6 Cadlao JV that it commissioned GCA to update their previous report to Peak using Cadco's development solution and reflecting current industry cost estimates. As Operator, Cadco reported to the joint venture that their new development solution and associated cost increases had reduced project NPV by around 10% and that the 2P reserves had consequently reduced by around 7%.

Based on this information, Peak has concluded that the Cadlao Project remains highly attractive with 2P reserves estimated at around 5.6mmbbl and a predicted NPV of US\$120 – 125m to the SC6 Cadlao JV on a 100% basis after government take.

##### Peak's VenturOil Interest

In addition to the disputed 25%WI held on trust by Cadco, Peak also holds a prospective 16.25% indirect economic interest through its partial ownership of VenturOil Philippines Inc (**VenturOil**) which the Company acquired from Clove Capital Partners Limited in July 2012. This interest is not in dispute.

## Operations report

In accordance with the purchase terms, Peak is obligated to fund VenturOil's full 20% direct interest in the Cadlao Field which, on current capex estimates, is likely to be US\$9 – 12m including costs accrued to date, plus make payments of US\$1.4m from each of the first two sales cargoes. Each cargo is likely to result in gross revenues to Peak in excess of US\$7m, subject to size and oil price. In accordance with the terms previously 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 Oilfield Redevelopment surrounded by successful field developments

**Statement of a Qualified Petroleum Reserves and Resources Evaluator**

Information in this report that relates to Reserves and Resources is based on information reviewed by Mr James Durrant BSc, a director and full-time employee of the Company. Mr Durrant has more than 30 years of relevant experience in the petroleum industry including 15 years estimating reserves and resources.

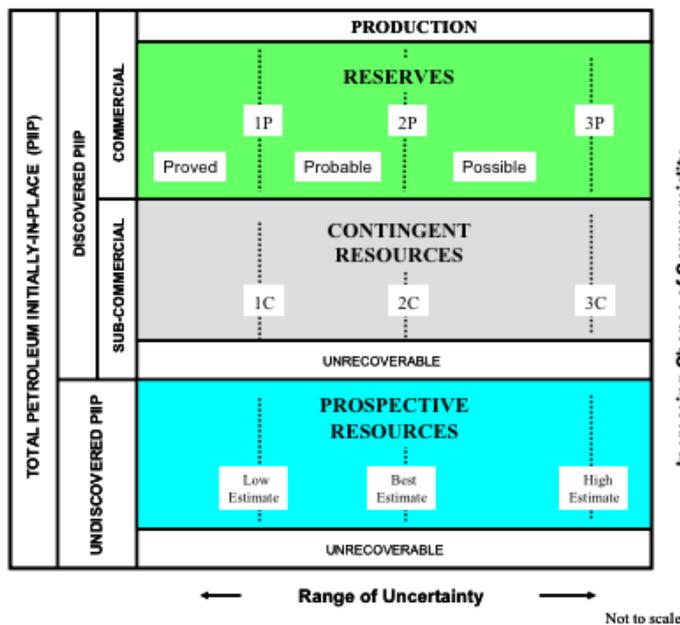
Mr Durrant has consented to the inclusion of the resources information in this report in the form and context in which it appears.

Mr Durrant is a member of the Society of Petroleum Engineers and the American Association of Petroleum Geologists (AAPG).

**Petroleum Resources Classifications**

The definitions for oil and gas resources used in this report are in accordance with the guidelines of the Society of Petroleum Engineers (“SPE”) for application of the Petroleum Management Resource System (PRMS). The SPE PRMS can be found on the SPE website at www.spe.org.

The term “resources” as used in the SPE PRMS is stated therein by SPE to encompass all quantities of petroleum naturally occurring on or within the Earth’s crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered “conventional” or “unconventional.”



The PRMS system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

The “Range of Uncertainty” reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the “Chance of Commerciality, that is, the chance that the project will be developed and reach commercial producing status.

*Prospective Resources*

“Prospective Resources” are “those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.”

Estimates of resources or reserves of any category rely on the integrity, skill, and judgment of the

evaluator and are affected by the geological complexity, stage of exploration or development and amount of available data from which they are derived.

Any estimate of a resource is ultimately a matter of opinion and is subject to an inherent level of uncertainty and in the case of Prospective Resources, it should be recognised that, whilst PRMS provide for assessment on the basis of “Low Estimate”, “Best Estimate” and “High Estimate” there must always be the prospect that, as the definition refers to “undiscovered accumulations”, the “accumulation” might not exist, with the result that no actual resources are discovered.

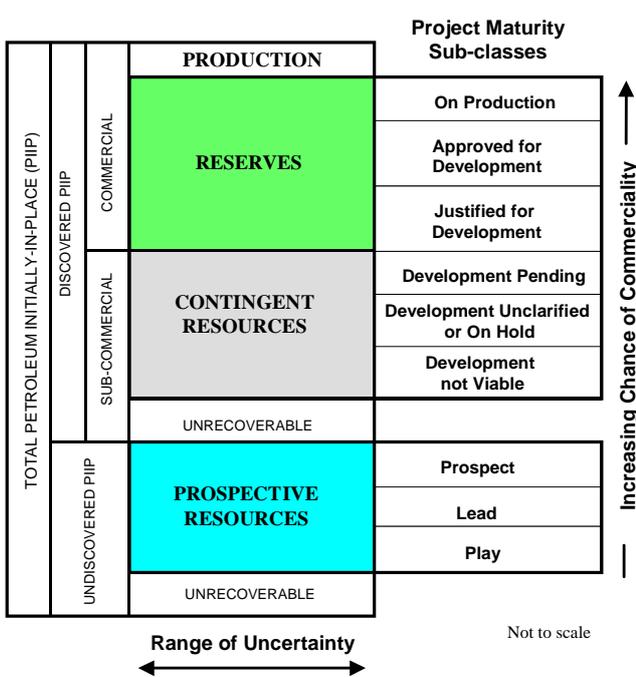
Prospective Resources represent a higher risk than Contingent Resources since the risk of discovery is also added. For Prospective Resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.

## Operations report

The PRMS state that the term “Best Estimate” is considered the most realistic assessment of recoverable quantities. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely, median, P50 or mean).

The “Mean” is derived from the distribution of recoverable quantities for the “success case.” It is not risked for probability of success. The mean enables aggregate values to be determined without a distorting “portfolio effect” which may occur when probability distribution derived low estimate, best estimate or high estimate are aggregated.

### Project Maturity Subclasses



Under PRMS, Reserves, Contingent Resources and Prospective Resources can be further subdivided and three subdivision classification systems are provided. For Prospective Resources Play, Lead and Prospect are adopted, with an increasing chance of commerciality as shown in the figure on the left.

## Directors report

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Your directors present their annual financial report on the consolidated entity (referred to hereafter as the “Group”) consisting of Peak Oil & Gas Limited (the “Company” or “parent entity”) and the entities it controlled at the end of, or during, the financial year ended 30 June 2014. In order to comply with the Corporations Act 2001, the directors report as follows:

### Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

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

### Information on directors

#### E. Geoffrey Albers LLB, FAICD

Mr Albers was appointed to the board of Peak Oil & Gas Ltd on 4 February 2013. Mr Albers has over 35 years’ experience as a director and administrator in corporate law, petroleum exploration and resource sector investment. He is a law graduate of the University of Melbourne and, after being admitted in 1969 as a Solicitor of the Supreme Court of Victoria, held a corporate practicing certificate in Victoria until 2001.

Mr Albers became involved in oil exploration in 1977 and has a track record of developing significant oil and gas assets.

Mr Albers has interests in a number of companies active in exploration for oil and gas in Australian, New Zealand and Malaysia. He is a member of the Petroleum Exploration Society of Australia.

Mr Albers is presently a director of ASX listed company Octanex NL .

#### Frank Jacobs B. SC. M. Sc.

Mr Jacobs was appointed to the board of Peak Oil & Gas on 4 February 2013. Mr Jacobs has over 35 years’ experience as a petroleum engineer and has been a director of companies in Australia, the USA and Canada since 1994.

Mr Jacobs was instrumental in building Peko Oil Ltd and Cultus Petroleum NL into significant oil and gas production companies through the acquisition of oil and gas production properties. Under the leadership of Mr Albers, Mr Jacobs as the Managing Director listed Cue Energy Resources NL (ASX: CUE), diversified its oil and gas portfolio and pursued new ventures (1994-1998).

Mr Jacobs was the Managing Director of Anzoil NL (2000-2001). Between 2002 and 2009 Mr Jacobs assisted Canadian juniors with acquisitions focused on the Gulf of Mexico and put together an offshore drilling consortium in Thailand.

In 2009 with Triangle Energy (Global) Limited (ASX:TEG), Mr Jacobs was responsible for the acquisition of Pase Production Sharing Contract in Aceh Province, Indonesia.

Mr Jacobs has been an independent advisor/consultant since retiring from Triangle in 2010.

Mr Jacobs currently holds no other listed public company directorships.

#### D. Jeffrey Steketee; BE, MBA –Managing Director

Mr Steketee was a founder of Peak Oil & Gas (Australia) Pty Ltd (“Peak”) which was established in April 2009 and was appointed to the Board of Peak Oil & Gas Ltd in April 2011 following the successful takeover of Peak. Mr Steketee has over 20 years’ experience in the energy sector, and has held senior technical and managerial positions within service and E&P companies in Australia and Asia, including Halliburton and Unocal. Over the last decade, he was pivotal in developing a number of new energy related companies across Asia including CUEL Limited, an innovative and successful developer of offshore oil and gas fields, and JSX Energy, an E&P company established to focus on upstream

## Directors report

investments in Thailand, Malaysia and Indonesia. Mr Steketee has also managed a large investment portfolio for a private, Asian based, conglomerate focussing on resources sector investments in Australia. In parallel, he developed the company's globally focused oil and gas division, serving as its inaugural head and building a substantial portfolio of interests in exploration and production companies and offshore production assets.

Mr Steketee currently holds no other listed public company directorships.

### **James Durrant; BSc** – Executive (Technical) Director

Mr Durrant was appointed to the board of Peak Oil & Gas (Australia) Pty Ltd ("Peak") in April 2009, and was appointed to the Peak Oil & Gas Ltd board in April 2011 following the successful takeover of Peak. Mr Durrant has over 30 years' experience in the Australian and international petroleum sector, having held senior technical, management and corporate positions with major companies including Delhi Petroleum and Western Mining Corporation Ltd. Mr Durrant co-founded and was technical director of Strike Oil Ltd, playing a major role in developing the company into a respected ASX listed oil & gas company having amassed a successful exploration and production portfolio including the offshore Casino gas discovery, a coal bed methane portfolio in eastern Australia and successful US oil and gas production. Mr Durrant is a member of the American Association of Petroleum Geologists, was an elected Board Member of the Australian Petroleum Production and Exploration Association (APPEA) for 8 years and served as State and National President of the Petroleum Exploration Society of Australia (PESA). He was awarded the PESA Meritorious Service Medal in 1998 and honorary life membership of APPEA in 2009.

Mr Durrant currently holds no other listed public company directorships.

### **Company Secretary**

**Raewyn Clark; B.Bus, GradDipCA, GradDipAppCorGov, CA, ACIS**

Mrs Clark is a Chartered Accountant and Chartered Secretary with more than fifteen years' experience and a background in both public practice and commerce. She is experienced in a diverse range of commercial areas. Mrs Clark commenced her career with Deloitte and has previously served as Company Secretary of Biogen Limited, the Mandolin group of companies and Triangle Energy (Gobal) Limited (ASX:TEG).

Mrs Clark holds a Bachelor of Business (with distinction), a Graduate Diploma (ICAA) and Graduate Diploma in Applied Corporate Governance. She is a member of the Institute of Chartered Accountants in Australia and Governance Institute of Australia.

### **Interests in shares and options of the company**

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

<b>Directors</b>	<b>Number of fully paid ordinary shares</b>	<b>Number of options over ordinary shares</b>
Geoffrey Albers	335,505,259	23,207,569
Frank Jacobs	-	20,000,000
David Jeffrey Steketee	42,822,818	11,250,000
James Durrant	40,887,727	11,250,000

No ordinary shares have been issued by Peak Oil & Gas Limited during or since the financial year as a result of the exercise of an option. There are no unpaid amounts over shares issued.

### **Dividends**

No dividend has been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

### **Principal activities**

The principal activity of the Group during the financial year was investment in oil and gas projects. Peak has ceased investing in mineral exploration projects, but continues to hold its Sunday Creek uranium interest and believes that it may provide future value to shareholders should the uranium sector recover.

## Directors report

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### Review of operations

Information on the operations is set out on page 5 of this financial report.

### Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group to the date of this report other than share issues as detailed in the review of operations and activities.

### Matters subsequent to balance date

Since the end of the financial year, the directors are not aware of any other matter or circumstances not otherwise dealt with in this report or financial statements that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Likely developments and expected results

The Group will continue to pursue projects which seek to provide sound opportunities for future development during the next financial year. Likely developments and expected results of the operations of the Group in subsequent years are not discussed further in this report. In the opinion of the directors, further information on those matters could prejudice the interests of the Company and the Group because it may relate to matters which are currently under negotiation and premature disclosure could breach commercial confidentiality.

### Environmental legislation

The Group is subject to significant environmental legal regulations in respect to its exploration and evaluation activities in Australia, the Philippines, and Indonesia. There have been no known breaches of these regulations and principles.

### Indemnification and insurance of directors and officers

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums for a standard Directors and Officers Liability and Company Reimbursement Policy. The details of the policy remain confidential between the insurer and the Company.

## Directors report

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### Remuneration report (Audited)

This report outlines the remuneration arrangements in place for the key management personnel (“KMP”) of Peak Oil & Gas Limited (the “Company”) for the financial year ended 30 June 2014. The information provided in this remuneration report in relation to the current financial year has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company, and includes all executives in the Parent and the Group.

#### **Key Management Personnel (KMP)**

##### **Directors**

Geoffrey Albers  
Frank Jacobs  
Jeffrey Steketee  
James Durrant

##### **Other Executives**

Raewyn Clark

#### *Remuneration philosophy*

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

#### *Remuneration Arrangements*

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employee market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

#### *Remuneration Structure*

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

#### *Non-executive directors*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors’ fees and payments are reviewed annually by the Board and are intended to be in line with the market.

#### *Directors’ fees*

Some of the directors perform at least some executive or consultancy services. Non-executive directors receive a separate fixed fee for their services as directors.

#### *Executive pay*

The executive pay and reward framework has the following components:

- consultancy service agreements incorporating daily contract rates; and
- long-term incentives through participation in employee equity issues

## Directors report

### Remuneration report (Audited) (cont)

#### Consultancy contracts

##### Jeffrey Steketee

The Company and Mr Steketee entered into a consultancy service agreement on 19 May 2014. The principal terms of the consultancy agreement are:

- Term of Agreement – three days per week for 18 weeks from date of signing subject to extension upon agreement by both parties.
- Remuneration – \$1,500 per day excluding GST during the initial 18 week period and \$1,800 per day excluding GST for additional services provided after initial period.

##### James Durrant

The Company and Mr Durrant entered into a consultancy service agreement on 19 May 2014. The principal terms of the consultancy agreement are:

- Term of Agreement – three days per week for 18 weeks from date of signing subject to extension upon agreement by both parties.
- Remuneration – \$1,500 per day excluding GST during the initial 18 week period and \$1,800 per day excluding GST for additional services provided after initial period.

#### Key Management Personnel remuneration for the year ended 30 June 2014 and 30 June 2013

Details of the remuneration of the KMP (as defined in AASB 124 *Related Party Disclosures*) of the Group for the years ended 30 June 2014 and 30 June 2013 are set out in the following tables.

	Primary benefits paid / payable			Post-employment benefits	Share-based payment	Performance Related
	Salary and/or consulting fees	Directors' fees	Super-annuation	Equity option issues	TOTAL	
Year ended 30 June 2014	\$	\$	\$	\$	\$	%
<b>Director</b>						
Geoffrey Albers	-	45,767	4,233	-	50,000	-
Frank Jacobs	-	18,750	-	-	18,750	-
Jeffrey Steketee	225,750	-	18,384	-	244,134	-
James Durrant	225,750	-	18,384	-	244,134	-
<b>Other executives</b>						
Raewyn Clark	28,485	-	-	-	28,485	-
	<b>479,985</b>	<b>64,517</b>	<b>41,001</b>	-	<b>585,503</b>	-

## Directors report

### Remuneration report (Audited) (cont)

#### Key Management Personnel remuneration for the year ended 30 June 2014 and 30 June 2013 (cont)

	Primary benefits paid / payable			Post-employment benefits	Share-based payment	TOTAL	Performance Related
	Salary and/or consulting fees	Directors' fees	Amounts Waived/ Credited ****	Super-annuation	Equity option issues		
Year ended 30 June 2013	\$	\$	\$	\$	\$	\$	%
<b>Director</b>							
Geoffrey Albers	-	16,005	-	315	-	16,320	-
Frank Jacobs	5,000	10,070	-	-	141,643	156,713	90%
Jeffrey Steketee	154,833	-	(40,492)	13,935	56,657	184,933	31%
James Durrant	152,750	-	(30,732)	13,748	56,657	192,423	29%
David Berrie*	65,625	-	(22,386)	5,906	-	49,145	-
Matthew Howison**	-	-	(35,625)	-	-	(35,625)	-
<b>Other executives</b>							
Raewyn Clark	22,075	-	-	-	-	22,075	-
Michael Langoulant***	24,000	-	(86,000)	-	-	(62,000)	-
	<b>424,283</b>	<b>26,075</b>	<b>(215,235)</b>	<b>33,904</b>	<b>254,957</b>	<b>523,984</b>	

\* Ceased to be a director from 12 April 2013.

\*\* Ceased to be a director from 4 February 2013

\*\*\* Credits for fees for bookkeeping, accounting and corporate administration services were received by the Company during the year that resulted in a net credit of \$62,000.

\*\*\*\* As a result of changes to executive service contracts and Board changes as announced during the year, amounts of unpaid salaries and fees were waived or credited by certain Key Management Personnel.

#### Employee share option plans

##### Details of employee share option plans

The Company's Employee Share Option Plan (ESOP) was first approved at the Company's Annual General Meeting in November 2011 and was amended at the Extraordinary General Meeting held on 12 April 2013 to include a cashless exercise mechanism.

For details of the valuation of the options, including models and assumptions used, please refer to Note 14. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Terms and conditions of option plans in existence affecting key management personnel during the financial year or future financial years

	Grant date	Grant date fair value \$	Exercise price \$	Expiry date	Vesting date
\$0.35 Unlisted	24 September 2008	\$0.0050	\$0.3500	31 December 2013	24 September 2008
\$0.50 Unlisted	24 September 2008	\$0.0550	\$0.5000	31 December 2014	24 September 2008
\$0.05 Unlisted	17 April 2013	\$0.0057	\$0.0500	31 December 2014	17 April 2013

There have been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

## Directors report

### Remuneration report (Audited) (cont)

#### Employee share option plans (cont)

No options were issued to KMP during the year.

#### Options issued as compensation exercised during the year by KMP

No options issued as compensation were exercised during the year.

#### Loans to key management personnel

No loans were made key management personnel during the current or previous financial year.

#### Key management personnel equity holdings

##### Fully paid ordinary shares

	Balance at beginning of year Number	Granted as compensation Number	Received on exercise of options Number	Net change other Number	Balance at end of year Number	Balance held nominally Number
<b>30 June 2014</b>						
<b>Directors</b>						
Geoffrey Albers	169,056,575	-	-	166,448,684	335,505,259	335,505,259
Frank Jacobs	-	-	-	-	-	-
Jeffrey Steketee	30,587,727	-	-	12,235,091	42,822,818	42,822,818
James Durrant	30,587,727	-	-	10,300,000	40,887,727	40,887,727
<b>Executives</b>						
Raewyn Clark	-	-	-	-	-	-
	<b>230,232,029</b>	<b>-</b>	<b>-</b>	<b>188,983,775</b>	<b>419,215,804</b>	<b>419,215,804</b>
	Balance at beginning of year Number	Granted as compensation Number	Received on exercise of options Number	Net change other Number	Balance at end of year Number	Balance held nominally Number
<b>30 June 2013</b>						
<b>Directors</b>						
Geoffrey Albers	-	-	-	169,056,575	169,056,575	169,056,575
Frank Jacobs	-	-	-	-	-	-
Jeffrey Steketee	30,587,727	-	-	-	30,587,727	30,587,727
James Durrant	30,587,727	-	-	-	30,587,727	30,587,727
David Berrie	1,432,727	-	-	-	1,432,727	1,432,727*
Matthew Howison	15,267,954	-	-	-	15,267,954	15,267,954*
<b>Executives</b>						
Raewyn Clark	-	-	-	-	-	-
Michael Langoulant	10,839,040	-	-	(1,100,000)	9,739,040	9,739,040*
	<b>88,715,175</b>	<b>-</b>	<b>-</b>	<b>167,956,575</b>	<b>256,671,750</b>	<b>256,671,750</b>

\*Balance at resignation as a director/executive

## Directors report

### Remuneration report (Audited) (cont)

#### Key management personnel equity holdings (cont)

##### Share options

30 June 2014	Balance at the beginning of the financial period	Granted during the financial period	Expired during the financial period	Other / Transfers	Balance at the end of the financial period	Vested and exercisable at the end of the financial period
<b>Directors</b>						
Geoffrey Albers	23,207,569	-	-	-	23,207,569	23,207,569
Frank Jacobs	20,000,000	-	-	-	20,000,000	20,000,000
Jeffrey Steketee	12,500,000	-	(1,250,000)	-	11,250,000	11,250,000
James Durrant	12,500,000	-	(1,250,000)	-	11,250,000	11,250,000
<b>Other Executives</b>						
Raewyn Clark	2,500,000	-	-	-	2,500,000	2,500,000
	<b>70,707,569</b>	<b>-</b>	<b>(2,500,000)</b>	<b>-</b>	<b>68,207,569</b>	<b>68,207,569</b>

30 June 2013	Balance at the beginning of the financial period	Granted during the financial period	Expired during the financial period	Other / Transfers	Balance at the end of the financial period	Vested and exercisable at the end of the financial period
<b>Directors</b>						
Geoffrey Albers	-	23,207,569	-	-	23,207,569	23,207,569
Frank Jacobs	-	25,000,000	-	(5,000,000)	20,000,000	20,000,000
Jeffrey Steketee	4,000,000	10,000,000	(1,500,000)	-	12,500,000	12,500,000
James Durrant	4,000,000	10,000,000	(1,500,000)	-	12,500,000	12,500,000
David Berrie	6,000,000	-	(1,000,000)	-	5,000,000	5,000,000*
Matthew Howison	8,100,000	-	(2,800,000)	-	5,300,000	5,300,000*
<b>Other Executives</b>						
Raewyn Clark	-	-	-	2,500,000	2,500,000	2,500,000
Michael Langoulant	6,000,000	-	(2,000,000)	-	4,000,000*	4,000,000*
	<b>28,100,000</b>	<b>68,207,569</b>	<b>(8,800,000)</b>	<b>(2,500,000)</b>	<b>85,007,569</b>	<b>85,007,569</b>

\* Balance at date of resignation as director/executive.

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

During the financial year, no options were exercised by key management personnel.

#### **Other transactions with key management personnel**

During the year, \$97,179 (2013: Nil) was paid to Octanex N.L, a related entity of Mr Geoffrey Albers for the provision of underwriting services for the rights issue. In addition, Peak received \$238,490 (2013: Nil) for the provision of geological and management services to Octanex N.L.

During the year, the Company entered into a loan facility with Octanex N.L to fund ongoing project and corporate expenses up to \$2,360,000. As at 30 June 2014, \$944,586 had been drawn down.

In 2013, 23,207,569 options with a value of \$131,488 were issued to the Albers Group as part of its decision to invest in the Group. The options were not issued as remuneration to Mr Geoffrey Albers and were included in the Statement of Changes in Equity. The value of the options was calculated using a Black Scholes pricing model.

#### **End of remuneration report**

## Directors report

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### Meetings of directors

During the financial year there were 3 formal directors' meetings. All other matters that required formal Board resolutions were dealt with via written circular resolutions. In addition, the directors met on an informal basis at regular intervals during the financial year to discuss the Group's affairs.

The number of meetings of the Company's board of directors and relevant committees attended by each director were:

	Directors' Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
Geoffrey Albers	3	3	2	2
Frank Jacobs	3	2	2	2
Jeffrey Steketee	3	3	2	1
James Durrant	3	3	-	-

### Proceedings on behalf of 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 purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### 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 annual report. This Independence Declaration is set out on page 27 and forms part of this directors' report for the year ended 30 June 2014.

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. The Company has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The auditor has not provided any non-audit services meaning that auditor independence was not compromised.

This report is made in accordance with a resolution of the directors.

Jeffrey Steketee  
Managing Director  
Perth, Western Australia  
30 September 2014

## Corporate Governance Statement

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Peak Oil & Gas Limited (the "Company") considers the adoption of appropriate systems of control and accountability as the correct basis for administering corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices, policies and Charters are set out on the Company's website at [www.peakoil-gas.com](http://www.peakoil-gas.com). In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

### **Disclosure – Principles & recommendations**

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2013/2014 financial year ("**Reporting Period**").

#### **Principle 1 – Lay solid foundations for management and oversight**

##### **Recommendation 1.1:**

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

##### **Disclosure:**

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to executives and has set out these functions in its Board Charter. Executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

##### **Recommendation 1.2:**

Companies should disclose the process for evaluating the performance of senior Executives.

##### **Disclosure:**

The Chair, in consultation with the other Board members, is responsible for evaluating the senior Executives. The performance evaluation of senior Executives is undertaken by the Chair in the form of interviews.

##### **Recommendation 1.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

##### **Disclosure:**

Due to the proposed merger between Peak and Octanex NL ("**OXX**") a performance evaluation of Executives in accordance with the above disclosed process at Recommendation 1.2 did not occur.

## Corporate Governance Statement

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### Principle 2 – Structure the board to add value

#### **Recommendation 2.1 & 2.2:**

A majority of the Board should be independent directors and the Chairman should be independent.

#### **Disclosure:**

The independent director on the Board during the Reporting Period was Mr Frank Jacobs.

#### **Notification of departure:**

The Board does not comprise a majority of independent directors, the Chairman is not independent.

#### **Explanation for departure:**

The Company has not complied with this Recommendation. The Board has three non-independent directors. Given the size and scope of the Company's operations, the Board considers that it has the relevant experience in the petroleum and mining industries and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its Shareholders from both a long-term strategic and operational perspective.

#### **Recommendations 2.3:**

The Chief Executive Officer should not be the Chairman.

#### **Disclosure:**

The Chief Executive Officer is not the Chairman.

#### **Recommendation 2.4:**

The Board should establish a Nomination Committee.

#### **Notification of departure:**

The Company has not established a separate Nomination Committee.

#### **Explanation for departure:**

The full Board considers the matters and issues that would fall to the Nomination Committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Board intends to reconsider the requirement for and benefits of a separate nomination committee as the Company's operations grow and evolve. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

#### **Recommendation 2.5:**

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

#### **Disclosure:**

The Chairman is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Chairman is responsible for evaluating the Chief Executive Officer.

Evaluations are undertaken by way of round-table discussions and when appropriate by one to one interviews.

#### **Recommendation 2.6:**

Companies should provide the information indicated in the *Guide to Reporting on Principle 2*.

#### **Disclosure:**

##### **Skills, experience, expertise and term of office of each Director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

## Corporate Governance Statement

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### Identification of independent directors

The independent director of the Company during the Reporting Period was Mr Frank Jacobs. Mr Jacobs is independent as he was a non-executive director, not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.

### Statement concerning availability of independent professional advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

### Performance evaluation

Due to the proposed merger between the Company and OXX performance evaluations for the Board and individual directors did not occur.

### Selection and re-appointment of directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

Each director other than the managing director must retire from office no later than the longer of the third annual general meeting of the Company or 3 years following that director's last election or appointment. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

### Principle 3 – Promote ethical and responsible decision-making

#### Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

#### Disclosure:

A diversity policy has not been established.

#### Notification of departure:

The Company is committed to providing equal employment opportunities to all employees, and to all applicants for employment, regardless of gender, age, ethnic and cultural backgrounds. As the Company has a small number of employees a policy has not yet been formalised.

#### Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progression towards achieving them.

#### Disclosure:

Measurable objectives for achieving gender diversity in accordance with a diversity policy have not been established.

## Corporate Governance Statement

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### **Notification of departure:**

Given the Company's small number of Directors and employees the Board considers that at this stage measurable objectives would not be meaningful.

### **Recommendation 3.4:**

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

### **Disclosure:**

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board has not been disclosed.

### **Notification of departure:**

Given the Company's small number of Directors and employees the Board considers that at this stage disclosure women employees in the whole organisation, women in senior executive positions and women on the Board would not be meaningful.

### **Recommendation 3.5:**

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

### **Disclosure:**

Please refer to [www.peakoil-gas.com](http://www.peakoil-gas.com) to review the Company's Code of Conduct.

## **Principle 4 – Safeguard integrity in financial reporting**

### **Recommendation 4.1:**

The Board should establish an Audit Committee.

### **Disclosure:**

The Company has established an Audit Committee.

### **Recommendation 4.2:**

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

### **Notification of departure:**

The Audit Committee includes an executive director, namely Mr Steketee.

### **Explanation for departure:**

The Company considers that the members of the Audit Committee are the most appropriate, given their experience and qualifications, for the Company's current needs. The Board has adopted an Audit Committee Charter, which the Audit Committee applies when convening. The Audit Committee Charter makes provision for the Audit Committee to meet with the external auditor, as and when required.

### **Recommendation 4.3:**

The Audit Committee should have a formal charter.

### **Disclosure:**

The Company has adopted an Audit Committee Charter.

### **Recommendation 4.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

## Corporate Governance Statement

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### **Disclosure:**

The Audit Committee held two meetings during the Reporting Period.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent).

### **Principle 5 – Make timely and balanced disclosure**

#### **Recommendation 5.1:**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at an executive level for that compliance and disclose those policies or a summary of those policies.

#### **Disclosure:**

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

#### **Recommendation 5.2:**

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

#### **Disclosure:**

Please refer to [www.peakoil-gas.com](http://www.peakoil-gas.com) to review these policies.

### **Principle 6 – Respect the rights of shareholders**

#### **Recommendation 6.1:**

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

#### **Notification of departure:**

The Company has no formal shareholder communication policy.

#### **Explanation for departure:**

While the Company has not established a formal shareholder communication strategy it actively communicates with its shareholders to promote shareholder involvement in the Company. It achieves this by posting on its website, copies of all information which is lodged with ASX. Shareholders with internet access will also be encouraged to provide their email addresses to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company will be available on request.

### **Principle 7 – Recognise and manage risk**

#### **Recommendation 7.1:**

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

## Corporate Governance Statement

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### Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the Policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the Policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval; and
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations.

The key categories of risk of the Company, as reported on by management, include:

- cash management;
- financial reporting;
- ASX reporting compliance;
- project ownership retention;
- project site health and safety; and
- maintaining joint venture partnerships.

The Board will review, formalise and document the management of its material business risks. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management.

### Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

### Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

During the reporting period the Company has continued to develop a formal risk management system, including the policies and systems referred to in the disclosure in relation to Recommendation 7.1. Although the system is not yet fully documented, management acting through the Managing Director was able to form the view that management of its material business risks during the Reporting Period was effective.

### Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### Disclosure:

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

## Corporate Governance Statement

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### **Recommendation 7.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

### **Disclosure:**

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

## **Principle 8 – Remunerate fairly and responsibly**

### **Recommendation 8.1:**

The Board should establish a Remuneration Committee.

### **Notification of departure:**

The Company has not established a separate Remuneration Committee.

### **Explanation for departure:**

The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. The Company's constitution provides that the remuneration of non-executive directors will not be more than a maximum total amount of director's fees, determined by the Company in a general meeting, or until so determined, as the Directors resolve. Non-executive directors may receive a fixed fee for their services and may also receive options. Time is set aside at one Board meeting each year specifically to address the matters usually considered by a Remuneration Committee. Executive directors absent themselves during discussion of their remuneration.

### **Recommendation 8.2:**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

### **Disclosure:**

Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Given the Company's stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue options to non-executive directors, subject to obtaining the relevant approvals. The issue of options to non-executive directors is considered an appropriate method of providing sufficient incentive and reward whilst maintaining cash reserves. This policy is subject to annual review. All of the directors' option holdings are fully disclosed.

Pay and rewards for executive directors and senior executives consists of a base pay and benefits (such as superannuation) as well as long term incentives through participation in employee share and option plans. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

### **Recommendation 8.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

### **Disclosure:**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.



Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Peak Oil & Gas Limited for the year ended 30 June 2014, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'W M Clark'.

Perth, Western Australia  
30 September 2014

W M Clark  
Partner

For personal use only

## Statement of Comprehensive Income for the year ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
Other revenue from ordinary operations			
Financial income		15,523	60,121
Other income		234,419	118,124
		<u>249,942</u>	<u>178,245</u>
Other expenses from ordinary operations			
Administrative expenses		(1,154,701)	(1,151,536)
Professional and consultancy fees		(299,324)	(269,277)
Depreciation charges		(44,499)	(128,568)
Financial expense		(12,202)	-
Share-based payments	14	-	(260,623)
Exploration expenditure incurred		(1,628)	(13,708)
Loss on disposal of property, plant and equipment		(3,905)	(2,119)
Oil & gas development expenditure impairment	8	(7,546,956)	(719,232)
Trade and other receivable loan written off		(745,487)	-
Oil & gas deferred exploration expenditure written off	7	-	(82,746)
Mineral exploration project acquisition costs written off		-	(10,976)
		<u>(9,808,702)</u>	<u>(2,638,785)</u>
<b>Loss before income tax expense</b>		<b>(9,558,760)</b>	<b>(2,460,540)</b>
Income tax expense	2	-	-
<b>Net loss for the year</b>		<b>(9,558,760)</b>	<b>(2,460,540)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign exchange (loss) / gain on translation of subsidiary financial statements		2,938	(17,526)
Foreign exchange gain on translation of subsidiary foreign loan		(241,785)	996,832
<b>Other comprehensive income, net of tax</b>		<b>(238,847)</b>	<b>979,306</b>
<b>Total comprehensive loss for the year</b>		<b>(9,797,607)</b>	<b>(1,481,234)</b>
		<u>Cents</u>	<u>Cents</u>
Basic loss per share	3	(1.82)	(0.69)

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

## Statement of Financial Position as at 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
<b>Current Assets</b>			
Cash and cash equivalents		213,312	1,206,191
Trade and other receivables	4	260,087	103,868
<b>Total Current Assets</b>		<b>473,399</b>	<b>1,310,059</b>
<b>Non-Current Assets</b>			
Trade and other receivables	4	66,555	1,408,359
Plant and equipment	5	15,144	66,411
Oil and gas deferred exploration expenditure	7	4,477,281	1,932,383
Oil and gas development expenditure	8	-	10,889,989
Mineral exploration project acquisition costs	9	189,113	189,113
<b>Total Non-Current Assets</b>		<b>4,748,093</b>	<b>14,486,255</b>
<b>Total Assets</b>		<b>5,221,492</b>	<b>15,796,314</b>
<b>Current Liabilities</b>			
Trade and other payables	10	278,847	746,754
Borrowings	11	954,613	-
<b>Total Current Liabilities</b>		<b>1,233,460</b>	<b>746,754</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	10	-	3,066,837
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>3,066,837</b>
<b>Total Liabilities</b>		<b>1,233,460</b>	<b>3,813,591</b>
<b>Net Assets</b>		<b>3,988,032</b>	<b>11,982,723</b>
<b>Equity</b>			
Issued capital	12	36,528,192	34,725,276
Reserves	13	2,356,277	2,595,124
Accumulated losses		(34,896,437)	(25,337,677)
<b>Total Equity</b>		<b>3,988,032</b>	<b>11,982,723</b>

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

## Statement of Changes in Equity for the year ended 30 June 2014

Consolidated	Issued capital \$	Share compensation 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>(22,877,137)</b>	<b>10,232,579</b>
Loss for the year	-	-	-	(2,460,540)	(2,460,540)
Other comprehensive income	-	-	979,306	-	979,306
Total comprehensive loss for the year	-	-	<b>979,306</b>	<b>(2,460,540)</b>	<b>(1,481,234)</b>
Issue of options	-	392,111	-	-	392,111
Issue of shares	3,000,000	-	-	-	3,000,000
Share issue costs	(160,733)	-	-	-	(160,733)
<b>Balance at 30 June 2013</b>	<b>34,725,276</b>	<b>1,895,127</b>	<b>699,997</b>	<b>(25,337,677)</b>	<b>11,982,723</b>
<b>Balance at 1 July 2013</b>	<b>34,725,276</b>	<b>1,895,127</b>	<b>699,997</b>	<b>(25,337,677)</b>	<b>11,982,723</b>
Loss for the year	-	-	-	(9,558,760)	(9,558,760)
Other comprehensive income	-	-	(238,847)	-	(238,847)
Total comprehensive loss for the year	-	-	<b>(238,847)</b>	<b>(9,558,760)</b>	<b>(9,797,607)</b>
Issue of shares	1,943,580	-	-	-	1,943,580
Share issue costs	(140,664)	-	-	-	(140,664)
<b>Balance at 30 June 2014</b>	<b>36,528,192</b>	<b>1,895,127</b>	<b>461,150</b>	<b>(34,896,437)</b>	<b>3,988,032</b>

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

## Statement of Cash Flows for the year ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,554,060)	(1,694,012)
Financial expense		(2,175)	-
Financial income		406	-
<b>Net cash outflows from operating activities</b>	22	<b>(1,555,829)</b>	<b>(1,694,012)</b>
<b>Cash flows from investing activities</b>			
Financial income		-	37,440
Purchase of property, plant and equipment		(4,469)	(4,000)
Proceeds from sale of plant and equipment		9,449	5,881
Payments for oil and gas deferred exploration expenditure		(2,035,541)	(1,067,475)
Payments for oil and gas development expenditure		(26,485)	(664,768)
Loan to other entities		(190,084)	(223,009)
Cash acquired on acquisition of subsidiary	23	75,218	-
<b>Net cash outflows from investing activities</b>		<b>(2,171,912)</b>	<b>(1,915,931)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		1,943,580	2,999,755
Share issue costs		(140,664)	(29,000)
Proceeds from borrowings		944,586	-
<b>Net cash flows from financing activities</b>		<b>2,747,502</b>	<b>2,970,755</b>
<b>Net decrease in cash held</b>		<b>(980,239)</b>	<b>(639,188)</b>
Cash at the beginning of reporting period		1,206,191	1,844,928
Effect of exchange rate fluctuations on cash held		(12,640)	451
<b>Cash at the end of the reporting period</b>		<b>213,312</b>	<b>1,206,191</b>

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

### Note 1: Statement of significant accounting policies

#### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standards and Interpretations and other requirements of the law. The financial report has also been prepared on a historical cost basis. The Parent Entity is registered and domiciled in Australia.

The financial statements are presented in Australian dollars, unless otherwise stated.

#### (b) Adoption of new and revised standards

##### Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2014, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

#### (c) Statement of compliance

The financial report was authorised by the Board of directors for issue on 30 September 2014.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

#### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Peak Oil & Gas Limited and its controlled entities as at 30 June (the Group).

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all inter Company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Controlled entities 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 Parent Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

#### (e) Revenue recognition

Revenue is recognised to the extent that 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:

##### (i) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

##### (ii) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

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

**(f) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Temporary bank overdrafts are included in cash at bank and in hand. Permanent bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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.

**(g) Income tax**

Current tax assets and liabilities 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 balance date.

Deferred income tax is provided on all temporary differences at the balance 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:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in controlled entities, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference 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 or loss; or
- when the deductible temporary difference is associated with investments in controlled entities, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance 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.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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

**(h) Other taxes**

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, are classified as operating cash flows.

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

**(i) Property, plant and equipment and oil and gas properties**

Plant and equipment, equipment under finance lease and oil and gas properties, including carried forward development expenditure, are stated at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, costs are determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they incurred

All tangible assets have limited useful lives and are depreciated using the straight-line method over their existing useful lives, with the exception of carried forward development expenditure in the production phase and oil and gas plant and well equipment which are amortised on a units of production method based on the ratio of actual production to remaining proved reserves (1P) as estimated by independent petroleum engineers, and finance lease assets which are amortised over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset.

Depreciation is calculated as follows:

Plant and equipment	20% - 33% on a straight line basis
Oil and gas properties	Based on units of production

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial period end.

**(j) Impairment of assets**

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

*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 profit or loss.

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.

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

**(j) Impairment of assets (continued)**

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**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. Such impairment loss shall not be reversed in subsequent periods.

**Available-for-sale investments**

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**(k) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(l) Provisions**

Where applicable, 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(m) Employee leave benefits**

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

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

**(n) Share-based payment transactions**

*Equity settled transactions:*

The Group provides benefits to employees and consultants 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).

The cost of these equity-settled transactions with employees and consultants 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 using the Black and Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any 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).

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.

**(o) Issued capital**

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.

**(p) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

**(q) Exploration and evaluation expenditure**

Exploration and evaluation costs are accumulated in respect of each "area of interest" in accordance with AASB 6 'Exploration For and Evaluation of Mineral Resources' and are disclosed as a separate class of assets. Costs are either expensed as incurred or partially or fully capitalised as an exploration and evaluation asset provided exploration titles are current and at least one of the following conditions are satisfied:

- (i) the exploration and evaluation expenditures are expected to be recouped through development and exploitation of the area interest or by future sale; or
- (ii) 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 areas of interest are continuing.

Exploration and evaluation assets are classified between tangible and intangible and are assessed for impairment when facts and circumstances suggest the carrying amount may exceed the recoverable amount. Impairment losses are recognised in profit and loss.

Expenditure relating to development of oil and gas leases are shown separately and not included in exploration and evaluation assets.

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

(r) **Foreign currency translation**

Both the functional and presentation currency of Peak Oil & Gas Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the foreign operations are not nominated in Australian Dollars. As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Peak Oil & Gas Limited at the rate of exchange ruling at the balance date and their income statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the translations are taken directly to a separate component of recognised in the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(s) **Leases**

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) **Trade and other receivables**

Trade receivables are initially valued at fair value and then subsequently measured at amortised cost. Trade receivables on oil and gas sales are due for settlement within 30 days from the date of the sale. Collectability of trade debtors is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(u) **Segment Reporting**

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, which has been identified as the Board of Directors of Peak Oil & Gas Limited.

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

**(v) Business Combinations**

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date.

Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

**(w) Parent entity financial information**

The financial information for the parent entity, Peak Oil & Gas Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

**(i) Investments in subsidiaries, associates and joint venture entities**

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

**(ii) Share-based payments**

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

**(x) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Oil and gas deferred exploration expenditure carried forward*

The Group's accounting policy for oil and gas deferred exploration expenditure is set out at Note 1(q). The application of this policy 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.

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

#### (x) Critical accounting estimates and judgements (continued)

##### *Oil & gas development expenditure carried forward*

The Group's accounting policy for oil & gas development expenditure is set out under note 1(i). The recoverability of the carrying amount of oil & gas development expenditure carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on estimates of:

- Oil reserves and resources for which there is a high degree of confidence of economic extraction;
- Production and sales levels;
- Future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates

Under the Farmin Agreement, Peak initially assumed the role of SC6 Cadlao Operator and commissioned Gaffney Cline and Associates ("GCA") to certify the Cadlao field's recoverable reserves and estimate the economic value of the Cadlao Project using Peak's planned development solution. Subsequently, Cadco (as Operator) has selected a different development solution to that previously advocated by Peak. Cadco has advised the SC6 Cadlao JV that it commissioned GCA to update their previous report to Peak using Cadco's development solution and reflecting current industry cost estimates. As Operator, Cadco reported to the joint venture that their new development solution and associated cost increases had reduced project NPV by around 10% and that the 2P reserves had reduced by around 7% against the previous GCA estimates. Based on this information, Peak has concluded that the Cadlao Project remains highly attractive with 2P reserves estimated at around 5.6mmbbl and a predicted NPV of US\$120 – 125m to the contractors on a 100% basis after government take.

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 subject to the extended time provided by DOE to reach first oil not being achieved by June 2015. 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.

##### *Mineral exploration project acquisition costs carried forward*

The Group's accounting policy for mineral exploration project acquisition costs is set out at Note 1(q). The application of this policy 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.

##### *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 an external valuer using a Black and Scholes model, using the assumptions detailed in Note 14.

##### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Currently the Group has not recognised any deferred tax assets in the Statement of Financial Position.

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

#### (y) Going concern

For the year ended 30 June 2014 the Group incurred a net cash outflow from operating and investing activities of \$3,727,741 and a net loss after tax of \$9,558,760. As at 30 June 2014, the Group had a deficiency of net current assets of \$760,061.

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 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.

Directors are confident that the Group will be able to successfully raise sufficient funding to enable it to continue as a going concern for at least 12 months from the signing of the annual 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 early in 2014, Peak and Octanex agreed to a merger of the two companies by way of a scheme of arrangement and subsequently entered into an implementation agreement in May. It is expected the merger will be completed by the end of 2014. Additionally, Peak and Octanex entered into a loan agreement whereby Octanex will lend up to \$2.4m over the course of 2014 to fund Peak's corporate and operational obligations of which \$954,000 had been drawn as at 30 June 2014..

#### (z) 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 investments, as appropriate. 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 marketplace.

##### *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. 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.

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

**Financial assets (continued)**

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

*Loans and receivables*

Loans and receivables 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.

*Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is 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

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

**(aa) Derecognition of financial assets and financial liabilities**

*Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(ab) Borrowing costs**

Borrowing costs are capitalised that are directly attributable to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 2: Income tax

	Consolidated	
	2014	2013
	\$	\$
<b>Income tax expense recognised in statement of comprehensive income</b>		
<i>Current income tax</i>		
Current income tax payable	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense	-	-
<b>Reconciliation to income tax expense on accounting loss</b>		
Accounting loss before tax	(9,558,760)	(2,460,540)
Tax benefit at the statutory income tax rate of 30%	(2,867,628)	(738,162)
Non-deductible expenses	2,561,038	371,943
Unrealised tax losses not recognized	465,077	740,558
Temporary differences not recognized	(158,487)	(374,339)
Income tax expense	-	-
<b>Unrecognised deferred tax balances</b>		
Deferred tax assets:		
Tax revenue losses (Australian)	4,268,896	3,653,201
Tax revenue losses (Foreign)	49,261	98,751
Unamortised business related costs	222,119	346,652
Accruals & provisions	21,399	38,182
Deferred tax liabilities:		
Exploration expenses	(56,734)	(56,734)
Accrued income	(2,620)	(6,805)
Net unrecognised deferred tax assets	<b>4,502,321</b>	<b>4,073,247</b>

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 Group can utilise the benefits thereof.

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 3: Loss per share

#### Consolidated

2014                      2013  
\$                              \$

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

Net loss for the year	(9,558,760)	(2,460,540)
The weighted average number of ordinary shares	565,768,398	366,776,094
Total basic loss per share (cents)	(1.82)	(0.69)

The diluted loss per share is not reflected as the result is anti-dilutive.

### Note 4: Trade and other receivables

#### Consolidated

2014                      2013  
\$                              \$

#### Current

GST	15,156	5,151
Other receivables	244,931	98,717
	<b>260,087</b>	<b>103,868</b>

#### Non-current

Other receivables	56,120	1,397,572
Security deposit	10,435	10,787
	<b>66,555</b>	<b>1,408,359</b>

### Note 5: Plant and equipment

#### Consolidated

Total  
\$'000

#### Year ended 30 June 2014

At 1 July 2013, net of accumulated depreciation	66,411
Additions	6,586
Disposals	(13,354)
Depreciation charge for the year	(44,499)
At 30 June 2014, net of accumulated depreciation	<b>15,144</b>

#### Year ended 30 June 2013

At 1 July 2012, net of accumulated depreciation	199,498
Additions	3,600
Disposals	(8,119)
Depreciation charge for the year	(128,568)
At 30 June 2013, net of accumulated depreciation	<b>66,411</b>

#### At 30 June 2014

Cost or fair value	126,427
Accumulated depreciation	(111,283)
Net carrying amount	<b>15,144</b>

#### At 30 June 2013

Cost or fair value	303,474
Accumulated depreciation	(237,063)
Net carrying amount	<b>66,411</b>

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 6: Segment information

For management purposes, the Board of Directors of Peak Oil & Gas Limited has 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 year the Group operated predominantly in the upstream oil and gas segment which included both oil and gas exploration and development. The Group has ceased investing in mineral exploration projects but continues to hold its Sunday Creek uranium interest and believes that it may provide future value to shareholders should the uranium sector recover. Geographically, the Group operated during the year in The Philippines, Indonesia and Australia. Offices were 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 years ended 30 June 2014 and 30 June 2013.

	Oil and Gas Exploration & Development			Mineral Exploration	Unallocated	Total
	Philippines	Indonesia	New Zealand	Australia		
	\$	\$	\$	\$	\$	\$
<b>2014</b>						
<b>Revenue</b>						
Financial income	-	6,470	-	-	9,053	15,523
Other income	-	-	-	-	234,419	234,419
Total segment revenue	-	<b>6,470</b>	-	-	<b>243,472</b>	<b>249,942</b>
Segment net operating result after tax	<b>(8,307,893)</b>	<b>6,470</b>	-	<b>(1,628)</b>	<b>(1,255,709)</b>	<b>(9,558,760)</b>
Segment assets	-	<b>4,477,281</b>	-	<b>189,113</b>	<b>555,098</b>	<b>5,221,492</b>
Segment liabilities	<b>(1,000)</b>	-	-	-	<b>(1,232,460)</b>	<b>(1,233,460)</b>
Other segment information						
Additions to non-current assets	<b>26,485</b>	<b>2,225,625</b>	-	-	<b>4,980</b>	<b>2,257,090</b>
Depreciation segment assets	-	-	-	-	<b>44,499</b>	<b>44,499</b>
<b>2013</b>						
<b>Revenue</b>						
Financial income	-	21,838	-	-	38,283	60,121
Other income	-	-	-	-	118,124	118,124
Total segment revenue	-	<b>21,838</b>	-	-	<b>156,407</b>	<b>178,245</b>
Segment net operating result after tax	<b>(238,433)</b>	<b>21,838</b>	<b>(17,612)</b>	<b>(24,684)</b>	<b>(2,201,649)</b>	<b>(2,460,540)</b>
Segment assets	<b>11,575,074</b>	<b>2,644,026</b>	-	<b>189,113</b>	<b>1,388,101</b>	<b>15,796,314</b>
Segment liabilities	<b>(3,094,164)</b>	<b>(49,272)</b>	-	-	<b>(670,155)</b>	<b>(3,813,591)</b>
Other segment information						
Additions to non-current assets	<b>5,187,388</b>	<b>1,361,004</b>	-	-	<b>4,000</b>	<b>6,552,392</b>
Depreciation segment assets	-	-	-	-	<b>128,568</b>	<b>128,568</b>

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 7: Oil and gas deferred exploration expenditure

	Consolidated	
	2014	2013
	\$	\$
Areas of interest in the exploration and evaluation phase		
Balance at the beginning of the year	1,932,383	947,653
Expenditure incurred	2,565,745	1,068,164
Expenditure accrued reversed	(158,910)	
Expenditure accrued	46,640	-
Foreign Exchange differences	91,423	-
Costs written off	-	(83,434)
Balance at the end of the year	<b>4,477,281</b>	<b>1,932,383</b>

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

### Note 8: Oil and gas development expenditure

	Consolidated	
	2014	2013
	\$	\$
Balance at the beginning of the year	10,889,989	7,528,569
Expenditure incurred*	26,485	664,948
Reversal of accrued expenditures*	(2,993,693)	2,760,149
Assets disposed of	-	(391,180)
Foreign exchange differences	(375,825)	1,198,735
Impairment	(7,546,956)	(719,232)
Expensed**	-	(152,000)
Balance at the end of the year	<b>-</b>	<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 30 June 2014 this expenditure was impaired and the related accrual reclassified as a contingent liability in light of the DOE's option to terminate the Cadlao Project if first oil is not achieved by June 2015 and the directors' decision to fully impair the carrying value of the Project.

\*\*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. During the financial year, the Philippines Department of Energy (**DOE**) threatened termination of the Project due to non-performance by Cadco. Importantly, the DOE approved an extension of the time for the Cadlao Project to reach first oil to 30 June 2015. 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 9: Mineral exploration project acquisition costs

	Consolidated	
	2014	2013
	\$	\$
Areas of interest in the exploration and evaluation phase		
Balance at the beginning of the year	189,113	200,089
Project acquisition costs written off	-	(10,976)
Balance at the end of the year	<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.

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 10: Trade and other payables

	Consolidated	
	2014	2013
	\$	\$
<b>Current</b>		
Trade and other payables*	272,765	670,109
Other	6,082	76,645
	<b>278,847</b>	<b>746,754</b>
<b>Non-current</b>		
Other **	-	3,066,837
	<b>-</b>	<b>3,066,837</b>

\* Trade payables are non-interest bearing and are normally paid on 30 day terms.

\*\* Other non-current payables in the prior year includes amounts payable in relation to the acquisition of Energy Best Ltd and are 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. During the financial year ended 30 June 2014, this liability was reclassified as a contingent liability (see Note 8).

### Note 11: Borrowings

	Consolidated	
	2014	2013
	\$	\$
<i>Secured</i>		
Proceeds received	944,586	-
Interest accrued	10,027	-
Total secured borrowings	<b>954,613</b>	-

#### *Fair value disclosures*

Details of the fair value of the Group's borrowings are set out in Note 15.

#### *Summary of borrowing arrangements*

On 19 May 2014, the Group entered into a loan facility with Octanex N.L. to provide up to \$2,360,000 in funding secured by a charge over the company's assets. This facility will become an internal matter upon successful completion of the Scheme of Arrangement in which case Peak will become a wholly owned subsidiary of Octanex. In the case of the Scheme being unsuccessful, the loan will become payable upon the first of either the Scheme being unsuccessful or 31 December should the Scheme not be finalised by that date unless a later date is determined by Octanex. The interest on the loan is 2% above the National Australia Bank overdraft limit on amounts exceeding \$100,000. The effective average interest rate of the loan is 10.47%.

#### *Financing facilities available*

At balance date, the following financing facilities had been negotiated and were available:

	Consolidated	
	2014	2013
	\$	\$
<b>Secured</b>		
Debt facility	2,360,000	-
Amount used	(954,613)	-
<b>Unused and available debt facility</b>	<b>1,405,387</b>	-

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 12: Issued Capital

As at 30 June 2014 there were 680,253,247 fully paid ordinary shares on issue (2013: 485,895,247)

Movement in ordinary share capital	Consolidated			
	2014 \$	2013 \$	2014 #	2013 #
At the beginning of the period	34,725,276	31,886,009	485,895,247	316,838,672
Shares issued during the year	1,943,580	3,000,000	194,358,000	169,056,575
Costs associated with share issue	(140,664)	(160,733)		
At reporting date	<b>36,528,192</b>	<b>34,725,276</b>	<b>680,253,247</b>	<b>485,895,247</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares.

On a show of hands every shareholder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

#### Movement in share options

The Company has share-based options in place under which options to subscribe for the Company's shares have been granted to employees, executives and other parties. There are 107,307,569 options (2013: 123,807,569) on issue (refer to Note 14).

### Note 13: Reserves

	Consolidated	
	2014 \$	2013 \$
Foreign currency translation reserve (a)	461,150	699,997
Share compensation reserve (b)	1,895,127	1,895,127
	<b>2,356,277</b>	<b>2,595,124</b>

(a) Foreign currency translation reserve

The foreign currency translation reserve represents foreign exchange movements on the translation of financial statements for controlled entities from the functional currency into the presentation currency of Australian dollars.

(b) Share compensation reserve

The share compensation reserve is used to record the value of equity benefits provided to employees, consultants and directors as part of their remuneration.

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 14: Share based payments

#### Employee Share Option Plan

The Employee Share Option Plan (ESOP) was approved by shareholders at the 2011 Annual General Meeting on 25 November 2011 and an amendment to the ESOP allowing for a cashless exercise mechanism was approved by shareholders at the General Meeting held on 12 April 2013. The ESOP allows participants to be directors, employees of, and consultants to the Company or any of its subsidiaries.

#### Share options to employees, Key Management Personnel and Associates

No options (2013: 68,207,569) were issued during the year.

The following options issued to employees, Key Management Personnel and their Associates were in place during the current and prior periods:

Number	Grant date	Expiry date	Exercise price	Fair value at grant date
6,000,000	24 September 2008	31 December 2013	\$0.3500	\$0.0050
2,000,000	16 June 2009	31 December 2013	\$0.3500	\$0.0234
500,000	19 October 2009	31 December 2013	\$0.3500	\$0.1008
6,000,000	24 September 2008	31 December 2014	\$0.5000	\$0.0550
3,000,000	16 June 2009	31 December 2014	\$0.5000	\$0.0240
500,000	19 October 2009	31 December 2014	\$0.5000	\$0.1026
4,150,000	17 April 2009	31 December 2013	\$0.3500	\$0.0000*
200,000	17 April 2009	31 December 2014	\$0.4000	\$0.0000*
4,450,000	17 April 2009	31 December 2014	\$0.5000	\$0.0000*
100,000	06 June 2012	01 August 2015	\$0.0500	\$0.0216
68,207,569	17 April 2013	31 December 2014	\$0.0500	\$0.0057

\* As these options were issued upon incorporation of Peak Oil & Gas (Australia) Pty Ltd before any funding, there was a \$nil value placed upon them.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since grant date.

The following table illustrates the number and weighted average exercise prices and movements in employee share options on issue during the year:

	2014	2014	2013	2013
	#	Weighted average exercise price	#	Weighted average exercise price
Outstanding balance at the beginning of the year	95,107,569	\$0.1566	38,400,000	\$0.3571
Expired/cancelled during the year	(12,650,000)	\$0.3500	(11,500,000)	\$0.1935
Granted during the year	-	-	68,207,569	\$0.0500
Outstanding at the end of the year	82,457,569	\$0.1270	95,107,569	\$0.1566
Exercisable at the end of the year	82,457,569	\$0.1270	95,107,569	\$0.1566

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 14: Share based payments (continued)

#### Share options to consultants/other parties

No options (2013: 1,000,000) were issued during the year.

The following consultant share options were in place during the current and prior periods:

Number	Grant date	Expiry date	Exercise price	Fair value at grant
3,850,000	17 April 2009	31 December 2013	\$0.0035	\$0.0000(*)
3,850,000	17 April 2009	31 December 2014	\$0.5000	\$0.0000(*)
20,000,000	25 November 2012	25 November 2016	\$0.3500	\$0.0100(*)
1,000,000	17 April 2013	31 December 2014	\$0.0500	\$0.0057(*)

\* Where options are granted to external consultants at arm's length fair value of options is deemed to be the value of services supplied.

The following table illustrates the number and weighted average exercise prices and movements in share options issued to consultants during the year:

	2014	2014	2013	2013
	#	Weighted average exercise price	#	Weighted average exercise price
Outstanding balance at the beginning of the year	28,700,000	\$0.3109	36,700,000	\$0.3113
Expired/cancelled during the year	(3,850,000)	\$0.350	(9,000,000)	\$0.2833
Granted during the year	-	-	1,000,000	\$0.0500
Outstanding at the end of the year	24,850,000	\$0.3591	28,700,000	\$0.3109
Exercisable at the end of the year	24,850,000	\$0.3591	28,700,000	\$0.3109

### Note 15: Financial instruments

#### (a) Capital risk management

Prudent capital risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Group's business in an orderly and professional manner. The Board monitors its future capital requirements on a regular basis and will when appropriate consider the need for raising additional equity capital, debt funding or to farm-out exploration projects as a means of preserving capital.

#### (b) Categories of financial instruments

The Group's principal financial instruments comprise of cash and short-term deposits and short term borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

#### (c) Financial risk management objectives

The Group is exposed to market risk (including, interest rate risk and equity price risk), credit risk and liquidity risk.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### (d) Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 15: Financial instruments (continued)

#### Interest rate risk management

All cash balances attract a floating rate of interest. Excess funds that are not required in the short term are placed on deposit for a period of no more than 6 months. The Group's exposure to interest rate risk and the effective interest rate by maturity periods is set out below.

#### (d) Market risk (cont)

##### Interest rate sensitivity analysis

On 30 June 2014, if interest rates had changed by 100 base points and all other variables were held constant, the Group's after tax loss would have been \$9,546 (2013: nil) lower/higher on interest bearing borrowings.

At 30 June 2014, if interest rates had changed by 100 base points and all other variables were held constant, the Group's after tax loss would have been \$2,384 (2013: \$12,060) lower/higher as a result of higher/lower interest income on cash and cash equivalents.

#### (e) Credit risk management

Credit risk relates to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from any defaults.

#### (f) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Group's business in an orderly and professional manner. Cash deposits are only held with major financial institutions.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been prepared based on the undiscounted cash flows expected to be received / paid by the Group.

2014	Weighted average effective interest rate %	Maturity					Total \$
		Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	
<b>Financial assets:</b>							
<u>Non-interest bearing</u>							
Cash and cash equivalents		213,047	-	-	-	-	213,047
Trade & other receivables		18,905	30,000	185,788	66,555	-	301,248
		<b>231,952</b>	<b>30,000</b>	<b>185,788</b>	<b>66,555</b>	-	<b>514,295</b>
<u>Variable interest rate</u>							
Cash and cash equivalents	2.00	265	-	-	-	-	265
Trade & other receivables	2.30	-	25,394	-	-	-	25,394
		<b>265</b>	<b>25,394</b>	-	-	-	<b>25,659</b>
<b>Financial Liabilities</b>							
<u>Non-interest bearing</u>							
Trade & other payables		168,847	69,470	40,530	-	-	278,847
		<b>168,847</b>	<b>69,470</b>	<b>40,530</b>	-	-	<b>278,847</b>
<u>Variable Interest rate</u>							
Borrowings	10.47	-	-	954,613	-	-	954,613
		-	-	<b>954,613</b>	-	-	<b>954,613</b>

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 15: Financial instruments (continued)

	Weighted average effective interest rate %	Maturity					Total \$
		Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	
<b>2013</b>							
<b>Financial assets:</b>							
<u>Non-interest bearing</u>							
Cash and cash equivalents		523,258	-	-	-	-	523,258
Trade & other receivables		5,151	-	-	33,466	-	38,617
		<b>528,409</b>	-	-	<b>33,466</b>	-	<b>561,875</b>
<u>Variable interest rate</u>							
Cash and cash equivalents	2.60	682,932	-	-	-	-	682,932
Trade & other receivables	5.98	-	98,717	-	1,374,890	-	1,473,607
		<b>682,932</b>	<b>98,717</b>	-	<b>1,374,890</b>	-	<b>2,156,539</b>
<b>Financial Liabilities</b>							
<u>Non-interest bearing</u>							
Trade & other payables		150,561	482,257	113,936	3,066,837	-	3,813,591
		<b>150,561</b>	<b>482,257</b>	<b>113,936</b>	<b>3,066,837</b>	-	<b>3,813,591</b>

#### (g) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency. The functional currency of the group is denominated is Australian dollars.

The Group's policy is to maintain and hold the sufficient foreign currency to meet its liabilities when due. Surplus financial assets are transferred and held within Australian dollar currency based financial products.

Unhedged amounts in respect of cash, receivable and payable in foreign currency	Consolidated	
	2014 \$	2013 \$
Cash	82,357	403,843
Receivables - current	185,787	-
Receivables – non-current	66,555	1,408,357
Payables	(100,225)	(3,144,544)
	<b>234,474</b>	<b>(1,332,344)</b>

The only foreign currency the Group is currently exposed to is the US dollar. At 30 June 2014 if AUD:USD rates had changed by +/- 10% and all other variables were held constant, the Group's after tax loss would have been \$23,444 (2013: \$(133,234)) higher/(lower) as a result of lower/higher foreign exchange translations on cash, receivables and payables.

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 16: Commitments for expenditure

	Consolidated	
	2014	2013
	\$	\$
Not longer than 1 year	1,359,150	1,964,699
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 Years	-	-
	<b>1,359,150</b>	<b>1,964,699</b>

#### *Expenditure commitments (oil and gas)*

The commitments reflect the minimum expenditure to meet the conditions under which the licenses are granted or such greater amounts that have been contractually committed. These commitments may vary from time to time, subject to approval by the grantor of titles or by variation of contractual agreements. The expenditure represents potential expenditure which may be reduced by entering into sale, farm-out or relinquishment of the interests and may vary depending upon the results of exploration activities. The estimate does not include possible expenditure on certain drilling programs as the Group has the right but not the obligation to participate in most wells. Should expenditure not reach the required level in respect of each area of interest, the Group's interest could be either reduced or forfeited.

#### *Expenditure commitments (minerals)*

In order to maintain rights of tenure to mineral tenements, the Group is required to outlay certain amounts in respect of rent and minimum expenditure requirements set by the various government departments.

Exemption from incurring this annual level of expenditure may be granted where access to the tenement area is restricted for reasons beyond the Group's control such as where native title issues restrict the Group's ability to explore in the project area. The Group is not aware of any such restrictions to exploration in the coming year and it does not anticipate seeking any exemption to reduce this annual expenditure requirement.

### Note 17 Directors and executives disclosures

The aggregate compensation made to directors and other key management personnel of the Group is set out below:

	Consolidated	
	2014	2013
	\$	\$
Primary benefits	544,502	235,123
Post-employment benefits	41,001	33,904
Share-based payment	-	254,957
	<b>585,503</b>	<b>523,984</b>

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 18: Related party disclosure

The ultimate parent entity in the wholly-owned group and the ultimate Australian parent entity is Peak Oil & Gas Limited (formerly Raisama Energy Ltd). The consolidated financial statements include the financial statements of Peak Oil & Gas Limited and the controlled entities listed in the following table:

Name of entity	Country of incorporation	Class of shares	Equity holding%	
			2014	2013
Peak Oil & Gas (Australia) Pty Ltd	Australia	Ordinary	100	100
Peak Oil & Gas (Singapore) Pte Ltd	Singapore	Ordinary	100	100
Peak Oil & Gas (SBA) Pte Ltd	Singapore	Ordinary	100	100
Peak Oil & Gas (PEP 51311) Ltd*	New Zealand	Ordinary	-	100
Peak Royalties Ltd	British Virgin Islands	Ordinary	100	100
Peak Oil & Gas Philippines Ltd	British Virgin Islands	Ordinary	100	100
Energy Best Limited	British Virgin Islands	Ordinary	100	-
SA Drilling Pty Ltd	Australia	Ordinary	100	100
Samarai Pty Ltd	Australia	Ordinary	100	100
Renco Elang Energy Pte Ltd	Indonesia	Ordinary	75	-

\*Peak Oil & Gas (PEP 51311) Ltd was deregistered by the New Zealand Companies Office on 26 February 2014.

The transactions between Peak Oil & Gas Limited (formerly Raisama Energy Ltd) and its controlled entities during this financial year consisted of loans between Peak Oil & Gas Limited and its controlled entities.

#### Related parties

The following table provides details of advances to related parties and outstanding balances at balance date.

	Parent entity	
	2014	2013
	\$	\$
Peak Oil & Gas (Australia) Pty Ltd	8,359,466	6,365,892
Peak Oil & Gas (SBA) Pte Ltd	10,147	10,487
SA Drilling Pty Ltd	206,356	206,356
Samarai Pty Ltd	255,884	255,884
Impairment of loans to controlled entities	(462,240)	(462,240)
	<b>8,369,613</b>	<b>6,376,379</b>

#### Transactions With Related Parties

During the year, \$97,179 (2013: Nil) was paid to Octanex N.L, a related entity of Mr Geoffrey Albers for the provision of underwriting services for the rights issue. In addition, Peak received \$238,490 (2013: Nil) for the provision of geological and management services to Octanex N.L

During the year, the Company entered into a loan facility with Octanex N.L to fund ongoing project and corporate expenses up to \$2,360,000. As at 30 June 2014, \$944,586 had been drawn down.

In 2013, 23,207,569 options with a value of \$131,488 were issued to the Albers Group as part of its decision to invest in the Group. The options were not issued as remuneration to Mr Geoffrey Albers and were included in the Statement of Changes in Equity. The value of the options was calculated using a Black Scholes pricing model.

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 19: Parent Entity Disclosures

	Parent Entity	
	30 June 2014	30 June 2013
	\$	\$
<b>Financial position</b>		
Current assets	120,565	1,190,018
Non-current assets	13,442,810	11,461,749
<b>Total assets</b>	<b>13,563,375</b>	<b>12,651,767</b>
Current liabilities	1,183,667	669,047
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>1,183,667</b>	<b>669,047</b>
<b>Net Assets*</b>	<b>12,379,708</b>	<b>11,982,720</b>
Issued capital	58,445,065	56,642,148
Accumulated losses	(48,256,783)	(46,850,854)
Reserves	2,191,426	2,191,426
<b>Total equity</b>	<b>12,379,708</b>	<b>11,982,720</b>
<b>Financial performance</b>		
Loss for the year	(1,405,929)	(1,481,426)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(1,405,929)</b>	<b>(1,481,426)</b>

\* The net assets of the parent entity includes intercompany loans which are recoverable dependent upon the successful completion of the South Block 'A' Project.

### Note 20: Matters Subsequent to Balance Date

Since the end of the financial year the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or financial statements that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Note 21: Contingent Liabilities

	Consolidated	
	2014	2013
	\$	\$
Contingent liability payable on upliftings from oil project, if the Group retains its economic interest in the Cadlao Project via VenturOil (Note 8)	2,996,320	-

## Notes to the Financial Statements for the Year Ended 30 June 2014

### Note 22: Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2014	2013
	\$	\$
<i>Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities</i>		
Net loss for the year	(9,558,760)	(2,460,539)
Depreciation charges	44,499	128,568
Loss from disposal of property, plant and equipment	3,905	2,119
Share-based payment expense	-	260,623
Oil and gas development expenditure impairment	7,546,956	719,232
Trade and other receivable loan written off	745,487	-
Oil and gas development expenditure written off	-	152,000
Oil and gas deferred exploration expenditure written off	-	82,746
Mineral exploration project acquisition costs written off	-	10,976
Financial income	-	(60,121)
(Increase) / decrease in trade and other receivables	415,770	66,732
Increase / (decrease) in trade and other payables	(753,686)	(596,348)
Net cash outflow from operating activities	<u>(1,555,829)</u>	<u>(1,694,012)</u>

#### b) Non-cash financing and investing activities

There were no non-cash financing and investing activities undertaken during the year.

In the 2013 financial year there were no non-cash financing and investing activities other than the disposal of a 20% interest in the Cadlao Over Riding Royalty Interests to an associated company, VenturOil.

### Note 23: Acquisition of Renco Elang Energy Pte Ltd

During the year, Peak Oil and Gas Limited completed its farmin and earned a 75% interest in REE which in turn holds a 51% interest in the South Block A ("SBA") contract area. Accordingly Peak holds a 38.25% indirect interest in the SBA contract area. The activities of the SBA contract area are managed by an Operator appointed by the participants to a Joint Operating Agreement ("JOA") whereby the SBA contract area is owned by the Parties in accordance with their respective Participating Interests. Unless otherwise provided, all obligations and all liabilities and expenses incurred by and in connection with the operations will be shared by the Parties in accordance with their Participating Interest. Accordingly, Peak has accounted for the substance of the JOA by recognising its 38.5% interest in the transaction undertaken by the Operator on behalf of the Participants in the SBA contract area.

### Note 24: Auditors' remuneration

The auditors of the Group are HLB Mann Judd.

	Consolidated	
	2014	2013
	\$	\$
<i>Assurance services</i>		
HLB Mann Judd	50,000	34,435
<i>Non-Audit services</i>		
HLB Mann Judd	-	-
<b>Total auditors' remuneration</b>	<u>50,000</u>	<u>34,435</u>

## Directors' Declaration

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1. In the opinion of the directors:
  - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year then ended; and
    - ii. complying with Australian Accounting Standards, and the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; 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.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 June 2014.

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



**Jeffrey Stekete**  
Managing Director

Perth, Western Australia  
30 September 2014



Accountants | Business and Financial Advisers

### INDEPENDENT AUDITOR'S REPORT

To the members of Peak Oil & Gas Limited

#### Report on the Financial Report

We have audited the accompanying financial report of Peak Oil & Gas Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, 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 for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

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

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies 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 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 company's preparation and fair presentation of the financial report 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 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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



Accountants | Business and Financial Advisers

**Independence**

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

**Auditor's opinion**

In our opinion:

- (a) the financial report of Peak Oil & Gas 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 2014 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 1(c).

**Emphasis of matter**

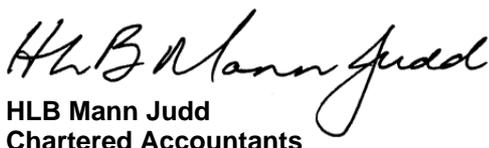
Without qualifying our opinion, we draw attention to Note 1(y) to the financial statements which indicates that the Group is dependent on raising additional capital to enable it to continue as a going concern for at least the period of 12 months from the signing of the annual report. If the Group is unable to raise sufficient 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.

**Report on the Remuneration Report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company 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.

**Auditor's opinion**

In our opinion the remuneration report of Peak Oil & Gas Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

  
HLB Mann Judd  
Chartered Accountants

  
W M Clark  
Partner

Perth, Western Australia  
30 September 2014

## Additional shareholder information

The shareholder information set out below was applicable as at 19 September 2014.

### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary shares
1 – 1,000	22
1,001 – 5,000	46
5,001 – 10,000	85
10,001 – 100,000	394
100,001 – 1,000,000	231
1,000,001 and over	43
<b>Total</b>	<b>831</b>

There were 547 holders of less than a marketable parcel of ordinary shares.

### B. Equity security holders

Twenty largest quoted equity security holders – ordinary shares

Name	Ordinary Shares	
	No. held	% of issued shares
Octanex NL	142,448,684	20.94%
Southern Energy Pty Ltd	47,830,277	7.03%
Hawkestone Oil Pty Ltd	46,226,298	6.80%
Sagepark Holdings Pty Ltd	42,822,818	6.30%
Sacrosanct Pty Ltd	39,000,000	5.73%
Pontia Pty Ltd	37,732,727	5.55%
500 Custodian Pty Ltd	28,000,000	4.12%
Hebei Mining (Australia)	27,745,959	4.08%
Mr Ernest Geoffrey Albers	21,000,000	3.09%
Mr Peter Smedvig	13,636,363	2.00%
Veblen Group Pty Ltd	12,644,544	1.86%
Albers Custodian Company Pty Ltd	11,000,000	1.62%
Seaspin Pty Ltd	9,739,757	1.43%
Citicorp Nominees Pty Ltd	8,901,931	1.31%
Laconia Holdings Pty Ltd	8,754,545	1.29%
Lanza Holdings Pty Ltd	12,053,182	1.77%
Mr Scott Andrew Grundmann	10,920,675	1.60%
Mr Matthew Howison	4,437,555	0.65%
Mr Paul Mark Halley	3,911,000	0.57%
Green Rodger David	3,400,000	0.50%
	<b>532,206,315</b>	<b>78.24%</b>

## Additional shareholder information

### C. Substantial holders

Substantial shareholders in the Company are set out below:

	Number Held	Percentage
Ordinary shares		
Octanex Group (Previously Albers Group)	335,505,259	49.32%
Sagepark Holdings Pty Ltd	42,822,818	6.29%
Pontia Pty Ltd (and associates)	40,887,727	6.01%

### D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### E. Interests in mining tenements

Permits Granted	Location	Registered Entity Name	Registered Interest %	Peak Entity	Beneficial Interest %
SC6 (Cadlao)	Philippines	Cadlao Development Company Limited	80.00	Peak Oil & Gas Philippines Ltd	25.00 <sup>(1)</sup>
SC6 (Cadlao)	Philippines	VentureOil Inc	20.00	Energy Best Ltd	16.25
South Block A	North Sumatra, Indonesia	Renco Elang Energy Pte Ltd	51.00	Peak Oil & Gas (Australia) Pty Ltd	0.51 <sup>(2)</sup>

(1) As outlined in the Operations Report, the Group's interest in SC6 (Cadlao) held by Peak Oil and Gas Philippines Ltd is currently under dispute and subject to arbitration.

(2) The Group Farmed in to the South Block A permit via the acquisition of Renco Elang Energy Pte Ltd (REE). At the date of this report the Group had completed the farm in and owns 75% of REE giving the Group an effective interest of 38.25% in the South Block A permit.

Tenements Granted	Location	Registered Entity Name	Registered Interest %	Peak Entity	Beneficial Interest %
E45/3278	Sunday Creek, WA	Peak Oil & Gas Ltd	100.00	Peak Oil & Gas Ltd	100.00
E45/3477	Sunday Creek, WA	Peak Oil & Gas Ltd	100.00	Peak Oil & Gas Ltd	100.00
E45/3292	Mt Seers, WA	Peak Oil & Gas Ltd	100.00	Peak Oil & Gas Ltd	100.00
E45/3345	Sunday Creek, WA	Peak Oil & Gas Ltd	100.00	Peak Oil & Gas Ltd	100.00