

**Azonto Petroleum Limited**

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To: Company Announcements Office
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12 September 2014

ASX Code : APY

AIM Code: AZO

**Azonto Petroleum Limited
("Azonto" or the "Company")**

Results for Six months ended 30 June 2014

Azonto Petroleum Limited (ASX: APY and AIM: AZO), the West African focussed exploration and production company, announces its audited results for the six months to 30 June 2014.

Financial Overview (all amounts in A\$ unless otherwise specified):

- Net loss after tax of \$3.8 million
- Administrative expenses of \$5.2 million on gross basis but only \$3.4 million on a net basis (excluding share-based payments and depreciation) after income from services provided to Vioco
- Cash at period-end of \$8.4 million

Corporate Highlights

- Successfully progressed the development plans for the Gazelle gas field, working towards project sanction currently targeted for end 2014
- Updated Resources Report for the Gazelle Field completed by RPS Energy, confirming Azonto's internal estimates of the field's contingent resources
- Six month extension to the current exploration period granted for the Accra block in Ghana, enabling farm-out process to commence in June 2014
- Significant cost savings achieved through office relocations in London and Perth
- Management strengthened through appointment of Technical Director

Post-period Highlights

- Revised draft of Gazelle Field Development Plan submitted in July based on supply of gas directly to a new power plant to be constructed by state electricity company
- Discussions commenced with Ghanaian authorities over possible further extension of Accra exploration period to allow chance to complete the farm-out process

- Approval received from the Australian Government for the surrender of the licence for the WA-399-P exploration block with effect from 7 July, 2014.

Commenting on today's announcement, Azonto's Managing Director, Mr. Rob Shepherd said:

"The last six months has seen encouraging progress across the Company's assets. Most importantly, we have submitted the revised draft of the Field Development Plan for Gazelle and are targeting project sanction by the end of 2014, subject to the associated power project being on a similar schedule. The Accra Block dataroom has seen considerable interest and we are hopeful that we can extend the exploration period again to allow us the possibility of successfully completing the farm-out process. We have also been actively reviewing a number of new business opportunities and are making good progress in that regard. In summary, the period has seen a significant ramp up in activity and this is a trend expected to continue as we approach some key junctures in the coming months."

The full half-year financial report is available on Azonto's website: www.azpetro.com

Azonto Petroleum Ltd

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ABN 17 117 227 086

**Half-Year Financial Report
30 June 2014**

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Corporate Directory

Directors

Andrew Bartlett	Non-executive Chairman
Robert Shepherd	Managing Director
Andrew Rose	Executive Director and Chief Financial Officer
Gregory Stoupnitzky	Business Development Director
Andrew Sinclair	Senior Independent Non-executive Director and Deputy Chairman
Neil Hackett	Non-executive Director

Company Secretary

Neil Hackett
Andrew Rose

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Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Bankers

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The Royal Bank of Scotland
Queen's Cross Branch
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AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Corporate Directory (continued)

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Securities Exchange Listing

The Company is listed on the ASX Limited (ASX) and the Alternative Investment Market (AIM) on the London Stock Exchange.

Home branch: Perth, Western Australia
ASX Code: **APY**
AIM Code: **AZO**

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

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AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Directors' Report

Your Directors submit their report for the half-year ended 30 June 2014.

Directors

The names of the directors of Azonto Petroleum Limited ("Azonto" or "Company") in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Andrew Bartlett

Robert Shepherd

Andrew Rose

Appointed 3 March 2014

Gregory Stoupnitzky

Andrew Sinclair

Neil Hackett

Review and Results of Operations

Results

The net loss for the half year ended 30 June 2014 was \$3,781,173 (2013: \$166,109,920). The net loss for the six months to 30 June 2013 includes an impairment of exploration costs for Block CI-202 in Cote d'Ivoire of \$150,838,169 and exploration expenditure expensed of \$11,595,229 relating to the early termination of the contract for the use of the jack-up drilling rig that was due to arrive on Block CI-202 in May 2013. The impairment in Cote d'Ivoire arose as a consequence of the agreement to sell 65% of the Group's Cote d'Ivoire subsidiary Vioco Petroleum Limited ("Vioco", formerly Rialto Energy (Cote d'Ivoire) Limited) to Vitol E&P Limited ("Vitol").

Operations

CI-202 Cote d'Ivoire (Indirect Working Interest: 30.45%, Paying Interest: 35%)

Azonto holds a 35% ownership interest in Vioco, which holds an 87% operating working interest in offshore Block CI-202. Vioco's working interest will be reduced to 71% if the state oil company Petroci exercises its 16% back-in right. Vitol holds the remaining 65% of Vioco.

On 7 November 2013, Vioco was granted a new PSC for Block CI-202. The new PSC comprises a total area of 707 km². Block CI-202 contains the Gazelle gas field plus several other oil and gas discoveries together with a number of exploration and appraisal targets in water depths of 50 to 1,000 metres.

During the half-year, the following activities were undertaken on CI-202:

Gazelle Field Development

Vioco has continued to work closely with the relevant parties in Côte d'Ivoire, successfully progressing the development plans for the Gazelle gas field. A revised Field Development Plan was submitted in July 2014, based on the supply of gas directly to a new power plant, to be constructed by CI Energies (the state electricity company) adjacent to the Gazelle onshore gas processing facilities. Vioco is in discussions with CI-Energies to optimise the interfaces and schedule for the integration of the gas and power projects. The main terms of the gas sales contract have been agreed and the project team is working towards project sanction that is currently targeted for the end of 2014, subject to the power project being on a similar schedule. An updated Resources Report for the Gazelle Field has been completed by RPS Energy Services Pty Ltd ("RPS") and confirms Azonto's internal estimates of the field contingent resources.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Prospect Generation over the rest of the Block

The interpretation of the Pre-Stack Depth Seismic data is being completed, including the re-mapping of existing prospects and development of new prospects. The most attractive prospects will be made drill-ready, to allow for the possibility of an exploration well being included in the Gazelle drilling programme.

Offshore Accra Contract Area - Ghana

In March 2014 Azonto Petroleum (Ghana) Limited was granted a six month extension to the current exploration period which now terminates on 23 September 2014. The Accra block prospect inventory has been high graded and has identified substantial remaining prospectivity. A dataroom was opened in June 2014 with a view to finding new partners to support the progression into the next exploration period.

The dataroom has attracted considerable interest with a number of major oil companies having reviewed the technical data. Because further companies have expressed an interest in reviewing the data subject to further time being made available the Accra block partners are in discussions with Ghana National Petroleum Corporation ("GNPC") and the Ministry of Energy and Petroleum over the possibility of a further extension.

WA-399-P – Australia

Approval has now been received from the Australian government for the surrender of the licence for this exploration block with effect from 7 July 2014.

Financial Summary

Interest income for the six month period to 30 June 2014 was \$76,869 (2013: \$15,299) and other revenue was \$1,426,593 (2013: nil). Other revenue principally comprises income receivable from Vioco for services provided by Azonto to the CI-202 joint venture. The Group's total revenue for the six month period to 30 June 2014 was \$1,503,462 (2013: \$15,299).

Exploration expenditure for the six months to 30 June 2014 was nil (2013: \$11,595,229). The costs in the period to 30 June 2013 related to the early termination of a rig contract following the cancellation of the Company's 2013 drilling campaign in May 2013.

Impairment of exploration assets for 30 June 2014 was nil (2013: \$150,838,169). The impairment in the period to 30 June 2013 related to exploration and evaluation assets for Block CI-202 where the indicative terms under discussion with Vitol for the acquisition of a 65% interest in Vioco implied that the recoverable amount of assets attributable to Block CI-202 was less than the carrying value of those assets.

Administrative expenses for the six months to 30 June 2014 were \$5,156,389 (2013: \$3,823,020) net of expenses capitalised or recovered from partners of \$2,215,726 (2013: \$3,080,900). Within the gross expenses total employee and director compensation expense, excluding share-based payments, was \$2,351,096 (2013: \$3,570,514), and other general administrative costs were \$4,733,132 (2013: \$3,105,183). Employee and director compensation expense has decreased in 2014 compared with 2013 because 2013 contained severance payments associated with the corporate re-organisation which began in that period. Costs in the period to 30 June 2013 included an additional \$629,284 associated with the corporate re-organisation. In the six month period to 30 June 2014 share based payments were \$185,804 (2013: \$81,401). The higher share based expense is due to the timing of share option awards and performance rights granted to employees.

General and administrative costs overall have increased in 2014 compared with 2013 due to a significant increase in services provided to Vioco; however this was offset by income from Vioco in the form of charges for these services and a higher recovery of costs from partners.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

A pro-forma comparison of general and administrative expenses in the two periods on a gross (after adding back expenses capitalised to exploration expenditure or recovered from partners) and a net basis is shown below:

	2014	2013
	\$	\$
General and administrative expenses		
General and administrative expenses	5,156,389	3,823,020
Less share based payments	(185,804)	(81,401)
Less depreciation	(102,083)	(146,822)
	4,868,502	3,594,797
Add expenses capitalised to exploration expenditure or recovered from partners	2,215,726	3,080,900
Gross general and administrative expenses	7,084,228	6,675,697
Less income from Vioco	(1,426,593)	-
Less expenses capitalised to exploration expenditure or recovered from partners	(2,215,726)	(3,080,900)
Net general and administrative expenses	3,441,909	3,594,797

While gross general and administrative expenses increased in the period to 30 June 2014 owing to a higher level of activity, at the net level they were marginally lower.

Capitalised costs, including time spent by employees on exploration interests, are charged to the applicable exploration activities. Capitalised costs were lower in the current period than in 2013 due to the effects of the de-recognition of Vioco from the Group consolidation: service costs since the completion of the Vitol transaction which were originally capitalised to exploration expenditure are now included in other revenue as they are charged to Vioco. On the other hand costs recovered from partners increased in the period to 30 June 2014. Thus in cash flow terms underlying general and administrative expenses were significantly lower than in 2013, since recharges to Vioco and costs recovered from partners are paid in cash.

The gain on disposal of subsidiary of \$345,830 (2013: nil) relates to an adjustment to the loss on disposal of 65% of Vioco under the Vitol transaction and the de-recognition of Vioco from the Group consolidation recorded in the six month period to 31 December 2013.

The foreign currency loss for the six months ended 30 June 2014 was \$213,153 (2013: gain \$160,741). The movement is due to the strengthening of the Australian dollar during the period affecting the cash balances held in US dollars.

The net loss before tax was \$3,736,038 (2013: \$166,080,378) and the net loss after tax was \$3,781,173 (2013: \$166,109,920).

Cash and cash equivalents at 30 June 2014 were \$8,428,770 (30 June 2013: \$5,831,665). Net cash used in operations was \$3,740,074 (2013: \$14,199,634) and cash from exploration (investing) activities was \$2,924,012 (2013: cash used \$11,659,420).

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Corporate

Director and Senior Management Appointments and Resignations

Mr Andrew Rose - Executive Director and Chief Financial Officer

Mr Andrew Rose was appointed interim Chief Financial Officer on 27 August 2013, appointed Chief Financial Officer ("CFO") on 1 December 2013 and appointed Director on 3 March 2014. Mr Rose has over 12 years' experience as Chief Financial Officer of small quoted E&P companies. He was CFO of Burren Energy from 2001 until 2008, playing a key role in its IPO on the London Stock Exchange in 2003 and its eventual sale to ENI. From 2008 until 2012 he was CFO of the AIM-listed Gulfsands Petroleum. Prior to 2001 he spent 20 years as an investment banker in London, culminating as Co-Head of Corporate Finance for Emerging Europe, Middle East & Africa at Société Générale, and previously holding positions at ING Barings, JP Morgan, Natwest and HSBC. Andrew holds a Bachelor Degree in Engineering from Cambridge University.

Mr Gert-Jan Smulders – Technical Director

Mr. Gert-Jan Smulders was appointed Technical Director, but not a Board member, effective from early May 2014. Mr. Smulders joined from Tullow Oil where he spent eight years in a range of positions with a primary focus on West Africa. He gained a BSc and MSc in Advanced Mechanical Engineering from Imperial College and spent fourteen years with Shell, holding various management positions in Brazil before becoming Project Manager in Nigeria.

He joined Tullow Oil plc in 2006 as General Manager of Bangladesh and became Interim General Manager in Ghana in 2008. Since 2009 he has been based in London, first as Group Engineering & Production Manager and most recently as North & Central West Africa Development Manager where he played an active part in the evaluation of acquisition opportunities across West Africa ranging from exploration through to development opportunities.

Equity Issues

During the period 2,860,000 Performance Rights were converted to 2,860,000 Ordinary Shares for nil consideration pursuant to the Azonto Petroleum Limited Performance Right Plans.

Changes in State of Affairs

During the half year ended 30 June 2014 there was no significant change in the entity's state of affairs other than that referred to in this Directors' report, the half year financial statements or notes thereto.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, which is included on page 5.

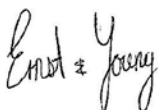
Signed in accordance with a resolution of the Directors.

Rob Shepherd
Managing Director

12 September 2014

Auditor's independence declaration to the Directors of Azonto Petroleum Ltd

In relation to our review of the financial report of Azonto Petroleum Ltd for the half-year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



R J Curtin
Partner
Perth
12 September 2014

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Consolidated Statement of Comprehensive Income For the half-year ended 30 June 2014

		For the half year ended 30 June 2014	For the half year ended 30 June 2013
	Notes	\$	\$
Continuing operations			
Interest revenue		76,869	15,299
Other revenue		1,426,593	-
		1,503,462	15,299
Exploration expenditure		-	(11,595,229)
Impairment of exploration asset		-	(150,838,169)
General and administrative expenses	4	(5,156,389)	(3,823,020)
Gain on disposal of subsidiary	7	345,830	-
Share of loss of a joint venture	9	(215,788)	-
Foreign exchange gain/(loss)		(213,153)	160,741
Loss from continuing operations before income tax		(3,736,038)	(166,080,378)
Income tax expense	5	(45,135)	(29,542)
Net loss for the period		(3,781,173)	(166,109,920)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Foreign currency translation:			
Arising during the year		(791,989)	5,992,126
Share of joint venture reserves		(1,792,963)	-
<i>Items that will not be reclassified subsequently to profit and loss:</i>			
Foreign currency translation attributable to non-controlling interests		10,356	(5,447)
Other comprehensive income/(loss) for the period, net of tax		(2,574,596)	5,986,679
Total comprehensive loss for the period		(6,355,769)	(160,123,241)
Loss for the period is attributable to:			
Non-controlling interest		(109,595)	(4,668)
Owners of the parent		(3,671,578)	(166,105,252)
		(3,781,173)	(166,109,920)
Other comprehensive loss for the period is attributable to:			
Non-controlling interest		10,356	(5,447)
Owners of the parent		(2,584,952)	5,992,126
		(2,574,596)	5,986,679
Earnings per share		Cents per share	Cents per share
- basic loss per share attributable to owners of the parent		(0.32)	(24.34)
- diluted loss per share attributable to owners of the parent		(0.32)	(24.34)

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Consolidated Statement of Financial Position As at 30 June 2014

	Notes	30 June 2014 \$	31 December 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	8,428,770	9,430,190
Trade and other receivables		2,048,949	6,406,391
Other current assets		75,814	92,203
Total current assets		10,553,533	15,928,784
Non-current assets			
Exploration and evaluation	7	11,373,245	12,106,932
Property, plant and equipment		332,379	316,633
Investment in a joint venture	9	29,057,131	30,821,480
Total non-current assets		40,762,755	43,245,045
TOTAL ASSETS		51,316,288	59,173,829
LIABILITIES			
Current liabilities			
Trade and other payables		1,713,971	3,333,092
UK income tax payable		204,614	273,069
Other current liabilities		-	-
Total current liabilities		1,918,585	3,606,161
Non-current liabilities			
Other payables		-	-
Total non-current liabilities		-	-
TOTAL LIABILITIES		1,918,585	3,606,161
NET ASSETS		49,397,703	55,567,668
EQUITY			
Issued capital	10	231,717,170	231,717,170
Performance shares	10	9,994,250	9,994,250
Reserves		12,581,547	14,980,695
Accumulated losses		(209,411,103)	(205,739,525)
Parent interest		44,881,864	50,952,590
Non-controlling interest		4,515,839	4,615,078
TOTAL EQUITY		49,397,703	55,567,668

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Consolidated Statement of Cash Flows For the half year ended 30 June 2014

	Notes	For the half year ended 30 June 2014 \$	For the half year ended 30 June 2013 \$
Cash flows from operating activities			
Receipts from customers		2,576,906	-
Payments to suppliers and employees		(6,212,986)	(3,934,285)
Payment for drilling rig cancellation		-	(10,300,161)
Interest received		5,583	15,360
Income tax repaid		(109,577)	19,452
Net cash flows from/(used in) operating activities		(3,740,074)	(14,199,634)
Cash flows from investing activities			
Purchase of property, plant & equipment		(120,251)	(9,237)
Proceeds from the sale of interest in Azonto Ghana		-	525,469
Proceeds from disposal of subsidiary	7	3,430,160	-
Payments to Joint Venture		(244,402)	-
Payment for exploration expenditure		(141,495)	(12,175,652)
Net cash flows from/(used in) investing activities		2,924,012	(11,659,420)
Cash flows from financing activities			
Proceeds from issue of shares		-	858,445
Payments for capital raising		-	(119,113)
Lease repayments		-	(6,869)
Net cash flows from/(used in) financing activities		-	732,463
Net decrease in cash and cash equivalents		(816,062)	(25,126,591)
Net foreign exchange differences		(185,358)	625,087
Cash and cash equivalents at beginning of the period		9,430,190	30,333,169
Cash and cash equivalents at end of the period	6	8,428,770	5,831,665

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Consolidated Statement of Changes in Equity For the half-year ended 30 June 2014

	Share capital	Performance share	Employee equity benefits reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2014	231,717,170	9,994,250	14,190,779	(2,427,566)	3,217,482	(205,739,525)	50,952,590	4,615,078	55,567,668
Loss for period	-	-	-	-	-	(3,671,578)	(3,671,578)	(109,595)	(3,781,173)
Other comprehensive loss	-	-	-	-	(2,584,952)	-	(2,584,952)	10,356	(2,574,596)
Total comprehensive loss for the year	-	-	-	-	(2,584,952)	(3,671,578)	(6,256,530)	(99,239)	(6,355,769)
Transactions with owners in their capacity as owners									
Share based payments	-	-	185,804	-	-	-	185,804	-	185,804
At 30 June 2014	231,717,170	9,994,250	14,376,583	(2,427,566)	632,530	(209,411,103)	44,881,864	4,515,839	49,397,703

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT
Consolidated Statement of Changes in Equity (continued)
For the half-year ended 30 June 2013

	Share capital	Performance share	Employee equity benefits reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2013	218,591,753	9,994,250	14,295,973	(4,136,533)	(6,357,935)	(33,505,254)	198,882,254	-	198,882,254
Loss for period	-	-	-	-	-	(166,105,252)	(166,105,252)	(4,668)	(166,109,920)
Other comprehensive income	-	-	-	-	5,992,126	-	5,992,126	(5,447)	5,986,679
Total comprehensive loss for the year	-	-	-	-	5,992,126	(166,105,252)	(160,113,126)	(10,115)	(160,123,241)
Transactions with owners in their capacity as owners									
Transaction costs of issuing shares	(119,113)	-	-	-	-	-	(119,113)	-	(119,113)
Share based payments	-	-	81,401	-	-	-	81,401	-	81,401
Share rights cash settled	-	-	(243,323)	-	-	-	(243,323)	-	(243,323)
Sale of 22.04% of Azonto Petroleum (Ghana) Limited	-	-	-	(805,150)	-	-	(805,150)	1,330,619	525,469
At 30 June 2013	218,472,640	9,994,250	14,134,051	(4,941,683)	(365,809)	(199,610,506)	37,682,943	1,320,504	39,003,447

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

1. Corporate Information

The half year financial report of the Group for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 12 September 2014.

Azonto Petroleum Limited is a company incorporated and domiciled in Australia. It is listed on the Australian Securities Exchange and the Alternative Investment Market (AIM) on the London Stock Exchange.

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

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

This half-year financial report for the period ended 30 June 2014 is a general purpose condensed financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2013 and considered together with any public announcements made by Azonto Petroleum Limited during the half-year ended 30 June 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 31 December 2013. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis as the Directors are of the opinion that the Group can meet its obligations as and when they fall due.

The Group is in the process of evaluating the future funding requirements of the Gazelle field development operated by Vioco. Depending on the final budget for the Gazelle project and the amount of loan finance which Vioco is able to raise for this purpose, it is possible that additional capital contributions to Vioco may be required from its shareholders. However, at the date of this report the Group has no firm commitments for this funding requirement. In addition Vioco has an obligation under the terms of the CI-202 production sharing contract to drill an exploration well, subject to minimum gross expenditure of US\$35 million, by November 2016. Azonto's share of the commitment is 35%.

Given the above factors, and the broad range of new investment opportunities which the Group is currently evaluating, the Directors recognise that the Company will need to raise additional finance in the foreseeable future, to pursue projects that have expenditure commitments beyond twelve months from the date of the financial report.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

2. Summary of Significant Accounting Policies (continued)

(d) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

- Interest income is recognised as it accrues using the effective interest method.
- Revenue from personal and rental services rendered to the Vioco Joint Venture is recognised in the statement of comprehensive income by reference to the services that have been billed or are billable as at the reporting date.

3. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 31 December 2013.

Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group is equal to their carrying value.

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the group as at 30 June 2014:

	Loans and receivables	
	30 June 2014	31 December 2013
	\$	\$
Financial assets:		
Trade and other receivables	2,048,949	6,406,391
Other current assets	75,814	92,203
	<u>2,124,763</u>	<u>6,498,594</u>
Financial liabilities:		
Trade and other payables	<u>1,713,971</u>	<u>3,333,092</u>

A payment of \$2.7m (US\$2.5m), part of the consideration for a 25% acquisition in of Azonto Petroleum Limited in December 2010, which is payable on the achievement of the production milestone of 1MMstb of net crude oil production from Block CI-202 had nil carrying value and nil fair value at the balance date.

7. Exploration and Evaluation
Exploration and evaluation

	30 June 2014	31 December 2013
	\$	\$
Opening balance at 1 January 2014	12,106,932	39,207,570
Exploration expenditure during the period	(38,516)	4,185,928
Impairment	-	(96,980)
Disposal of Block CI-202 PSC	-	(30,335,241)
Effects of foreign currency on translation	(695,171)	(854,345)
Closing balance	11,373,245	12,106,932

Exploration and evaluation

CI-202 - Cote d'Ivoire	-	-
WA-399-P – Western Australia	-	-
Accra Block - Ghana	11,373,245	12,106,932
Closing balance	11,373,245	12,106,932

During the period to 31 December 2013 the Group completed the disposal of 65% of Vioco Petroleum Limited, which holds the Block CI-202 PSC, to Vitol E&P Limited ("Vitol"). The transaction meant that the assets and liabilities of Vioco Petroleum Limited were required to be derecognised from the Group consolidation and accounted for as a joint venture using equity accounting. In the period to 31 December the Group included a loss of \$3,393,619 on the disposal. In the period to 30 June 2014 the Company has included a gain of \$345,830 on the disposal due to the reversal of accruals included in the prior period. Also in the current period the Company received cash of \$3,430,161 from Vioco for the sale of inventory included as part of the disposal.

The current exploration term under the Accra Block Production Sharing Contract expires on 23 September 2014. At the date of this report the company is in negotiations with the Ghana National Petroleum Corporation ("GNPC") and the Ministry of Energy and Petroleum for a further extension to the current exploration period. Should this extension not be granted and the company does not elect to enter into the next term of the Production Sharing Contract, and therefore no longer has the right to tenure over the Accra Block the carrying value of the Accra block will be written off.

In the period to 31 December 2013 the Group has included an impairment for licence WA-399-P of \$96,980, as the Group is in the process of relinquishing the licence.

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

8. Commitments

The Company has the following commitments:

Rental lease

The Group has the following obligations in respect of non-cancellable operating rental lease commitments:

- Later than one year but not more than five years – \$559,955 (£309,375)

Accra Block

The work programme for the twelve months to 23 March 2014 included drilling one well. The commitment was completed during the period to 31 December 2013, and there are no further commitments during the current licence period.

9. Interests in Joint Arrangements

The Group has an interest in the following joint arrangements:

Project	Activities	Equity interest		Carrying value	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
		%	%	\$	\$
WA-399-P	Oil and gas exploration	12	12	-	-
Accra Block	Oil and gas exploration	28.28	7.07	11,373,245	12,106,932
Vioco	Oil and gas exploration	35	35	29,057,131	30,821,480

The Group's aggregate interests in the assets and liabilities of the joint operations are reflected in the following asset categories in the financial statements. The commitments in respect thereto are referred to in Note 8 and below.

Since the period end Block WA-399-P has been relinquished.

Joint Operation

Accra Block

Exploration and evaluation

Consolidated	
30 June 2014	31 December 2013
\$	\$
11,373,245	12,106,932

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

9. Interests in Joint Arrangements (continued)

During the period to 31 December 2013 the Group completed the transaction with Vitol where Vitol acquired 65% of Vioco Petroleum Limited (“Vioco”). The transaction has led to the de-recognition of Vioco from the group’s consolidated financial statements. The Group’s remaining 35% interest is now accounted for as a joint venture using the equity method. Vioco is registered in the British Virgin Islands and has its principal place of business in the Cote d’Ivoire. The following table summarises the financial information of the Group’s investment in Vioco Petroleum Limited at 30 June 2014:

	Consolidated	
	30 June 2014	31 December 2013
	\$	\$
Investment in joint venture – Vioco Petroleum Limited	29,057,131	30,821,480
Reconciliation of movement in investments accounted for using the equity method:		
Opening balance	30,821,480	-
Fair value of retained interest	-	28,292,431
Investment in the period	244,402	521,532
Share of loss for the period	(215,788)	(76,890)
Share of foreign currency translation reserve movement	(1,792,963)	2,084,407
Balance at 30 June 2014	29,057,131	30,821,480
Summarised financial information of joint venture:		
Financial position		
Cash and cash equivalents	3,154,386	3,013,340
Other current assets	4,493,186	4,609,733
Current assets	7,647,572	7,623,073
Non-current assets	92,051,424	90,297,491
Current liabilities	(16,413,203)	(9,577,439)
Non-current liabilities	(265,421)	(281,753)
Net assets	83,020,372	88,061,372
Group’s share of net assets	29,057,131	30,821,480
Financial performance		
Total revenue	-	-
Depreciation	21,609	7,214
Interest income	1,292	115
Interest expense	197,799	-
Income tax payable	-	-
Total loss for the period	(616,536)	(219,686)
Other comprehensive income	5,122,753	5,955,451
Total comprehensive income	4,506,217	5,735,765
Group’s share of total loss for the period	(215,788)	(76,890)

Capital commitments

Under the CI-202 PSC, Vioco’s current minimum work obligations for the first three year exploration period to 7 November 2016 comprise geological and geophysical studies plus one well, subject to a minimum expenditure of US \$35 million, and a commitment for \$0.5 million of social expenditure. The Azonto share of these commitments is 35%.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

10. Contributed Equity

(a) Share capital

Ordinary shares fully paid

30 June 2014	31 December 2013
\$	\$
231,717,170	231,717,170

(b) Movements in ordinary shares on issue

Balance at 1 January 2014

Conversion of performance rights to ordinary shares

Balance at 30 June 2014

Number	\$
1,155,765,100	231,170,170
2,860,000	-
1,158,625,100	231,170,170

(c) Movements in performance shares on issue

Balance at 1 January 2014

Balance at 30 June 2014 (a)

15,000,000	9,994,250
15,000,000	9,994,250

- (a) The contractual rights of the performance shares are subject to the issue of an independent reserve report delineating mean reserves in excess of 40 million barrels of oil equivalent. On achievement of the milestone, the contractual rights will convert to ordinary shares on a one to one basis.

11. Share Based Payments

During the period the following performance rights were granted to directors and employees:

Grant date	Grant date fair value	Number issued	Vesting date (see below)
13-Jun-2014	0.018	21,895,404	18-Dec-2017
13-Jun-2014	0.007	44,454,305	18-Dec-2017

The Performance Rights granted in the period to 30 June 2014 will vest subject to the satisfaction of certain performance criteria. The Rights are split into two tranches.

Tranche 1 will vest on the achievement of two strategic milestones (Tranche 1 Vesting Conditions):

- all government and partner approvals, offtake, supply and service contracts, financings and other necessary conditions for the Gazelle field development project to proceed having been obtained and agreed and Vioco having taken the Final Investment Decision to proceed with the project; and
- the first delivery of gas from the Gazelle field to the Cote d'Ivoire state electricity company (or other agreed purchaser) having been made under stabilised flow rate conditions.

In the event not all Tranche 1 Vesting Conditions are satisfied by 18 December 2017, the Board may resolve that a proportion of the Tranche 1 Performance Rights will vest based on the degree of progress towards satisfaction of the Tranche 1 Vesting Conditions that has been achieved.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

11. Share Based Payments (continued)

Tranche 2 will vest on the achievement of share price targets subject to the Board being satisfied by 18 December 2017 with the overall financial, strategic and HSE performance of the Company (Final Performance Hurdle). The share price targets are as follows:

- (i) 25% of the Tranche 2 Performance Rights will vest if the Company's Share price reaches \$0.05 per Share by 18 December 2017;
- (ii) a further 25% of the Tranche 2 Performance Rights will if the Company's Share price reaches \$0.07 per Share by 18 December 2017; and
- (iii) the remaining 50% of the Tranche 2 Performance Rights will vest if the Company's Share price reaches \$0.09 per Share by 18 December 2017.

The fair values of the performance rights were determined using a Monte Carlo valuation model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the rights. Expected volatility was calculated based on the historic volatility of a peer group of Companies over a period commensurate with the expected life of the awards. The inputs to the model for the period to 30 June 2014 used were:

Grant date	13-Jun-14 Tranche 1	13-Jun-14 Tranche 2
Dividend yield (%)	-	-
Expected volatility (%)	69.09%	69.09%
Risk-free interest rate (%)	2.95%	2.95%
Expected life of options (yrs.)	3.52	3.52
Rights exercise price (\$)	-	-
Share price at grant date (\$)	\$0.018	\$0.018
Fair value at grant date (\$)	\$0.018	\$0.007

No performance rights were granted during the half year ended 30 June 2013.

12. Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 30 June 2014 and 30 June 2013 as well as balances with related parties as at 30 June 2014 and 31 December 2013:

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Joint venture:		\$	\$	\$	\$
Vioco Petroleum Limited	2014	3,201,473	-	1,007,695	-
	2013	407,685	-	4,781,246	
Key management personnel of the group:					
Giant Capital Management Limited	2014	-	56,283	-	9,555
	2013	-	-	-	-

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The sales to Vioco are partly included in other revenue (\$1,426,593) and partly in general and administrative expenses as expenses recovered from partners (\$1,774,880).

13. Segment Reporting

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group’s activities relate to oil and gas exploration.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

All material non-current assets for the Group are located in the Cote d’Ivoire or Ghana and all material interest revenue was earned in Australia or Europe.

14. Events after the reporting date

There have been no events subsequent to the end of the reporting date and the date of the financial report that have not been recognised in the financial report.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Directors' Declaration

In accordance with a resolution of the directors of Azonto Petroleum Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at 30 June 2014 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in dark ink, appearing to read 'Rob Shepherd', followed by a horizontal line.

Rob Shepherd
Managing Director

12 September 2014

Independent review report to the members of Azonto Petroleum Ltd

We have reviewed the accompanying half-year financial report of Azonto Petroleum Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Azonto Petroleum Ltd and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

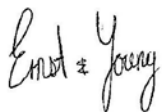
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Azonto Petroleum Ltd is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



R J Curtin

Partner

Perth

12 September 2014