

**AED Oil Limited**  
**(Subject to Deed of Company Arrangement)**  
Annual Financial Report 2015

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**AED OIL LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)**

ABN 61 110 393 292

***Company Details as at the date of this report, 22 October 2015***

Directors

Tim Baldwin  
David Van Oppen  
Mark Licciardo  
Philip Anthon

Company Secretary

Trevor Slater

Registered Office and Postal Address

C/o Grant Thornton  
The Rialto, Level 30  
525 Collins Street  
MELBOURNE VIC 3000

Share Registry

Link Market Services Limited  
Level 1, 333 Collins Street  
MELBOURNE VIC 3000  
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PO Box 1736P  
MELBOURNE VIC 3001  
Australia: Ph: 1300 554 474 or (02) 8280 7111  
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Home Stock Exchange (shares currently suspended)

ASX Limited  
Rialto Towers, Level 4  
525 Collins Street  
MELBOURNE VIC 3000

Auditors

RSM Bird Cameron Partners  
Level 21, 55 Collins Street  
MELBOURNE VIC 3000

Deed Administrators

Grant Thornton  
The Rialto, Level 30  
525 Collins Street  
MELBOURNE VIC 3000

Solicitors

Maddocks Lawyers  
140 William Street  
MELBOURNE VIC 3000

Your directors present their report on the results of AED Oil Limited (Subject to Deed of Company Arrangement) ("**Group**", "**Company**" or "**AED**") for the year ended 30 June 2015.

On 12 August 2011, AED's directors resolved to place the Company into Voluntary Administration at which time the powers of the Directors passed to the appointed Administrators.

At a meeting of creditors held on 8 November 2012, it was proposed that AED execute a Deed of Company Arrangement ("DOCA"). The proposal was put forward by ARF Amber Pte Ltd ("ARF"), AED's largest creditor, and at that time all Directors resigned with the exception of Mr Baldwin. The creditors of the Company resolved that the DOCA should be executed.

On 29 June 2013, ARF entered into discussions with the Deed Administrators to vary the terms of the DOCA. This resulted in a formal proposal (the "Amended DOCA") being provided on 26 November 2013 which was put to Creditors, and subsequently approved at a meeting held on 11 December 2013.

On 21 February 2014, the Amended DOCA was formally executed. The full terms of the Amended DOCA are available on Grant Thornton's website ([www.grantthornton.com.au](http://www.grantthornton.com.au)) with the key terms outlined in this report.

During the financial year, the key activities undertaken by the Company, under the terms of the Amended DOCA were:

- Ongoing preparation of accounts and financial reports,
- Ongoing compliance work for the Company;
- Progression and finalisation of the arbitration process.

## 1. DIRECTORS

### **Names, qualifications and experience of Directors and Officers during the financial year and at the date of this Report:**

#### **Tim Baldwin** (Executive Director)

B.Bus., MBA

Tim has extensive experience in the oil and gas industry having been with BP between 1995 and 2008. In this time he worked in commercial roles focused on exploration and production, LNG, shipping as well as a number of the downstream businesses. His commercial roles included strategic planning, investment appraisal and corporate finance. Tim has been based in Hong Kong since 2005, but also worked in BP's head offices in London, Singapore and Melbourne.

#### **David Van Oppen** (Non-Executive Director)

B.A., M.A.

David has over 20 years of experience in private equity throughout the Asia Pacific region. He has worked on principal investments across many sectors including oil and gas, property, forestry and mobile telephony. Previously David worked at Smith Barney (now Citibank) on direct investments, initial public offerings and mergers and acquisitions. In addition, David has a background in shipping and logistics, having worked in operations for an international cargo transportation firm.

#### **Mark Licciardo** (Non-Executive Director)

B.Bus (Acc), Grad.Dip CSP, FCSA, FCIS, GAICD

Mark is Managing Director of Mertons Corporate Services Pty Ltd ("Mertons") which provides company secretarial and corporate governance consulting services to ASX listed companies. Prior to establishing Mertons, Mark was Company Secretary of the Transurban Group and a number of other ASX listed companies. Mark has extensive corporate and commercial experience. He is a former Chairman of the Chartered Secretaries Australia (CSA) in Victoria, and Melbourne Fringe Limited, a director of several public and private companies, a fellow of CSA, now Governance Institute Australia and a graduate member of the Australian Institute of Company Directors (AICD).

#### **Philip Anthon** (Non-Executive Director)

LLB, GAICD

Philip has been involved in regulated market spaces for over 25 years initially as an external legal advisor, then working with banking and fund management entities, including nearly 10 years at a regional bank and wealth management business. He currently provides specialist consulting services in governance, risk management and compliance to corporate clients in the financial services, resources and health sectors. Philip is based in Brisbane and currently holds a portfolio of Board and Committee roles across Australia.

#### **Trevor Slater** (Company Secretary)

B.Bus. (Acctg), FCPA, FCSA

Trevor Slater has over 30 years' experience in the resources, construction, IT and services industries. He has held senior finance positions within public listed entities including Ballarat Goldfields NL, Coal Corporation of Victoria, North Limited (King Island), Bestobell Limited as well as the Ballarat School of Mines and Industries.

## 2. DIRECTORS' MEETINGS

The number of meetings of directors held and attended by each director during the financial year:

Director	Held	Attended
Tim Baldwin	4	4
David Van Oppen	4	4
Marl Licciardo	4	4
Philip Anthon	4	4

## 3. INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, none of the Directors, their close family member's or their related companies own or control any Ordinary Shares or Options in the Company.

## 4. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

AED was placed into Voluntary Administration on 12 August 2011 and since this event, the Company's activities and operations have been significantly curtailed.

The principal activities of the Group during this financial year related to the ongoing administration of the Company.

### **Amended Deed of Company Arrangement**

On 29 June 2013, ARF indicated they would provide a proposal to the Deed Administrators to vary the terms and conditions of the DOCA. This proposal was provided to the Deed Administrators on 26 November 2013 and was put to Creditors for their consideration at a meeting convened on 11 December 2013. The Creditors voted to accept the terms of the proposal to vary the DOCA, rather than put AED into liquidation, whereby the affairs of the Company would be wound-up. Subsequent to that meeting, the Deed Administrator prepared the legal documents required to implement the Amended DOCA, and on the 21 February 2014, the Amended DOCA was formally executed.

### **Formal Arbitration Process**

The Company has since early 2013 been preparing for an arbitration claim related to the original Puffin Oil Field development. The Company formally commenced the arbitration process in June 2014.

## 5. FINANCIAL REVIEW

During the financial year, the operating profit / (loss) and cash flows are largely related to:

- Costs associated with implementing and managing corporate activities under the Amended DOCA;
- Costs and fees associated with the preparation, running and finalisation of an arbitration process.

The net loss for the financial year was largely due to the costs provided for in association with the Puffin joint venture assets, and the Remeasurement of foreign exchange instruments.

As a result of AED's ongoing administration under the Amended DOCA, at the date of this report there is significant uncertainty as to the going concern status of the Company. The financial accounts have therefore been prepared on a non-going concern basis to reflect this.

**Financial results for year**

	2015 A\$	2014 A\$
<b>Operating profit/(loss) before re-measurements and provision adjustments</b>	<b>7,733,454</b>	<b>(3,367,866)</b>
<b>Material expenses incurred:</b>		
Administrators fees, administrative and other expenses	<b>(2,784,822)</b>	(2,331,965)
Joint venture operating costs (i)	<b>(2,040,349)</b>	(1,830,064)
<b>Net (loss)/ profit after tax</b>	<b>(8,434,187)</b>	13,635,878
<b>Material items included:</b>		
Foreign Exchange (loss)/ gain on re-measurement of financial liabilities (ii)	<b>(11,367,641)</b>	649,089
Provision adjustments (iii)	<b>(4,800,000)</b>	16,354,656

- (i) This represents costs in relation to field maintenance and joint venture operating expenses but does not include adjustments to the provision for restoration costs during the period. It should be noted that these costs remain unpaid.
- (ii) This relates to the foreign exchange Re-measurement of the outstanding ARF debt and payables.
- (iii) This relates to the adjustment to the provision for the expected restoration costs for the joint venture assets at the reporting date.

**Statement of Financial Position**

The Statement of Financial Position at both 30 June 2015 and 2014 has been prepared on a **non-going concern basis**.

Assets have been measured at their subsequent realisable value. The subsequent realisable value is their potential value based on the proceeds received on sale, disposal or realisation as detailed in the relevant accounting policies. This value, at 30 June 2015 of \$10,580,236, was largely made up of cash received as a result of arbitration. This cash forms part of the deed fund under the terms of the Amended DOCA and will be applied by the Deed Administrators in accordance with the Amended DOCA.

Liabilities have generally been measured at their contractual amounts payable including default circumstances where relevant. The liabilities have also been classified in accordance with the payment arrangements under terms of the Amended DOCA. These liabilities as at 30 June 2015 were \$99,602,523, the key components of which were trade and other payables owed predominantly to ARF and the joint venture operator.

In light of the current status of the Company, it is not considered useful to users of the financial statements to provide current / non-current presentation of assets and liabilities in the balance sheet. As such, assets and liabilities have generally been presented in order of priority under the terms of the Amended DOCA.

**Cash Flows**

The net cash flows in the year predominately related to the payment of costs for the Administrators' fees, fees associated with arbitration, and general corporate activities. Major cash flows for the year comprised:

- receipts from arbitration award and cost claim;
- amounts paid in relation to legal costs, Deed Administrators fees and other corporate and professional costs.

**6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS, LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

As a result of the Company remaining subject to a DOCA and under the control of the Deed Administrators', the expected future results of the Company remain uncertain. The potential impacts of the Company's ongoing administration are referred to throughout these accounts.

## 7. SIGNIFICANT EVENTS

### Arbitration Award and Settlement

On 13 January 2015, the Company announced that it had been successful in the arbitration but was awaiting the outcome of final submissions on costs.

On 10 June 2015, the Company announced that it had received payment of the award and costs associated with the arbitration process.

## 8. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the following, the directors are not aware of any significant events since the end of the financial year.

### Arbitration Proceeds

The Deed Administrators have determined the proceeds of the arbitration process are an unsecured asset of the Company that must be distributed by them in accordance with the terms of the Amended DOCA. As at the date of this report an amount of \$5,557,790 has been distributed accordingly.

## 9. DIVIDENDS

No dividends were paid or proposed to members in respect of the financial year ended 30 June 2015 (2014: Nil).

## 10. EARNINGS PER SHARE

	<b>2015</b>	2014
	<b>Cents</b>	Cents
Basic (loss)/ earnings per share (before re-measurements and provision adjustments)	<b>3.2</b>	(1.4)
Basic (loss)/ earnings per share	<b>(3.5)</b>	5.7

Earnings per share has been presented in two ways (before and after re-measurements and provision adjustments) in order to provide a more meaningful and complete comparison to previous periods.

## 11. EMPLOYEES

As at the date of this report, AED did not have any employees (2014: Nil).

## 12. ENVIRONMENTAL REGULATION

The Company is subject to environmental regulation. To the best of their knowledge the Directors are satisfied that environmental regulations have been met. During the year no fines were imposed, no prosecutions were instituted and no notice of non-compliance was received from a regulatory body.

## 13. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

## 14. INSURANCE OF OFFICERS

As at the date of this report ARF, as proponent of the Amended DOCA accepted by the Company's creditors, has extended their Director & Officer insurance policy to cover all of the Company's Directors.

15. UNISSUED SHARES

There are no options to acquire fully paid ordinary shares outstanding as at the date of this report.

16. SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No options were exercised to acquire fully paid ordinary shares in the Company during the financial year (2014: Nil). Since the end of the financial year, no options have been issued or granted.

17. REMUNERATION REPORT (AUDITED)

As a result of the company's ongoing Administration, all employee contracts have been terminated. In the current year the Director's remuneration was only partly paid to the two Independent non-executive Directors. The Remuneration Report below, therefore discloses Director's remuneration as there were no other Key Management Personnel or employees. For the purposes of this report Key Management Personnel of the Group continue to be defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company.

Details of the policies, committees and remuneration are not available or relevant as the current Board is considering future options for the company. The previous remuneration policies do not represent the current or potentially future situation.

**Details and Remuneration of Non-Executive Personnel /Key Management Personnel as at 30 June 2015:**

As described previously, AED does not have any employees and therefore no Key Management Personnel. The remuneration table below for the 2015 financial year discloses the remuneration received by the Directors, the only individuals able to be classed as Key Management Personnel.

			Short-Term	Total Remuneration
			Salary & Fees \$	Total \$
<b>Tim Baldwin (i)</b>	Non-Executive Director	<b>2015</b>	<b>17,500</b>	<b>17,500</b>
		2014	-	-
<b>David Van Oppen (i)</b>	Non-Executive Director	<b>2015</b>	<b>17,500</b>	<b>17,500</b>
		2014	-	-
<b>Mark Licciardo (ii)</b>	Independent Non-Executive Director	<b>2015</b>	<b>28,450</b>	<b>28,450</b>
		2014	21,900	21,900
<b>Philip Anthon (iii)</b>	Independent Non-Executive Director	<b>2015</b>	<b>24,700</b>	<b>24,700</b>
		2014	14,400	14,400
<b>Total</b>		<b>2015</b>	<b>88,150</b>	<b>88,150</b>
<b>Total</b>		2014	36,300	36,300

- (i) During the year ended 30 June 2015, the two Directors Tim Baldwin and David Van Oppen rendered services to AED from the period started 1 July 2014, for which fees were accrued but not paid. General Enterprise Management Services (HK) Limited ("GEMS") is the investment manager for ARF, to whom the fees are ultimately due. Fees during the period, which were incurred in the ordinary course of business, amounted to \$35,000 (2014: \$ Nil).
- (ii) Mark Licciardo was paid \$21,900 during the period with \$6,550 accrued and payable as at 30 June 2015.
- (iii) Philip Anthon was paid \$14,400 during the period with \$10,300 accrued and payable as at 30 June 2015.

There are currently no post-employment, long term or share based payments available to any Directors or Key Personnel within the Company. In addition, there are no options or performance related incentives available to these individuals.

**Share and Option holdings of Key Management Personnel**

At 30 June 2015 and 2014, no member of Key Management Personnel, nor any Director, held shares or options in the Company.

**Appointment of Administrators and Receivers**

For the period from 12 August 2011 onwards the Company has been subject to the management of the Deed Administrators. The remuneration paid to Deed Administrators, including costs, is as follows:

	2015	2014
	A\$	A\$
Grant Thornton	77,630	153,237
<b>Total</b>	<b>77,630</b>	<b>153,237</b>



## 18. AUDITOR INDEPENDENCE

The Auditor's Independence Declaration to AED Oil Limited is set out in page 8.

## 19. NON-AUDIT SERVICES

The following non-audit services were provided by the Company's auditor, RSM Bird Cameron. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

RSM Bird Cameron received the following amounts for the provision of non-audit services:

▪ Taxation Services	\$35,300
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The directors are satisfied that the outstanding amounts do not compromise auditor independence.

Signed in accordance with a resolution of directors:



Tim Baldwin  
Director

Date: 22 October 2015


### **AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of AED Oil Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*

### **RSM BIRD CAMERON PARTNERS**



**J S CROALL**  
Partner

Melbourne, VIC  
22 October 2015

## Corporate Governance Statement

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The corporate governance policies may be subject to review by the Board upon the termination of the Amended DOCA.

For a copy of the Corporate Governance Statement that was in place prior to the company being placed into Administration please refer to the 30 June 2011 Annual Report. These may not be relevant to the Company in the future.

# Statement of Profit or Loss and Other Comprehensive Income

## For the financial year ended 30 June 2015

CONSOLIDATED			
	Note	2015 \$	2014 \$
Revenue		-	-
Other revenue	4(a)	12,661,488	828,878
Administrative and other expenses	4(b)	(2,707,193)	(2,178,728)
Board fees and expenses	4(c)	(102,862)	(34,715)
Puffin joint venture field costs	4(d)	(2,040,349)	(1,830,064)
Deed Administrators fees		(77,630)	(153,237)
<b>Profit/ (loss) before re-measurements and provision adjustments</b>		<b>7,733,454</b>	<b>(3,367,866)</b>
Foreign exchange change on financial liabilities	4(e)	(11,367,641)	649,088
Restoration provision adjustment	4(f)	(4,800,000)	16,354,656
<b>(Loss)/ profit before income tax</b>		<b>(8,434,187)</b>	<b>13,635,878</b>
Income tax (expense)/ benefit	5	-	-
<b>Net (loss)/ profit for the financial year</b>		<b>(8,434,187)</b>	<b>13,635,878</b>
<b>Other comprehensive income for the financial year</b>		<b>-</b>	<b>-</b>
<b>Comprehensive (loss)/ profit for the financial year</b>		<b>(8,434,187)</b>	<b>13,635,878</b>
Basic (Loss)/ profit per share (before re-measurements and provision adjustments) (cents per share)	6	3.2	(1.4)
Basic (Loss) / profit per share (cents per share)	6	(3.5)	5.7

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to these accounts.

These financial statements, including 2014 comparatives, have been prepared on a non-going concern basis. For more information related to this preparation, please refer to the Notes to the Financial Statements section of these accounts, and in particular Notes 2(a), 2(b), and 2(c).

# Statement of Financial Position

## As at 30 June 2015

		CONSOLIDATED	
	Note	2015 \$	2014 \$
<b>Assets</b>			
Cash and cash equivalents	8	<b>10,497,375</b>	2,445
Other financial assets	9	-	710,000
Trade and other receivables	10	<b>82,861</b>	234,239
<b>TOTAL ASSETS</b>		<b>10,580,236</b>	946,684
<b>Liabilities</b>			
Trade and other payables	13	<b>97,935,018</b>	61,756,301
Provisions	14	<b>4,800,000</b>	22,910,978
<b>TOTAL LIABILITIES</b>		<b>102,735,018</b>	84,667,279
<b>NET ASSETS</b>		<b>(92,154,782)</b>	(83,720,595)
<b>Equity</b>			
Contributed equity	15	<b>123,703,556</b>	123,703,556
Retained earnings	16	<b>(215,858,338)</b>	(207,424,151)
<b>TOTAL EQUITY</b>		<b>(92,154,782)</b>	(83,720,595)

The above Statement of Financial Position should be read in conjunction with the accompanying notes to these accounts.

These financial statements, including 2014 comparatives, have been prepared on a non-going concern basis.

In light of the factors above, current / non-current presentation of assets and liabilities in the Statement of Financial Position is not considered to provide useful information to users of the financial statements. As such, assets and liabilities have been presented in order of payment as set out in the Amended DOCA. For more information related to this preparation, please refer to the Notes to the Financial Statements section of these accounts, and in particular Notes 2(a), 2(b) and 2(c).

## Statement of Changes in Equity

### For the financial year ended 30 June 2015

	Contributed Equity \$	Retained Earnings \$	Total \$
<b>CONSOLIDATED</b>			
<b>At 1 July 2013</b>	123,703,556	(221,060,030)	(97,356,474)
Profit for the financial year	-	13,635,878	13,635,878
Other comprehensive income	-	-	-
Total comprehensive income for the financial year	-	13,635,878	13,635,878
<b>At 30 June 2014</b>	123,703,556	(207,424,151)	(83,720,595)
<b>At 1 July 2014</b>	<b>123,703,556</b>	<b>(207,424,151)</b>	<b>(83,720,595)</b>
Loss for the financial year	-	<b>(8,434,187)</b>	<b>(8,434,187)</b>
Other comprehensive income	-	-	-
Total comprehensive loss for the financial year	-	<b>(8,434,187)</b>	<b>(8,434,187)</b>
<b>At 30 June 2015</b>	<b>123,703,556</b>	<b>(215,858,338)</b>	<b>(92,154,782)</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to these accounts.

These financial statements, including 2014 comparatives, have been prepared on a non-going concern basis. For more information related to this preparation, please refer to the Notes to the Financial Statements section of these accounts, and in particular Notes 2(a), 2(b), and 2(c).

## Statement of Cash Flows

For the financial year ended 30 June 2015

		CONSOLIDATED	
	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers (GST inclusive) and employees		<b>(2,200,103)</b>	(2,433,635)
Interest received		<b>75,238</b>	143
Bank charges		<b>(19,931)</b>	(8,356)
GST refunds		<b>154,213</b>	198,393
R&D incentive tax rebate received	4(a)	-	828,735
Arbitration proceeds		<b>12,586,193</b>	-
<b>Net cash provided by/ (used in) operating activities</b>	<b>8(b)</b>	<b>10,595,610</b>	<b>(1,414,720)</b>
<b>Cash flows from investing activities</b>			
Redemption/ (investment) in other financial assets		<b>635,000</b>	(635,000)
<b>Net cash provided by/ (used in) investing activities</b>		<b>635,000</b>	<b>(635,000)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from/ (payments to) indemnifying creditor		<b>(735,680)</b>	2,195,992
<b>Net cash (used in)/ received from financing activities</b>		<b>(735,680)</b>	<b>2,195,992</b>
Net increase/(decrease) in cash and cash equivalents		<b>10,494,930</b>	(146,272)
Cash and cash equivalents at beginning of year		<b>2,445</b>	148,717
<b>Cash and cash equivalents at end of the financial year</b>	<b>8(a)</b>	<b>10,497,375</b>	<b>2,445</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to these accounts.

These financial statements, including 2014 comparatives, have been prepared on a non-going concern basis. For more information related to this preparation, please refer to the Notes to the Financial Statements section of these accounts, and in particular Notes 2(a), 2(b), and 2(c).

## 1. Corporate Information

The financial report of AED Oil Limited (Subject to Deed of Company Arrangement) ("AED") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors.

AED is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. As a result of the company entering Voluntary Administration and executing the DOCA, the shares of AED are currently suspended.

## 2. Summary of Significant Accounting Policies

### 2a. Basis of Preparation

Given the ongoing Administration (and Receivership) of AED, **the financial statements have been prepared on a non-going concern basis.**

The non-going concern basis of preparation was first applied in the 30 June 2011 financial statements and material adjustments were recognised in the 30 June 2011 financial statements. The non-going concern basis has been applied consistently in each of the 30 June 2011, 30 June 2012, 30 June 2013, and 30 June 2014 financial statements. Accordingly all comparatives are also on a non-going concern basis.

### 2b. Going Concern

Given the circumstances below:

- the material curtailment of operations;
- uncertainty regarding the completion of the Amended DOCA;
- uncertainty around the ability to raise funds for the future recapitalisation of AED; and
- uncertainty around future participation in the Puffin joint venture asset.

The Directors have concluded that **the going concern assumption is not appropriate** for the preparation of these accounts.

While these accounts have not been prepared on a going concern basis, one role of a Deed of Company Arrangement is to preserve the ability to restructure and recapitalise a company that has been through a process of Administration i.e. to return the company to a going concern. As such, it is important to understand the key terms of the Amended DOCA, as presented below.

#### Key Terms of the Amended DOCA

ARF will continue to pay amounts to the Deed Administrators to meet Relevant Business Costs, in particular:

- ARF will continue to fund the legal and other costs associated with the prosecution and preservation of the arbitration claims;
- ARF will continue to fund the costs associated with collection of the R&D Rebate ; and
- ARF will continue to fund the costs associated with ongoing compliance by AED with its statutory reporting obligations.

Creditors will be paid from proceeds received from the R&D Rebate and the arbitration claim as follows:

- Any proceeds from the R&D Rebate will be distributed as follows:
  - First, in payment of any Outstanding Deed Administrators' Costs;
  - Second, in payment of the Initial Employee Amount;
  - Third, to ARF in part repayment of the Initial Fund and amounts paid under the Varied DOCA.
- Any Unsecured Proceeds of the arbitration claim will be distributed as follows:
  - First, in payment of any outstanding Deed Administrators' Costs;
  - Second, to ARF in payment in full of the Initial Fund and any amounts paid under the Varied DOCA;
  - Third, an amount equal to 45% of the gross Unsecured Proceeds of the arbitration claim to be paid to ARF to be applied in reduction of its claim against AED;
  - Fourth, in payment of the Priority Claims of the Indemnifying Creditors to a limit of \$850,000;
  - Fifth, payment of the balance of outstanding employee entitlements;
  - Sixth, the amount of \$150,000 to be paid to the Participating Creditors;
  - Balance to ARF.



- Any Secured Proceeds of the arbitration claim will be distributed as follows:
  - First, in payment of any outstanding Deed Administrators' Costs (to the extent only that such amounts are not paid from Unsecured Proceeds of the arbitration);
  - Second, to ARF in payment in full of the Initial Fund and any amounts paid under the Varied DOCA (to the extent only that such amounts are not paid from Unsecured Proceeds of the arbitration);
  - Third, an amount equal to 45% of the gross Secured Proceeds of the arbitration claim to be paid to ARF;
  - Fourth, to the JV Partners in accordance with their Participating Interest (less any Outstanding Cash Calls).

AED will be forever released from all Claims upon distribution of the proceeds received from the R&D Rebate and the arbitration claims.

At the Deed Administrators discretion or upon:

- any default under the terms of the Amended DOCA;
- distribution of all amounts payable under the Amended DOCA; or
- the request of any Creditor (or Creditors) holding (either individually or collectively) in excess of 20% of the debts owed by AED

a meeting of creditors will be convened to consider the future of AED.

Note: Capitalised terms in this section of the report have the same meaning as in the Amended DOCA.

Proceeds from the arbitration claim have been determined by the Deed Administrators to form part of the Unsecured Proceeds under the terms of the Amended DOCA.

## 2c. Impact of adopting the non-going concern basis of preparation on measurement, classification of assets and liabilities, and disclosures in the financial report

### **Assets**

Under the non-going concern basis of preparation, assets have been measured at their subsequent realisable value. The subsequent realisable value is their value based on the proceeds subsequently received on sale, disposal or realisation as detailed in the accounting policies noted below.

### **Liabilities**

Liabilities have generally been measured at their contractual amounts payable including in default circumstances where relevant.

In light of the factors above, current / non-current presentation of assets and liabilities in the balance sheet is not considered to provide useful information to users of the financial statements. As such, assets and liabilities have been presented in order of payment as set out in the Amended DOCA.

## 2d. Statement of Compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards as applied under the non-going concern basis of preparation. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In addition, the reports are prepared in accordance with the *Corporations Act 2001* as it applies on a non-going concern basis.

## 2e. Adoption of New Accounting Standards

The adoption of the above Standards are not deemed to have a material impact on the financial statements or performance of the Group.

New Australian Accounting Standards and interpretations that have been issued and amended but not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2015. In light of the non-going concern basis of preparation the Group has not determined the impact of standards issued not yet effective.

## 2f. Basis of Consolidation

The consolidated financial statements comprise the financial statements of AED and its subsidiaries ("the Group").

Subsidiaries are all those entities controlled by the Group. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

## 2g. Interest in joint arrangements

The Group accounted for its interest in joint arrangements by recognising the Group's share of assets, liabilities, revenue and expenses of jointly controlled assets in the appropriate items of the Statement of Comprehensive Income and Statement of Financial Position. These joint arrangements are classified as joint operations between the Group and its joint venture partners. These balances have not been subject to audit in the current or comparative period and the auditor's report reflect a qualification in relation to these balances.

## 2h. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements for the reporting year requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expense. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management have identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results of the financial position reported in future periods.

### **Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that would have a material impact on the carrying amounts of certain assets and liabilities within the next annual reporting period are related to key provisions.

### **Significant accounting judgements**

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

### **Taxation**

The Group's accounting policy for taxation requires management's judgement. The utilisation of tax losses is subject to satisfying the relevant provisions within the Income Tax Assessment Act, 1997.

Management's judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

### **Restoration Provision**

A comprehensive budget of expected restoration costs was prepared previously. The restoration provision represents the present value of the directors' best estimate of the future cost to remove equipment and abandon wells and to meet environmental obligations for the areas under the Group's joint venture interests.

The provision used previously included a contingency and some conservatism but as the work has either been completed or planned in greater detail, the provision has been adjusted to reflect greater any available updated information.

## Provisions and Contingent Liabilities

A provision is recognised where a potential obligation arising from a past event is considered probable. Where a potential obligation is considered possible, but not probable, the Group makes contingent liability disclosures. The restoration provision highlighted in these accounts is the most material, and split out individually.

Where it is not clear whether there is a 'present obligation' a past event is deemed to give rise to a present obligation if, taking account of all available evidence, 'it is more likely than not that a present obligation exists at the end of the reporting period. Some of the restoration provision has been unwound as it has become a present obligation.

## 2i. Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows comprises cash at bank and on hand and cash controlled by the Deed Administrator on behalf of AED. This includes cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with the possible exception of cash held in foreign currency.

## 2j. Foreign currency translation

Both the functional and presentation currency of AED and its Australian subsidiaries is Australian Dollars (\$). The overseas subsidiaries' functional currency is United States Dollars which is translated to the presentation 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 reporting date.

## 2k. Taxes

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. 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. Unrecognised deferred income tax assets and liabilities are assessed at each reporting date and are recognised or noted.

Petroleum Resource Rent Tax (PRRT) is assessed before company income tax and the amount of PRRT paid is a deduction for the purpose of calculating company income tax. Exploration expenditure incurred in PRRT areas must be offset (to the extent possible) against PRRT liabilities elsewhere in the same group of companies. PRRT is payable when project cash flows become positive, after taking account all allowable exploration, development and operating costs, and after a stipulated return on the project has been achieved. For exploration and project expenditures after 1 July 1990, exploration expenditure has a stipulated return of 15% plus the Australian Government long term bond rate (LTBR), and project expenditure has a stipulated return of 5% plus the LTBR. The PRRT rate is 40%.

## 2l. Provisions

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 profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

## 2m. Employee Benefits

As a result of the Company entering Administration the amounts due to employees in respect of outstanding annual leave and long service leave entitlements have been remeasured and reclassified to Priority Creditors to reflect contractual arrangement with employees as a result of the DOCA. Partial amounts of these entitlements were paid to employees as a distribution under the terms of the Amended DOCA previously.

The only employee benefits recognised in these accounts as an expense are associated with Director's Fees.

## 2n. Contributed Equity

Ordinary shares are classified as equity.

## 2o. Earnings per Share

Basic earnings per share is calculated as net profit attributable to ordinary equity holders of the parent, divided by the weighted average number of ordinary shares.

This has been presented in two ways (before and after re-measurements and provision adjustments) in order to provide a more meaningful and complete comparison.

## 2p. Financial Instruments

Trade receivables are recognised on trade date, being the date the Group commits to sell goods.

### **Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts, both secured and unsecured, are recognised.

The Directors have elected to disclose Trade and Other Payables in order of payment as set out in the Amended DOCA.

### **Cost guarantees**

As part of the arbitration process, AED was required to put in place cost guarantees in favour of the counterparty in the arbitration. These cash backed instruments have all been refunded in full.

## 2q. Revenues

### **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match the relevant costs incurred.

### **Interest**

Interest income is recognised in the profit or loss as it accrues, using the effective interest method.

### **Other revenue**

Other revenue is measured at the fair value of the consideration received or receivable. The Group recognises other revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and any associated cost incurred can be measured reliably

## Notes to the Financial Statements

### 3. Segment Information

The Directors have assessed that due to the current status of the Group, it only comprises a single business segment, which relate to its interest in one portfolio, being the Puffin joint venture assets. These have a common working interest, partnership group and operator.

### 4. Revenues and Expenses

	CONSOLIDATED	
Revenue and Expenses	2015 \$	2014 \$
<b>(a) Other revenue</b>		
Interest	16,182	143
Arbitration Award	10,784,636	-
Arbitration Costs Award	1,801,557	
R&D incentive tax rebate	-	828,735
Arbitration Award Interest	59,113	-
	12,661,488	828,878
<b>(b) Administrative and other expenses</b>		
Administrative expenses (incl. accruals and travelling)	661,166	1,295
Legal and professional services	1,034,969	1,404,076
Audit, accounting and consulting	792,520	442,657
Insurance	27,125	56,000
Other expenses	191,413	274,700
	2,707,193	2,178,728
<b>(c) Board fee and expenses</b>		
Directors fees	88,150	34,715
Other expenses	14,712	-
	102,862	34,715
<b>(d) Puffin joint venture costs</b>		
Field maintenance and operating costs	2,040,349	1,830,064
<b>(e) Foreign exchange change on financial liabilities</b>		
Foreign exchange (gain)/loss on convertible notes	8,533,286	(649,089)
Foreign exchange loss on payables	2,834,355	-
	11,367,641	(649,089)
<b>(f) (Loss)/ gain due to restoration provision adjustment</b>		
Finance costs – unwind of discount	-	567,036
Movement per restoration provision adjustment	4,800,000	(16,921,692)
	4,800,000	(16,354,656)

## Notes to the Financial Statements

### 5. Income Tax

	CONSOLIDATED	
	2015	2014
	\$	\$
<b>The major components of income tax are:</b>		
Accounting (loss)/ profit before income tax	<b>(8,434,187)</b>	13,635,878
Tax expense/ (benefit) at the applicable statutory income tax rate	<b>(2,530,256)</b>	4,090,763
Deferred tax assets not recognised	<b>2,530,256</b>	-
Deferred tax assets recognised in respect to not previously brought to account	-	(4,090,763)
<b>Income tax expense/ (benefit) reported in the consolidated profit or loss</b>	<b>-</b>	<b>-</b>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

At 30 June 2015 there is no recognised deferred tax liability in respect of convertible notes (2014: Nil).

The Group has an unrecognised deferred tax asset of \$70m, (2014: \$67m) of which \$61m (2014: \$55m) is attributable to tax losses arising in Australia that are available indefinitely to offset against future taxable profits of the Australian group. Please refer to Note 2k of these accounts.

Petroleum Resource Rent Tax (PRRT) is assessed on a project basis, combined project basis or production license area. It is levied on the taxable profits of a petroleum project at a rate of 40%. PRRT is deductible for income tax purposes. Certain specified undeducted expenditures are eligible for compounding. The expenditure can be compounded annually at set rates, and the compounding can be deducted against assessable receipts in future years.

The Group estimates that past holders of the Permit and AED have incurred expenditure resulting in total carried forward undeducted expenditure able to be set off against assessable receipts derived in future years of \$802m (2014: \$714m). The carry forward expenditure attaches to the Permit.

In order for the Group to utilise undeducted expenditure for PRRT purposes from prior years, it will be required to substantiate eligible expenditure in relation to the Permit since the date of any grant. Any amount that the Group is not able to substantiate cannot be utilised by the Group against its assessable receipts in future years.

The Group has not recognised a deferred tax asset with respect to its carried forward, undeducted PRRT expenditure.

## Notes to the Financial Statements

### 6. Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit or loss for the year, attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding.

This has been presented in two ways (before and after re-measurements and provision adjustments) in order to provide a more meaningful and complete comparison.

**The following reflects the income and share data used in the basic per share computations:**

	CONSOLIDATED	
	2015	2014
	\$	\$
Earnings profit/ (loss) (before re-measurements and provision adjustments) used in calculation of basic EPS	7,533,454	(3,367,866)
(Loss)/ earnings used in calculation of basic EPS	<b>(8,434,187)</b>	13,635,878
	2015	2014
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	239,779,144	239,779,144
	2014	2013
	Cents	Cents
<b>Earnings per share</b>		
Basic EPS (before re-measurements and provision adjustments)	3.2	(1.4)
Basic EPS	<b>(3.5)</b>	5.7

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

### 7. Dividends

No dividends were paid or proposed to the members during the financial year ended 30 June 2015 (2014: none).

The Company has a franking account balance of \$22,058,000 (2014: \$22,058,000). The Company's ability to utilise the franking account credits depends on there being sufficiently available profits to declare dividends.

### 8. Notes to the Statement of Cash Flows

#### a. Reconciliation of cash and cash equivalents

	CONSOLIDATED	
	2015	2014
	\$	\$
Cash Available for distribution under the Amended DOCA	10,497,375	-
Cash at bank and in hand	-	2,445
Total cash and cash equivalents	<b>10,497,375</b>	2,445

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash Available for distribution under the Amended DOCA represents amounts received in relation to the award and costs associated with the arbitration process. In accordance with the terms of the Amended DOCA, the Deed Administrators, post 30 June 2015, will distribute these funds (refer to Note 2b. and Note 22).

## Notes to the Financial Statements

### b. Reconciliation of (loss)/ profit to net cash flows from operating activities

	CONSOLIDATED	
	2015	2014
	\$	\$
Reconciliation of net (loss)/ profit after tax to net cash flows from operations		
Net (loss)/ profit after tax	<b>(8,434,187)</b>	13,635,878
<b>Adjustments for:</b>		
Unrealised (gain)/ loss from the restoration provision adjustment	<b>4,800,000</b>	(16,921,692)
<b>Changes in assets and liabilities</b>		
Decrease in trade and other receivables	<b>151,378</b>	60,995
Increase in trade and other payables	<b>36,989,397</b>	9,344,771
Decrease in provisions (excluding restoration provision adjustment)	<b>(22,910,978)</b>	(7,534,672)
Net cash generated/(used) in operating activities	<b>10,595,610</b>	(1,414,720)

### Non-cash financing and investment activities

There were no significant non-cash financing or investment activities in the year ended 30 June 2015 (2014: none).

### 9. Other Financial Assets

	CONSOLIDATED	
	2015	2014
	\$	\$
Held to maturity financial instruments	<b>635,000</b>	710,000

### 10. Trade and Other Receivables

	CONSOLIDATED	
	2015	2014
	\$	\$
<b>Increase/(decrease) in trade and other receivables</b>		
Goods and services tax refunds	<b>82,861</b>	102,171
Deposits and other receivables	-	132,068
	<b>82,861</b>	234,239

### 11. Investments

#### Equity Investment Interest in Controlled Entities

Name of the Entity	Country of Incorporation	Class of shares	2015%	2014 %
AED Finance Pty Ltd	Australia	Ordinary	100	100
AED Oil Investments Pty Ltd	Australia	Ordinary	100	100
Ashmore Oil Pty Ltd	Australia	Ordinary	100	100
AED Services Pte Ltd	Singapore	Ordinary	100	100
Puffin Installation Services Pte Ltd	Singapore	Ordinary	100	100

No activity or operations has taken place in any of these entities during the financial year.



# Notes to the Financial Statements

## Participating Interest in Jointly Controlled Assets: Joint Venture Details

Name of Venture	Principal Activity	2015 %	2014 %
EPPL-AED Oil Limited Unincorporated Joint Venture ("joint venture") (i), (ii), (iii)	Oil and gas exploration	40	40
(iv)	AED retains a 40% interest in the Puffin and Talbot fields, held respectively under licenses AC/L6 and AC/RL1. This is subject to a security interest in favour of Sinopec, the 60% joint venture partner and operator of these assets.		
(v)	On 31 July 2013, AED received a Notice of Default ("Notice") under the Joint Operating Agreement ("JOA") for AC/L6. According to the Notice, AED is in default under the JOA for failing to pay its share of the costs and expenses associated with the joint venture assets. Sinopec holds security over AED's Participating Interest in these assets and, if exercised, could acquire AED's interest in all of the joint venture assets. At the date of this report, Sinopec has not sought to exercise its right to dilute AED's Participating Interest in the joint venture assets.		
(vi)	The Group's share of the assets and liabilities in the Puffin and Talbot fields recognised in the consolidated financial statements are as follows:		
		2015 \$	2014 \$
Assets		-	-
Liabilities			
Trade and other payables (refer to Note 13 (e))		(40,351,915)	(12,698,302)
Provisions (refer to Note 14)		(4,800,000)	(22,910,978)
<b>TOTAL LIABILITIES</b>		<b>(45,151,915)</b>	<b>(35,609,280)</b>
<b>NET INTEREST</b>		<b>(45,151,915)</b>	<b>(35,609,280)</b>

## 12. Parent Entity Information

### Information relating to AED Oil Limited

	2015 \$	2014 \$
Assets		
Cash and cash equivalents	-	2,441
Litigation Premium	5,557,790	-
Cash Available for further distribution under the Amended DOCA	4,939,581	-
Other financial assets	-	710,000
Trade and other receivables	82,861	102,171
<b>TOTAL ASSETS</b>	<b>10,580,232</b>	<b>814,612</b>
Liabilities		
Trade and other payables	97,909,696	61,598,911
Provisions	4,799,992	22,910,971
<b>TOTAL LIABILITIES</b>	<b>102,709,688</b>	<b>84,509,882</b>
<b>NET ASSETS</b>	<b>(92,129,456)</b>	<b>(83,695,270)</b>
Equity		
Contributed equity	123,703,556	123,703,556
Retained earnings	(215,833,012)	(207,398,826)
<b>TOTAL EQUITY</b>	<b>(92,129,456)</b>	<b>(83,695,270)</b>
Net profit/(loss) for the period of the parent entity	(8,434,187)	13,636,800
Total comprehensive income of the parent entity	(8,434,187)	13,636,800

## 13. Trade and Other Payables

	CONSOLIDATED	
	2015	2014
	\$	\$
Payables and accruals	720,892	350,247
Indemnifying Creditor (ARF) (a)	4,162,974	4,541,801
Indemnifying Creditors (b)	1,976,824	1,976,824
Priority Employee Creditors (c)	332,293	332,293
Unsecured participating creditors (d)	2,821,117	2,821,117
Non-Participating secured creditor – Sinopec Cash Calls (e)	8,337,978	6,500,041
Non-Participating secured creditor – Sinopec Restoration Costs (e)	32,013,937	6,198,261
ARF (f)	46,636,434	38,103,148
Excluded creditors – La Jolla Cove (g)	932,569	932,569
<b>Total creditors</b>	<b>97,935,018</b>	<b>61,756,301</b>

**Terms and conditions of creditor payments are presented in accordance with the Amended DOCA**

The Amended DOCA provides a basis upon which all Creditors claims against the company will be addressed. The Directors have elected to disclose Trade and Other payables in accordance with these terms.

- a) Indemnifying Creditor (ARF) has provided funding to AED on an ongoing basis and under the terms of the Amended DOCA, will receive payment of these funds as a priority.
- b) Indemnifying Creditors are parties who provided funding to AED for the cost and expenses during the Company's previous periods of Administration and Receivership. Under the terms of the Amended DOCA, they will have a priority claim limited to \$850,000 in full satisfaction of all claims.
- c) Priority Employee Creditors are employees with a priority claim over other unsecured creditors by operation of the *Corporations Act 2001* (Cth) and the Amended DOCA. Under the terms of the Amended DOCA, Priority Employee Creditors have already received a partial payment of their entitlements equal to the amount they would have received from any government scheme in the winding up of the Company. The balance of these priority claims remains outstanding.
- d) Unsecured Participating Creditors are entitled to receive \$150,000 in full and final settlement of all claims under the terms of the Amended DOCA.
- e) This represents AED's share of cash calls costs related to the Puffin joint venture assets. Sinopec as a secured creditor is not entitled to any payment from the application of the Unsecured Proceeds under the Amended DOCA.

For the sake of clarity, these cash calls are split into ongoing operating expenses and restoration expenses associated with the assets.

- f) On 19 March 2010, the Group issued unsecured convertible notes to ARF. An event of default was triggered when AED entered Administration and under the terms of the notes, ARF has a claim against the notes of US\$35,942,700. ARF, under the terms of the Amended DOCA, does not have any priority claim associated with the repayment of these notes. The accounts have recorded the A\$ equivalent of the amount due to ARF. ARF is entitled to three distributions under the Amended DOCA. Firstly, as an Indemnifying Creditor. Secondly, an amount equal to 45% of the gross Unsecured Proceeds from the arbitration claim must be paid to ARF to be applied in reduction of its claim against AED in priority to the claims of the Indemnifying Creditors in b) above. Thirdly, a distribution in payment of the balance of its claims against AED after the payment to ordinary unsecured creditors in d) above.

ARF has no equity conversion options remaining in relation to these notes.

- g) Upon AED entering Administration, a claim was made by the holders of the La Jolla Cove US\$20 million convertible note facility. This claim was subordinated to any claim by ARF and accordingly, the note holders agreed to direct any payments received, to ARF. Under the terms of the Amended DOCA, the note holders are an Excluded Creditor.

With the exception of Payables and accruals, it is not possible to provide a maturity analysis in respect of the financial liabilities given the status of the company being under administration.

## Notes to the Financial Statements

Exposure to foreign exchange risk is mainly in relation to US\$12,103,393 payables included in the above Non-Participating secured creditor – Sinopec payables (e) and US\$35,942,700 payables to ARF and reflected in the above ARF (f) above. An estimated 5% fluctuation in the US dollar would impact the Group's financial results by AU\$3 million approximately.

### 14. Provisions

	CONSOLIDATED	
	2015	2014
	\$	\$
<b>Provision for restoration</b>		
At beginning of the year (i)	22,910,978	45,463,895
Arising during the year and foreign exchange adjustments	1,063,145	-
Unwinding and discount rate adjustment	-	567,036
Restoration provision adjustment (ii) (iii)	4,800,000	(16,921,692)
Transfer to joint venture cash call (iv)	(23,974,123)	(6,198,261)
At end of the year	4,800,000	22,910,978

- (i) The restoration provision represents the present value of the expected future cost to remove equipment and abandon wells and to meet environmental obligations for the areas under the Group's Permit after production activities have been completed.
- (ii) The restoration provision adjustment is the difference between the now known, budget cost to undertake the restoration work and the previously estimated provision to undertake this work, as described above.
- (iii) It was expected in the half year report to 31 December 2014 that the remainder of the provision would be realised and thus it was fully transferred to joint venture cash call in the Dec 2014 half year. However, ultimately not all the work was completed, so some of this provision has been reinstated with the remainder of this work is expected to be undertaken during the coming year.
- (iv) The transfer to joint venture cash call is realisation of the provision with the commencement of the actual restoration work.

### 15. Contributed Equity

	CONSOLIDATED	
	2015	2014
	No.	No.
<b>Ordinary Shares</b>		
AED fully paid ordinary shares	239,779,144	239,779,144

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### 16. Accumulated Losses

	CONSOLIDATED	
	2015	2014
	\$	\$
Balance at beginning of year	(207,424,151)	(221,060,030)
Comprehensive (loss)/ income for the year	(8,434,187)	13,635,878
Balance at end of year	(215,858,338)	(207,424,151)

### 17. Share-based Payment Plans

All Employee Share Option Plan options have lapsed and there have been no further options granted.

## 18. Auditor's Remuneration

	CONSOLIDATED	
	2015	2014
	\$	\$
<b>Amounts received by/or payable to the RSM Bird Cameron:</b>		
▪ Audit and review of the financial report of the entity	45,000	45,000
▪ Other services in relation to the entity		
○ Taxation Services	35,300	86,256
	<b>80,300</b>	<b>131,256</b>

## 19. Commitments and Contingencies

### Puffin Joint Venture Commitments

Sinopec Oil and Gas Australia (Puffin) Pty Ltd and AED entered into an unincorporated joint venture. The commitments disclosed represent AED's 40% share. As a result of the Notice of Default issued to AED, AED has no rights to any data or information relating to the joint venture's operations, however Sinopec has continued to share information related to material events and issues associated with the joint venture and its assets.

### Exploration expenditure commitments

On 9 July 2014, a notice of the surrender of permit AC/P22 was published in the Australian Government Gazette, effective immediately.

The joint venture has been in compliance with all existing commitments on the remaining licenses. The Directors are not aware of any further commitments.

### Overriding Royalty Interest – Puffin and Talbot Field

The interests of the Group in respect of the Permit are subject to certain Overriding Royalty Interests relating to Petroleum produced from the Permit Area.

Overriding Royalty Interests have been granted to the following parties and is payable based on the Group's share of production:

Existing Overriding Royalty Interest holder	Existing Overriding Royalty Interest %
Geoscience Works	0.25
Plexor	0.45
Westranch	1.25
Attune	1.25
Total	3.20

### Contingencies

There were no contingent liabilities as at 30 June 2015 (2014: \$Nil).

### Guarantees

There were no non-cash backed guarantees outstanding as at 30 June 2015 (2014: \$Nil).

## 20. Key Management Personnel

### Details of Key Management Personnel

As a result of the company's ongoing Administration, all employee contracts have been terminated. In the current year the Director's remuneration was only partly paid to the two Independent non-executive Directors.

Details of the policies, committees and remuneration are not available or relevant as the current Board is considering future options for the company. The previous remuneration policies do not represent the current or potentially future situation.

### Details and Remuneration of Non-Executive Personnel /Key Management Personnel as at 30 June 2015:

As described previously, AED does not have any employees and therefore no Key Management Personnel. The remuneration table below for the 2015 financial year discloses the remuneration received by the Directors, the only individuals able to be classed as Key Management Personnel.

			Short-Term	Total Remuneration
			Salary & Fees \$	Total \$
<b>Tim Baldwin (i)</b>	Non-Executive Director	<b>2015</b>	17,500	17,500
		2014	-	-
<b>David Van Oppen (i)</b>	Non-Executive Director	<b>2015</b>	17,500	17,500
		2014	-	-
<b>Mark Licciardo (ii)</b>	Independent Non-Executive Director	<b>2015</b>	<b>28,450</b>	<b>28,450</b>
		2014	21,900	21,900
<b>Philip Anthon (iii)</b>	Independent Non-Executive Director	<b>2015</b>	<b>24,700</b>	<b>24,700</b>
		2014	14,400	14,400
<b>Total</b>		<b>2015</b>	<b>88,150</b>	<b>88,150</b>
<b>Total</b>		2014	36,300	36,300

- (i) During the year ended 30 June 2015, the two Directors Tim Baldwin and David van Oppen rendered services to AED from the period started 1 July 2014, for which fees were accrued but not paid. General Enterprise Management Services (HK) Limited ("GEMS") is the investment manager for ARF, to whom the fees are ultimately due. Fees during the period, which were incurred in the ordinary course of business, amounted to \$35,000 (2014: \$ Nil).
- (ii) Mark Licciardo was paid \$21,900 during the period with \$6,550 accrued and payable as at 30 June 2015
- (iii) Philip Anthon was paid \$14,400 during the period with \$10,300 accrued and payable as at 30 June 2015

There are currently no post-employment, long term or share based payments available to any Directors or Key Personnel within the Company. In addition, there are no options or performance related incentives available to these individuals.

### Share and Option holdings of Key Management Personnel

At 30 June 2014 and 2015, no member of key management personnel, nor any Director, held shares or options in the Company.

## 21. Related Party Disclosure

### Director Related Entities

During the financial year ended 30 June 2015 two Directors, Tim Baldwin and David Van Oppen, rendered services to AED from the period started 1 July 2014, for which fees were accrued but not paid. General Enterprise Management Services (HK) Limited ("GEMS") is the investment manager for ARF, to whom the fees are ultimately due. Fees during the period, which were incurred in the ordinary course of business, amounted to \$35,000 (2014: \$Nil).

During the year ended 30 June 2015, General Enterprise Management Services (HK) Limited ("GEMS") rendered fees for the provision of accounting and administrative services to AED from the period started 1 July 2014. GEMS is the investment manager for ARF. Fees during the period, which were incurred in the ordinary course of business, amounted to \$84,000 (2013 – \$120,000). \$48,000 was paid and \$36,000 is outstanding as at 30 June 2015.

During the year ended 30 June 2015, General Enterprise Management Services (HK) Limited ("GEMS") entered into an executive services agreement the Company from 1 January 2015. GEMS is the investment manager for ARF. Fees which were wholly accrued during the period amounted to \$200,000 (2014: \$Nil).

It should be noted that ARF has provided funding to AED on an ongoing basis under the terms of the Amended DOCA, and is entitled to receive full repayment of these funds as a priority (refer to Note 13 (a)). During the financial year ARF funding provided to AED Oil Limited amounted to \$1,422,730 (2014: \$2,158,410).

### 22. Subsequent Events after the Balance Date

Other than the following, the directors are not aware of any significant events since the end of the financial year.

#### **Arbitration Proceeds**

The Deed Administrators have determined the proceeds of the arbitration are an unsecured asset of the Company that must be distributed by them in accordance with the terms of the Amended DOCA. As at the date of this report an amount of \$5,557,790 has been distributed accordingly.

## Directors' Declaration

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In accordance with a resolution of the Directors of AED Oil Limited, I state that:

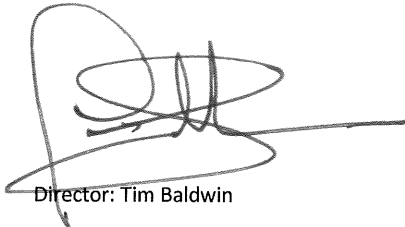
In the opinion of the Directors:

- (a) The financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. Complying with Accounting Standards as they apply on a non-going concern basis, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - ii. Giving a true and fair view of the consolidated entity's financial position at 30 June 2015 and of its performance, changes in equity and their cash flows, for the financial year ended on that date.
- (b)
  - i. The ongoing solvency of the Group is dependent on the Amended DOCA as detailed in note 2(b) of the financial statements; and
  - ii. Subject to the Amended DOCA as referred to in (b)(i) being successfully completed, there are reasonable grounds to believe that the Group will be able to pay its debts;
    - A. in accordance with the Amended DOCA arrangements, as detailed in Note 2(b);
    - B. as and when they become payable.
- (c) The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as they apply on a non-going concern basis.

The declaration has been made after receiving the declarations required to be made to Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

Without qualifying the above conclusion the Directors draw attention to the basis of preparation of the financial report set out in note 2(a).

On behalf of the Board



Director: Tim Baldwin

Date: 22 October 2015

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF

### AED OIL LIMITED

#### Report on the Financial Report

We have audited the accompanying financial report of AED Oil Limited, which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 of the consolidated entity comprising 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, as they apply on a non-going concern basis, 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 2(d), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AED Oil Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Basis for Qualified Opinion*

As disclosed in Note 11, the consolidated entity has a 40% interest in the EPPL – AED Oil Unincorporated Joint Venture ('Puffin Joint Venture'). The consolidated entity recognises its interest in the Puffin Joint Venture by recognising its share of assets, liabilities, revenues and expenses in the appropriate line items of the Statement of profit or loss and other comprehensive income and Statement of financial position. The financial statements of the Puffin Joint Venture for the years ended 30 June 2015 and 30 June 2014 have not been audited. We were, therefore, unable to obtain sufficient appropriate audit evidence in respect of both, the consolidated entity's share of assets and liabilities as reflected in Statement of financial position and disclosed in Note 11, and \$9,664,704 worth of related expenses and \$14,524,592 of income recognised in the profit or loss for the years ended 30 June 2015 and 30 June 2014, respectively. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

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

### *Emphasis of Matter*

Without further qualifying our opinion, we draw attention to Notes 2(a), 2(b) and 2(c) in the financial report which indicate that the company is in Administration and is subject to a Deed of Company Arrangement. The financial report has therefore not been prepared on a going concern basis and there is uncertainty regarding the values at which assets may be realised and liabilities may be extinguished.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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.

### *Opinion*

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



**RSM BIRD CAMERON PARTNERS**



**J S CROALL**

Partner

Melbourne, VIC

22 October 2015

## Shareholder and Other Information

Shareholder and Other Information as at the date of this report, 22 October 2015

### Ordinary Share Capital

239,779,144 paid ordinary shares are held by 6,839 individual shareholders.

### Distribution of Ordinary Shares

Number of members by size of holding and total number of shares on issue:

Ordinary Shares	No. of Holders	Securities	% Issued Capital
1 – 1,000	1,801	1,072,942	0.45
1,001 – 5,000	2,451	6,969,562	2.91
5,001 – 10,000	962	7,613,294	3.18
10,001 – 100,000	1,464	45,410,985	18.94
100,001 and over	161	178,712,361	74.53
<b>TOTAL</b>	<b>6,839</b>	<b>239,779,144</b>	<b>100.00</b>

### Substantial Shareholders

The 20 Largest Holders of Ordinary Shares	Shares	%
UBS WEALTH MANAGEMENT	43,277,879	18.05
NATIONS PETROLEUM COMPANY	36,000,000	15.01
UNION BANCAIRE PRIVEE	15,000,000	6.26
NATIONAL NOMINEES	15,000,000	6.26
HSBC CUSTODY NOMINEES	8,331,957	3.47
WINLEN PTY LTD	4,788,160	2.00
J P MORGAN NOMINEES AUSTRALIA	3,604,241	1.50
NATIONAL NOMINEES LIMITED	3,168,250	1.32
JP MORGAN NOMINEES AUSTRALIA	3,050,459	1.27
CITICORP NOMINEES PTY LIMITED	2,478,169	1.03
WISE PLAN PTY LTD	2,419,602	1.01
ERCEG ENTERPRISES PTY LTD	1,681,200	0.70
MR THOMAS IOVINO	1,584,573	0.66
DANSAR PTY LTD	1,538,521	0.64
SLAB-O-BEER PTY LIMITED	1,500,000	0.63
MR ROBERT AMIN	1,300,000	0.54
MR DAVID OXLADE	1,000,000	0.42
CAPRO PTY LTD	827,051	0.34
SAMANG NOMINEES PTY LTD	705,522	0.29
MR TREVOR SLATER	700,000	0.29
<b>TOTAL</b>	<b>147,955,584</b>	<b>61.69</b>

### Schedule of Interests in Petroleum Licenses (i)

Location	Tenement	%
Talbot Field, Timor Sea, Australia	AC/RL1	40
Puffin Field, Timor Sea, Australia	AC/L6 (ii)	40

- (i) Please refer to Note 11 with regard to the fact that AED has been issued with a Notice of Default in relation to these Interests.
- (ii) On 23 April 2015, the Commonwealth of Australia Gazette published a notice that a Petroleum Retention Lease AC/RL11 had been granted over the Puffin Field to have effect for 5 years from and including 21 April 2015. Due to the Notice of Default in relation to AC/L6, the Director's do not have any further information than this title change and as such, all references in this report continue to be to AC/L6.