OGI GROUP LTD

FORMERLY GOLDEN GATE PETROLEUM LTD

ABN 34 090 074 785

and controlled entities

Financial Report
30 June 2014

CORPORATE DIRECTORY

DIRECTORS	Chris Ritchie (Executive Director) Mark Freeman (Non-Executive Director) Ian Daymond (Non-Executive Director)
SECRETARY	Chris Ritchie
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AUSTRALIAN SECURITIES EXCHANGE CODES	OGI (Ordinary Shares) OGIOA (Listed Options) OGIOB (Listed Options)

CONTENTS

DIRECTORS' REPORT

The Directors of OGI Group Ltd ("OGI" or "the Company") present their report and the financial report of OGI and the entities it controlled ("the Consolidated Entity") at the end of, or during the year ended 30 June 2014. The financial report was authorised for re-issue by the Directors on 1 October 2014. The Company has the power to amend and reissue the financial report.

1. DIRECTORS AND COMPANY SECRETARY

The Directors of the Company at any time during or since the end of the financial year are as follows. Directors were in office for the entire period unless otherwise stated.

Chris Ritchie, B.Bus Acc, Grad Dip Int. Bus., FCPA FGIA (Executive Director <Appointed 14 November 2013> & Company Secretary)
Mr Ritchie is a CPA with over twenty five (25) years' experience in ASX listed companies. Mr Ritchie has experience in the energy & resources sector with several of Australia's largest engineering contractors and services companies in the financial management of the construction of major oil and gas infrastructure projects. Mr Ritchie is a Fellow of CPA Australia and a Fellow of the Governance Institute of Australia. During the past three years, Mr Ritchie has not served as a director of any other listed companies.

Mark Freeman B Com, Grad Dip App Finance, (Non-Executive Director) – Appointed 30 July 2014
Mr Freeman is a Chartered Accountant and has more than 18 years' experience in corporate finance and the resources industry. He has experience in strategic planning, business development, acquisitions and mergers, and project development general management. Prior experience with , Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources NL and Matra Petroleum Plc. Mr Freeman is presently Managing Director of Grand Gulf Energy Ltd (ASX: GGE).

During the last three years, Mr Freeman has been a director of Quest Petroleum NL, Macro Energy Ltd and is currently a director of Tamaska Oil & Gas Ltd and Grand Gulf Energy Ltd.

Ian Daymond BA LL.B – Appointed 30 July 2014
Mr Daymond is a solicitor and consultant with more than 35 years as an external or in-house lawyer in the mining and resources area. He was General Counsel and Company Secretary of Delta Gold Ltd for over 11 years which saw the company grow from a small gold explorer into one of the largest gold producers in Australia with significant platinum and gold mining interests in southern Africa. Mr Daymond has significant independent director experience, having served as a non-executive director of the International Base Metals Ltd with substantial copper interests in Namibia and is the former chairman of ElDore Mining Corporation Ltd (ASX:EDM), ActiveEX Ltd (ASX:AIV) and Copper Range Ltd (ASX: CRJ) and a former non-executive director of Hill End Gold Ltd. Mr Daymond was the national chairman of the Australia-Southern Africa Business Council for 3 years and has substantial business, legal and corporate government precious, base metals and diamond projects, not only in Australia but also in southern Africa over the past 25 years. He is currently the Honorary Consol in NSW for the Republic of Botswana and a member of the Australia Africa Mining Industry Group which promotes corporate social responsibility principles amongst Australian mining companies with activities in Africa.

During the last three years, Mr Daymond has not served as a director of any other listed company.

Christopher Porter BSc (Hons) Geology, MSc Petrophysics (Non-Executive Director) - Resigned 30 July 2014
Mr Porter has extensive senior management and consulting geological experience in the oil & gas industry, working with such companies as Phillips Petroleum, Western Mining Corporation ("WMC") and Santos Limited. Mr Porter initiated WMC's oil and gas section and prior to leaving was General Manager, having established hydrocarbon reserves in the Cooper Basin and production offshore from Western Australia. Mr Porter was a non-executive director of the ASX listed oil & gas company Cooper Energy Limited from 2002 to 2011. During the past three years, Mr Porter has not served as a director of any other listed companies.

Robert Oliver BE Mechanical Engineering (Hons) (Non-Executive Director) – Resigned 30 July 2014
Mr Oliver has extensive operational experience in the oil & gas industry. He has worked on drilling and completion work internationally for BHP Billiton in the Middle East and West Africa, Exxon in the USA and Esso in the UK and Australia. Mr Oliver's management experience includes completion work involving fracture stimulation programs and other similar activities. Mr Oliver's industry course work has included horizontal and extended reach practices, production and reservoir engineering and log interpretational work. During the past three years, Mr Oliver has not served as a director of any other listed companies.

DIRECTORS' REPORT

Stephen Graves BA Economics (Cum Laude), MBA (Executive Chairman) – Resigned 14 November 2013
Mr Graves has over thirty years' experience in the oil and gas industry both in Australia and overseas. Previously Mr Graves was Executive Chairman of Orchard Petroleum Ltd. Orchard Petroleum was transformed from a purely exploration company to a company with reserves and production that was eventually taken over in April 2007. Mr Graves was instrumental in this transformation. Prior to Orchard, Mr Graves worked for Mobil Corporation and affiliated companies for twenty three (23) years. He has also been an independent consultant to the energy industry, a senior consultant to Ernst & Young and has extensive experience with funding infrastructure projects. During the past three years, Mr Graves has not served as a director of any other listed companies.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the current directors in the shares and options of the Company were:

	Ordinary Shares	Listed Options	Un-Listed Options	Expiry	Exercise price ($)
Chris Ritchie	-	-	-	-	-
Mark Freeman	-	-	-	-	-
Ian Daymond	-	-	-	-	-

Directors' meetings

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

Director	A	B
Chris Ritchie	8	8
Christopher Porter	12	12
Robert Oliver	12	12
Stephen Graves	6	6
Mark Freeman	-	-
Ian Daymond	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

The Company does not have separate audit, remuneration, ethical standards or diversity committees and these matters are addressed at board meetings when required.

2. OPERATING AND FINANCIAL REVIEW

Overview of the consolidated entity

The Company had a very disappointing year culminating in the decision to sell the Company's principal asset in the Permian Basin and to commence to restructure the Company for future success. The Company changed its name to OGI Group Ltd and underwent a 25:1 share consolidation as the initial steps of this restructure. Subsequent to year-end the Company announced its intention to acquire (subject to shareholder approval) two diamond prospecting and exploration licences in Mozambique and expects to commence bulk sampling of this mining project prior to the end of the current calendar year.

Operations

The Company continued to operate in extremely challenging capital markets for small cap mining companies. In addition, a legal action over the Permian leases was a substantial impediment to the development of the Company's Permian Project. Due to funding constraints the Company was unable to frac the SRH#6 well or continue to hold the Permian leases through continued exploration and development. As a result, the Company elected to sell the leasehold interest that it had earned through the development of the SRH#1 through to SRH #5 wells.

The Hensarling #1 well at the Napoleonville Project commenced commercial production on 3 July 2013 and continued to produce throughout the year. The Company has a 3.99% working interest in this well.

The Dugas & Leblanc #3 well and the Sugar Valley #1 well continued on production during the year.

Please refer to the Review of Operations for a more detailed review of the year's operations.

Financial

The consolidated net loss for the economic entity for the year ended 30 June 2014 was $23,444,116 (2013: $5,528,461).

The consolidated net loss is as a result of the impairment of the Company's development and exploration assets principally associated with the Permian project. Total impairment charges for the financial year were $20,980,552 (2013: $1,185,492).

A loss on disposal of the Permian leases of $353,633 was also recorded due to title and environmental defects agreed during the sale due diligence process.

In addition the Company elected to impair a receivable associated with the sale of the Permian leases of $544,247 (US$500,000). This amount relates to a litigation holdback in which the Company has until March 2015 to resolve the legal action across the Permian leases. While the Company will continue to make every effort to resolve this action, it is considered prudent to impair the amount as at 30 June 2014.

Total overheads were reduced by $1,061,059 or 39% compared with the previous financial year.

Total assets decreased from $29,752,583 in 2013 to $3,768,423 in 2014 a decrease of 87%, and net assets have decreased from $22,424,333 in 2013 to ($413,304) in 2014, a decrease of 102%.

The Company still faces significant challenges in its restructuring, even after paying down its trade and other payables from $5,050,262 in 2013 to $1,764,425 in 2014 through the proceeds of the sale of the Permian leases. The Company is greatly encouraged by the show of support by shareholders and convertible note holders in assisting to stabilise and strengthen the Company's Balance Sheet. Subsequent to 30 June 2014 $425,000 of Series 3 convertible notes were converted into ordinary shares and the Series 1 & 2 convertible notes were extended through to 31 December 2014.

Strategy and investments for future performance

The Company has elected to withdraw from the oil and gas industry in the United States, but will continue to hold its current working interest portfolio of wells in the Napoleonville and Bowtie West projects, although subject to a future financial review, may liquidate these holdings.

The Company has announced its intention to acquire majority working interests in two diamond prospecting and exploration licences in Mozambique that are downstream from the world-class Murowa and Marange diamond fields in Zimbabwe.

The acquisition of these leases will result in a change in the Company's nature and scale of activities, and will require shareholder approval under Chapter 11 of the ASX Listing Rules as well as requiring the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Company expects to despatch to shareholders as soon as practicable a Notice of Meeting and Prospectus that will detail the Company's future strategy for the development of the diamond prospecting and exploration licences.

Performance indicators

The board and management team work together in preparing strategic plans and budgets. Key performance indicators identified from the plans and budgets are used to monitor performance.

Dynamics of the business

Production	2014	2013	2012	2011	2010
Oil (BBL)	24,132	29,977	30,699	26,306	58,624
Gas (MMCF)	69	89	105	40	106
Condensate (Gal)	-	266,703	201,522	-	-
Sales Revenue (AUD$)	2,948,648*	3,491,266	3,696,947	2,698,372	5,812,483

* includes revenue from discontinued operations

3. PRINCIPAL ACTIVITIES

The principal activities of the entities within the Consolidated Entity during the financial year were hydrocarbon production and exploration in the Gulf Coast region of the United States of America. On 11 June 2014 the Company completed the sale of its primary asset in Texas.

4. RESULTS

The net loss after income tax of the Consolidated Entity for the financial year ended 30 June 2014 totalled $23,444,116 (2013: $5,528,461).

5. DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year, or to the date of this report.

6. CORPORATE STRUCTURE

The Company is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated report incorporating the entities that it controlled during the financial year.

7. EARNINGS PER SHARE

The basic loss per share for the Company for the year 2014 was 1.69 (2013: 3.73) cents per share from continuing operations.

8. EMPLOYEES

At the end of the year, the Company had one (1) full time employee (2013: six (6)).

9. SHARE OPTIONS

Shares issued as a result of the exercise of options

No options were exercised either in the current or previous year.

Un-issued Shares

As at the date of the report, there were un-issued ordinary shares under option.

Number of Options	Listed / Unlisted	Exercise Price	Expiry Date
6,923,082	Listed	$1.25	31-Dec-2014
25,849,847	Listed	$0.50	31-Dec-2014
1,800,000	Unlisted	$0.50	19-Mar-2016
400,000	Unlisted	$0.06	19 Apr-2016
1,000,000	Unlisted	$0.03	22-May-2016
440,000	Unlisted	$0.0375	27-Jun-2016
536,000	Unlisted	$0.03	31-Jul-2016
524,445	Unlisted	$0.0275	6-Sep-2016
37,473,374			

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company. All options (if exercised) would convert at a ratio of 1 fully paid ordinary share for every 1 option.

10. REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors, executives and key management personnel of the company in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report key management personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

The remuneration report is set out under the following main headings:

A. Principles of compensation
B. Service agreements
C. Details of remuneration
D. Share based compensation

A. Principles of compensation

The remuneration policy of the company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and directors to run and manage the Consolidated Entity. The key management personnel of the Company are the executive and non-executive directors, company secretary and officers of the parent entity. For the purposes of this report, the term 'executive' encompasses the executive directors and officers of the Consolidated Entity. The board's policy for determining the nature and amount of remuneration for board members and key management personnel of the Consolidated Entity is as follows:

Remuneration structure

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

Fixed remuneration

The remuneration policy, setting the terms and conditions for the executive directors and key management personnel, was developed by the board. All key management personnel are remunerated either as an employee or on a consultancy basis based on services provided by each person. The board reviews key management personnel packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of director fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in employee option plans that may exist from time to time.

Variable remuneration – short term incentive (STI)

There is currently no variable short term incentives provided to management in the form of a STI or bonus program. The board is of the opinion that the variable long term remuneration provided to directors and executives is sufficient to align the interest of management with shareholders.

Variable remuneration – long term incentive (LTI)

Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. Currently there are no long term incentives provided to management. The board as a whole agrees upon an appropriate level of remuneration incentive for each director, which then requires shareholder approval, relative to their involvement in the management of the Consolidated Entity. The main performance criteria of the LTI remuneration is increasing shareholder value through aligning the company with high quality exploration assets, which in turn should increase share price. There are no specific performance hurdles attached to options issued to directors, however, the exercise price of options is set at a level that encourages the directors to focus on share price appreciation. The Company believes this policy will be effective in increasing shareholder wealth. On the resignation of directors, the options issued as remuneration are retained by the relevant party for a period of 21 days, following which if they are unexercised the options terminate. For details of directors and key management personnel interests in options at year end, refer section D.

Executive remuneration is not linked to either long term or short term performance conditions. The board will continue to monitor this to ensure that it is appropriate for the Company in future years. Consequently, remuneration of executives is determined with reference to the operations of the Company.

The net loss of the Company for the financial year 30 June 2014 after income tax amounted to $23,444,116 (2013: $5,528,461). The Company has elected to cease exploration and development in the oil and gas industry in the United States and has suffered significant impairment write-downs in the current financial year as a result of this decision and the sale of the Company's primary asset.

The board may exercise discretion in relation to approving incentives such as bonuses or options. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.

The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Voting and comments made at the Company's last Annual General Meeting

OGI Group Ltd received more than 94% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2013. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Shareholder returns

The following table shows the last five years' financial performance against shareholder returns as measured by the closing share price at 30 June each year.

	2014	2013	2012	2011	2010
Product sales revenue	2,948,648	3,491,266	3,696,947	2,698,372	5,812,483
Net loss attributable to members of OGI Group Ltd	23,444,117	5,528,461	4,766,272	7,256,120	15,208,084
Basic EPS (cents)	(12.43)	(4.6)	(6.5)	(15.3)	(64.5)

Share price over the last 5 years

The above graph indicates the five year share price of the Company's ordinary shares against the ASX Energy 200 index.

As at 30 June 2014 the closing share price was at 0.3 cents per share.

B. Service arrangements

Details of key management personnel

(i) Directors

Chris Ritchie - Executive Director (appointed 14 November 2013), Company Secretary & CFO

Christopher Porter - Non-Executive Director (appointed 20 November 2012, resigned 30 July 2014)

Robert Oliver - Non- Executive Director (appointed 20 November 2012, resigned 30 July 2014)

Stephen Graves - Executive Chairman (resigned 14 November 2013)

Mark Freeman - Non-Executive Director (appointed 30 July 2014)

Ian Daymond - Non-Executive Director (appointed 30 July 2014)

Details of executives

Remuneration and other terms of employment for the following key management personnel are set out below:

Chris Ritchie, Executive Director (appointed 14 November 2013), Chief Financial Officer & Company Secretary

- Annual remuneration of $160,030 was paid or payable (2013: $201,051).
- Mr. Ritchie can terminate his employment contract by giving six weeks' notice and the Company can terminate this arrangement by giving 3 months' notice.
- Mr. Ritchie is subject to re-election as a director in accordance with the Company's Constitution.

Christopher Porter, Non-Executive Director (Resigned 30 July 2014)

- Non-executive director fees of $60,000 were paid or payable (2013: $36,833).

Robert Oliver, Non-Executive Director (Resigned 30 July 2014)

- Non-executive director fees of $60,000 were paid or payable (2013: $36,833).

Stephen Graves, Executive Chairman (Resigned 14 November 2013)

- Consulting / director fees of $149,639 were paid or payable during the financial year (2013: $437,597).

Mark Freeman, Non-Executive Director (Appointed 30 July 2014)

- No Non-executive director fees were paid or payable during the financial year (2013: NIL)
- Mr. Freeman is subject to re-election as a director in accordance with the Company's Constitution

Ian Daymond, Non-Executive Director (Appointed 30 July 2014)

- No Non-executive director fees were paid or payable during the financial year (2013: NIL)
- Mr. Daymond is subject to re-election as a director in accordance with the Company's Constitution

Retirement benefits

Other retirement benefits may be provided directly by the Company if approved by shareholders.

C. Details of remuneration

The following table sets out remuneration paid to directors and senior executives of the Consolidated Entity during the reporting period.

	Salary & Fees $	Short-Term Non Monetary Benefits $	Cash Bonus $	Post Employment Super-annuation $	Termin-ation Payments $	Share- based payments Options $	Total $	Options as % of Total
Key Management Personnel – Directors and Executives								
Stephen Graves Executive Chairman[i] (Resigned 14 November 2013)								
2014	149,639	-	-	-	-	-	149,639	-
2013	437,597	-	-	-	-	-	437,597	-
Frank Petruzzelli, Non-Executive Director[ii] (Resigned 30 November 2012)								
2014	-	-	-	-	-	-	-	-
2013	25,000	-	-	-	-	-	25,000	-
Frank Brophy, Non-Executive Director (Resigned 30 November 2012)								
2014	-	-	-	-	-	-	-	-
2013	18,750	-	-	-	-	-	18,750	-
Christopher Porter, Non-Executive Director (Appointed 20 November 2012, resigned 30 July 2014)								
2014	54,920	-	-	5,080	-	-	60,000	-
2013	33,792	-	-	3,041	-	-	36,833	-
Robert Oliver, Non-Executive Director [iii] (Appointed 20 November 2012, resigned 30 July 2014)								
2014	60,000	-	-	-	-	-	60,000	-
2013	36,833	-	-	-	-	-	36,833	-
Chris Ritchie, Executive Director (Appointed 14 November 2014), Chief Financial Officer & Company Secretary								
2014	141,400	5,904	-	12,726	-	-	160,030	-
2013	179,732	5,411	-	15,908	-	-	201,051	-
Total 2014	**405,959**	**5,904**	**-**	**17,806**	**-**	**-**	**429,669**	**-**
Total 2013	**731,704**	**5,411**	**-**	**18,949**	**-**	**-**	**756,064**	**-**

(i) Tigre International Inc. provided consulting services of Stephen Graves.

(ii) MDB Taxation & Business Advisors Pty Ltd provided the consulting services of Frank Petruzzelli.

(iii) Robert Oliver Consulting Pty Ltd provided the consulting services of Robert Oliver.

There was no performance based remuneration received during the year by directors or management. There have been no salary increases for key management personnel during the year. The Executive Chairman's consulting fees were reduced by 25% and the Chief Financial Officer's salary package was reduced by 20% for the period 1 July 2014 to 30 June 2014.

D. Share based compensation

(a) Shares issued on exercise of remuneration options

No remuneration options were exercised in the 2014.

(b) Option holdings of key management personnel

The movement during the reporting period in the number of options over ordinary shares in OGI Group Ltd held, directly, indirectly or beneficially, by each director and executive, including their personally-related entities.

2014	Held at 1 July 2013	Granted	Expired	Exercised/ Sold	Other Changes (1)	Held at 30 June 2014	Exercisable/ Vested
Key Management Personnel							
Mr S Graves (2)	2,803,729	-	-	-	(2,691,579)	112,150	112,150
Mr C Porter	-	-	-	-	-	-	-
Mr R Oliver	-	-	-	-	-	-	-
Mr C Ritchie	-	-	-	-	-	-	-
Total	**2,803,729**	**-**	**-**	**-**	**(2,691,579)**	**112,150**	**112,150**

(1) During the 2014 the Company undertook a 25: 1 Consolidation of its issued securities.

(2) Final balance of Mr Graves refers to the balance as of the date of his resignation as a director.

No options have been issued to directors or management as part of their remuneration during the year.

No options were granted since the end of the year. No terms of equity settled share based payment transactions have been altered or modified during the year.

No options were exercised by directors or executives for shares in the Company during the year.

There are no options granted as remuneration on issue.

(c) Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares of OGI Group Ltd held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

2014	Held at 1 July 2013	On Exercise of Options	Other changes (1)	Held at 30 June 2014
Key Management Personnel				
Mr S Graves (2)	20,018,645	-	(19,217,900)	800,745
Mr C Porter	2,500,000	-	(2,400,000)	100,000
Mr R Oliver	-	-	-	-
Mr C Ritchie	-	-	-	-
Total	**22,518,645**	**-**	**(21,617,900)**	**900,745**

(1) During the year the Company undertook a 25: 1 consolidation of its issued securities.
(2) Final balance of Mr Graves refers to the balance as of the date of his resignation as a director.

(d) Other transactions and balances with key management personnel

No loans have been made during the financial period or at the date of this report to any specified directors or specified executives. A number of specified directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Transaction	Note	2014 $	2013 $
Directors & Executives			
Mr F Petruzzelli	(i)	-	380,950
Mr S Graves	(ii)	63,449	54,278
Mr C Porter		1,239	-
Mr R Oliver		175	-
Mr C Ritchie	(iii)	43,025	5,964

(i) During 2014, Mr Petruzzelli was not considered to be part of the key management personnel. MDB Taxation & Business Advisors Pty Ltd & MDB Corporate Advisors, of which Mr F Petruzzelli is a principal, provided consulting, accounting, administration and taxation services, provided serviced office accommodation and was reimbursed director and management related travel costs in the previous year. MDB was owed $55,460 at the end of the 2013. MDB Corporate Advisors were paid corporate advisory fees of $95,000 in the 2013 year.

(ii) During 2014, Tigre International Inc., of which Mr S Graves is a director was reimbursed travel costs. Tigre International Inc. was not owed any funds at year end (2013: 8,125).

(iii) During 2014, Mr C Ritchie was reimbursed travel and shareholder meeting costs. Mr Ritchie was owed $412 at year end (2013: $5,964).

*** End of Remuneration Report (Audited) ***

11. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company and Consolidated Entity during the financial period were as follows:

On 23 July 2013, the Company announced that the Series 1 Convertible Notes maturity date had been extended to 30 June 2014.

On 14 November 2013, the Executive Chairman, Mr Stephen Graves resigned and the board appointed Mr Chris Ritchie to fill the casual vacancy. As the date of the resignation was post the despatch of the Notice of Meeting of the AGM, Mr Ritchie was required to resign at the conclusion of the AGM and was again appointed by the Directors as a director until the 2014 AGM.

On 18 March 2014, the Company announced that the Series 2 Convertible Notes maturity date had been extended through to 30 June 2014.

On 17 March 2014, the Company's securities were temporarily suspended from trading on the ASX due to the Company not releasing its half-year financial results in accordance with the ASX Timetable.

On 31 March 2014, the Company announced that it was (subject to a number of conditions precedent including shareholder approval) selling its primary asset, the Permian leases, to Laredo Petroleum Inc. On the same day the Company released its half-year results and its securities were returned to official quotation effective from 1 April 2014.

On 19 May 2014, shareholders approved the sale of the Permian leases as well as a change of name to OGI Group Ltd and a 25:1 share consolidation.

On 11 June 2014, the Company closed the sale transaction and the Permian leases were sold for a value of US$4,938,586 plus or minus accounting adjustments to allow for the operation of the wells from 1 February 2014 through to 11 June 2014. An amount of US$500,000 was placed in escrow pending the resolution of a legal case over the leases. The Company is required to ensure that the legal case has been resolved prior to March 2015 or it will forfeit the US$500,000. The Company has fully impaired this receivable at 30 June 2014. Additionally a lien has not been removed from the SRH#3 well and a further US$492,000 has been placed in escrow pending the removal of this lien. The Company is working with the executor of an estate to ensure that the required documents can be signed as soon as possible to ensure that the Company receives the US$492,000.

12. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 4 August 2014, the Company announced that it was to acquire an effective 50.7% working interest in a highly-prospective diamond prospecting and exploration licence and a first right of refusal to acquire an effective 51.8% working interest of an adjacent diamond prospecting and exploration licence downstream from the world class Murowa and Marange diamond fields in Zimbabwe. On 8 September 2014, the Company announced that it had secured the acquisition of the effective 51.8% working interest in the 4525L diamond prospecting and exploration licence and that the bulk sampling programme had been expanded to include the second licence.

As part of this first announcement, the Company further advised that it was to seek a capital raising of between $3.5 million and $6 million (before costs) pursuant to a Prospectus. The minimum raising of $3.5 million will be arranged on a best endeavours basis through Novus Capital Limited.

As part of and until completion of the bulk sampling phase of the exploration programme, the Company will be providing a loan facility to a maximum of US$1.7 million. The loan will have an interest rate of LIBOR +2.5% and will be secured against the proceeds of all diamonds sold from the bulk sampling programme in priority to any distribution to shareholders. The maximum anticipated drawdown is US$1.3 million under the bulk sampling programme budget.

To ensure that the Company has adequate funds to meet this facility, it has arranged a US$500,000 convertible loan facility. The facility is available for a 6 month period and is subject to an interest rate of 10%. The loan may be converted to equity, subject to shareholder approval, under a prospectus.

The Company has been notified by a number of existing convertible note holders that subject to the transaction proceeding they intend to convert their notes to fully paid ordinary shares. At 30 June 2014 the Company had $2.1 million in convertible notes.

The conversion of these notes into shares would provide the Company with the ability to eliminate significant debt which it otherwise may not be able to repay from existing cash reserves.

On 8 September 2014, the Company advised that $425,000 of Series 3 Convertible Notes converted into fully paid shares in the Company.

On 30 July 2014, Mr. Chris Porter and Mr Rob Oliver resigned as directors of the Company and Mr. Mark Freeman and Mr. Ian Daymond were appointed as directors of the Company. Both of these new directors will hold office until the 2014 AGM at which time they are required to retire from office and seek election by shareholders.

The Company also advised that subject to the transaction completing, the Company will be appointing Mr Charles Mostert to the board. Mr Mostert has 33 years' experience in the mining industry which includes 4 years with Gold Fields of South Africa, 15 years with Anglo American, 3 years with Durban Roodepoort Deep and 11 years with Australian and Canadian junior mining companies. In his career he has served as Chairman and/or CEO and /or Director of 10 resource companies listed on the ASX, with over $400 million in capital raisings. Mr. Mostert's resources experience includes diamonds, gold, coal, copper, platinum and iron ore.

On 27 August 2014, the Company announced that the Series 1 and Series 2 Convertible Notes maturity dates had been extended through to 31 December 2014.

The Templet #1 well commenced drilling on 10 August 2014 and was determined to be a dry well on 8 September 2014.

On 30 September 2014, the Company entered into a settlement arrangement with The Australian Special Opportunities Fund, LP "ASOF" in relation to the funding agreement of March 2013, to repay the outstanding amount of the Convertible Security and settle claims arising out of alleged defaults by the Company of the funding agreement since January 2014. The Company has agreed to pay ASOF approximately $167,000 (including for accrued interest and past legal expenses, paid to ASOF's solicitors' trust account), ASOF's costs of preparing the settlement documents and is arranging for third parties to acquire the Convertible Security (which is due and payable by the Company). Upon receiving AU$550,000 for the Convertible Security and the amounts referred to above, ASOF will forego certain rights under the funding agreement, cease its claims of default and the agreement will be mutually terminated (with ASOF also forfeiting the options issued to it). All payments for settlement are required to be completed on or before 7 October 2014 for the above arrangements to take effect.

13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 17 and forms part of the directors' report for financial year ended 30 June 2014.

14. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor, Grant Thornton, for non-audit services provided during the year are set out below.

The board of Directors has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All no-audit services were reviewed by the board to ensure that they did not impact the impartiality and objectivity of the auditor; and
- None of the service undermine the general principles relating to auditor independence as set out in APEX 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firm:

	Consolidated	
	2014	2013
	$	$
Corporate Advisory		
Grant Thornton Audit Pty Ltd	2,145	-

15. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company is focussing its future development on diamond mining in southern Africa and is currently progressing with a bulk sampling programme and the acquisition of two diamond prospecting and exploration licences in Mozambique. Further information about likely developments in the operations of the Company and Consolidated Entity and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Company and Consolidated Entity.

16. ENVIRONMENTAL REGULATIONS & PERFORMANCE

The Consolidated Entity is a party to various exploration and development licences or permits in the country in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdiction. The Consolidated Entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no significant known breaches of the environmental obligations of the Consolidated Entity's licences.

17. RISK MANAGEMENT

The Company takes a proactive approach to risk management. The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Consolidated Entity's objectives and activities are aligned with the risks and opportunities identified by the board.

18. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of sound corporate governance. The board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. Due to the size of the board currently there is no separate audit committee. These matters are considered by the full board.

19. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

20. INDEMNIFICATION AND INSURANCE OF OFFICERS

An indemnity agreement has been entered into with each of the directors and company secretary of the Company named earlier in this report. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. There is no monetary limit to the extent of this indemnity. The Company has paid insurance premiums of $28,924 (2013: $34,187) in respect of directors' and officers' liability and legal expenses insurance contracts, for current directors and officers of the Company.

The insurance premiums relate to:

- Costs and expenses incurred in by the relevant officers in defending legal proceedings, whether civil or criminal and whatever the outcome; and

- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

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

Chris Ritchie
Executive Director
OGI Group Ltd

Melbourne, 1 October 2014

FORWARD LOOKING STATEMENTS

This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Any references to dollars, cents or $ in this report are to Australian dollar currency, unless otherwise stated.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of OGI Group Ltd, I state that:

In the opinion of the directors:

1. The financial statements, comprising the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes of the Consolidated Entity, are in accordance with the Corporations Act 2001; and

   a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Consolidated Entity; and

   c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, after taking into account the matters raised in Note 1(c).

3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

On behalf of the board

Chris Ritchie
Executive Director

1 October 2014
Melbourne, Australia

Grant Thornton

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Auditor's Independence Declaration
To the Directors of OGI Group Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of OGI Group Ltd for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 1 October 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
	Notes	2014	2013
		$	$
Continuing operations			
Revenue from sales	2(a)	1,312,829	1,507,925
Cost of sales	2(b)	(894,042)	(1,189,857)
Gross profit / (loss)		**418,787**	**318,068**
Interest revenue		759	2,908
Impairment of debtors	4	(250,000)	(50,000)
Impairment of oil & gas properties	9(b)	(401,078)	(576,665)
Impairment of exploration & evaluation assets	8(a)	(1,003,248)	(199,855)
Administration costs	2(c)	(1,658,636)	(2,719,695)
Loss on sale of assets		-	(783,381)
Future value gain / (loss) on derivatives	2(d)	(20,212)	(156,695)
Finance costs	2(d)	(266,295)	(310,834)
Loss from continuing operations before income tax expense		**(3,179,923)**	**(4,476,149)**
Income tax (expense) / benefit	3	-	-
Loss from continuing operations		**(3,179,923)**	**(4,476,149)**
Loss from discontinued operations	27	**(20,264,193)**	**(1,052,312)**
Net loss for the period		**(23,444,116)**	**(5,528,461)**
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss:			
Foreign currency translation gain / (loss)		167,294	2,180,800
Other comprehensive gain / (loss) for the period net of tax		167,294	2,180,000
Total comprehensive loss for the period		**(23,276,822)**	**(3,347,661)**

Loss per share			
Continuing operations			
Basic loss per share (cents per share)	13	(1.69)	(3.73)
Diluted loss per share (cents per share)	13	(1.69)	(3.73)
Discontinued operations			
Basic loss per share (cents per share)	13	(10.74)	(0.88)
Diluted loss per share (cents per share)	13	(10.74)	(0.88)

The above statement should be read in conjunction with the accompanying notes to these financial statements.

OGI GROUP LTD

FORMERLY GOLDEN GATE PETROLEUM LTD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

		Consolidated	
	Notes	2014	2013
		$	$
Current assets			
Cash and cash equivalents	15(b)	1,477,814	671,811
Trade and other receivables	4	1,231,921	1,537,746
Prepayments	5	25,732	161,656
Total current assets		**2,735,467**	**2,371,213**
Non-current assets			
Trade and other receivables	4	249,598	253,500
Plant and equipment	7	6,282	25,749
Exploration and evaluation assets	8	-	22,000,001
Oil and gas properties	9	777,076	5,102,120
Total non-current assets		**1,032,956**	**27,381,370**
Total assets		**3,768,423**	**29,752,583**
Current liabilities			
Trade and other payables	10(a)	1,764,425	5,050,262
Interest bearing loans & borrowings	10(b)	2,086,000	506,000
Cash call	10(a)	37,028	37,607
Provisions	11	111,277	266,895
Total current liabilities		**3,998,730**	**5,860,764**
Non-current liabilities			
Interest bearing loans and borrowings	10(b)	-	980,000
Loans and borrowings	10(b)	-	27,351
Derivative liability	10(c)	-	444,837
Provisions	11	182,997	15,298
Total non-current liabilities		**182,997**	**1,467,486**
Total liabilities		**4,181,727**	**7,328,250**
Net (liabilities) / assets		**(413,304)**	**22,424,333**
Equity			
Contributed equity	12	112,248,925	111,809,740
Reserves	14	641,983	474,689
Accumulated losses		(113,304,212)	(89,860,096)
Total equity		**(413,304)**	**22,424,333**

The above statement should be read in conjunction with the accompanying notes to these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
		2014	2013
	Notes	$	$
Cash flows from operating activities			
Receipts from customers		3,456,620	3,603,956
Receipts from JV partners		-	710,776
Payments to suppliers and employees		(5,892,943)	(6,752,054)
Interest received		759	2,908
Interest paid		(62,392)	(255,432)
Net cash flows used in operating activities	**15(a)**	**(2,497,956)**	**(2,689,846)**
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(498,597)	(7,892,749)
Payments for oil & gas properties		(27,646)	(37,508)
Proceeds from sale of prospects		3,743,110	2,427,349
Net cash flows from / (used) in investing activities		**3,216,867**	**(5,502,908)**
Cash flows from financing activities			
Proceeds from the issue of shares		126,000	3,306,210
Share issue costs		(30,004)	(717,026)
Proceeds from convertible notes		-	3,080,000
Net cash from financing activities		**95,996**	**5,669,184**
Net increase/(decrease) in cash and cash equivalents		814,907	(2,523,570)
Cash and cash equivalents at 1 July		671,811	3,035,204
Effect of exchange rate changes on cash and cash equivalents		(8,904)	160,177
Cash and cash equivalents at 30 June	**15(b)**	**1,477,814**	**671,811**

The above statement should be read in conjunction with the accompanying notes to these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

Consolidated Entity	Issued capital	Accumulated losses	Option premium reserve	Foreign currency translation reserve	Convertible notes reserve	Total equity
	$	$	$	$	$	$
At 1 July 2013	**111,809,740**	**(89,860,096)**	**4,029,740**	**(4,924,244)**	**1,369,193**	**22,424,333**
Loss for the period	-	(23,444,116)	-	-	-	(23,444,116)
Other comprehensive loss	-	-	-	167,294	-	167,294
Total comprehensive loss for the period	-	(23,444,116)	-	167,294	-	(23,276,822)
Issue of share capital (net of issue costs)	439,185	-	-	-	-	439,185
Balance at 30 June 2014	**112,248,925**	**(113,304,212)**	**4,029,740**	**(4,756,950)**	**1,369,193**	**(413,304)**
At 1 July 2012	**104,616,230**	**(84,331,635)**	**4,029,740**	**(7,105,044)**	**1,369,193**	**18,578,484**
Loss for the period	**-**	**(5,528,461)**	**-**	**-**	**-**	**(5,528,461)**
Other comprehensive loss	**-**	**-**	**-**	**2,180,800**	**-**	**2,180,800**
Total comprehensive loss for the period	-	(5,528,461)	-	2,180,800	-	(3,347,661)
Issue of share capital (net of issue costs)	7,193,510	-	-	-	-	7,193,510
Balance at 30 June 2013	**111,809,740**	**(89,860,096)**	**4,029,740**	**(4,924,244)**	**1,369,193**	**22,424,333**

The above statement should be read in conjunction with the accompanying notes to these financial statements.

1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of OGI Group Ltd and its subsidiaries ("the Consolidated Entity") for the year ended 30 June 2014 was authorised for re-issue in accordance with a resolution of the directors on 1 October 2014. OGI Group Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The address of the registered office and principal place of business is 566 Elizabeth Street, Melbourne, Victoria, 3000. The principal activity of OGI Group Ltd during the financial year was the exploration and production of oil and gas, in Texas and Louisiana in the USA. On 11 June 2014, the Company sold its major undertaking, being the leaseholds in the Permian Basin, Texas, USA. On 6 August 2014 the Company announced that it was proposing (subject to shareholder approval, among other conditions precedent) to enter the diamond mining industry in Mozambique.

(a) Significant accounting policies

New and amended accounting policies adopted by the group

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013.

- AASB 10 Consolidated Financial Statements; and
- AASB 13 Fair Value Measurement; and
- Amendment to AASB119 Employee Benefits

The effects of applying these standards are described below:

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 revises the definition of control and provides extension new guidance on its application. These new requirements have the potential to affect which of the Company’s investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of an of the Company’s investees held during the period or comparative periods covered by these financial statements.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the ‘corridor method’ and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit or liability; and

- Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. The Company expects all annual leave for all employees to be used wholly within 12 month of the end of the reporting period, therefore no annual leave is included in 'non-current provisions'. The application of the revised AASB 119 has had no impact on the Financial Statements.

New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations most relevant to the consolidated entity are set out below:

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9.

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phase 1 of the IASB's project to replace IAS 39 (being the international equivalent to AASB 129 'Financial Instruments: recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value.

The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception , being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create and accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB-2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to AFRSs 2010-2012 Cycle:

- Clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
- Amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying aggregation criteria.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify than an entity should assess whether an acquired property is an investment property under AASB 149 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination. When these amendments are first adopted by the Consolidated Entity for the year ending 30 June 2015, there will be no material impact on the entity.

AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial instruments)

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial instrument to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction Chapter 6 Hedge Accounting into AASB9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments; Disclosures and AASB 101 Presentation of Financial Statements. The Consolidated Entity will adopt this standard for the year ending 30 June 2015 but the impact of its adoption is yet to be assessed by the entity.

Clarification of Acceptable Methods of Depreciation and Amortisation (AASB 116 & AASB 138)

The amendments to IAS 16 prohibit the use of a revenue-based depreciation amortisation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to IAS 38 present a rebuttable presumption that revenue-based amortisation method for intangible assets in inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances:

- The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged) ; or
- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transaction and balances recognised in the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15:

- Replaces IAS 18 revenue, IAS 11 Construction Contracts and some revenue-related interpretations
- Established a new control-based revenue recognition model
- Changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- Provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- Expands land improves disclosures about revenue

In the Australian context, the Australian Accounting Standards Board (ASB) is expected to issue the equivalent Australian (AASB 15 Revenue from Contracts with Customers), along with a new Exposure Draft (ED) on income from transactions of Not-for-Profit (NFP) entities by December 2014. When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared for a profit entity in accordance with Australian Accounting Standards (AASB) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(c) Going concern

The Company's financial statements have been prepared and presented on a basis assuming it continues as a going concern.

The Company incurred a net loss for the year of $23,444,116 (2013: $5,528,461). At 30 June 2014, the Company had cash at bank totalling $1,477,814 and a working capital deficiency of $1,263,263 (2013: $3,489,551). The going concern basis of accounting contemplates the continuity of normal business activities, including the realisation of assets and settlement of liabilities in the normal course of business.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

The Company has announced its intention to seek to raise further capital through a Prospectus of between $3.5 million and $6.0 million in order to fund the development of the Mozambique diamond prospecting and exploration project.

In addition, the Company has received support from a number of convertible note-holders who have committed, subject to the diamond prospecting and exploration licence transactions completing, converting their notes into fully paid ordinary shares.

Om 2 September 2014, the Company received a demand for payment from the Convertible Security holder alleging default of the agreement and payment of the $550,000 within 21 days. Under the subsequent deed of settlement, the Company has until 7 October 2014 to settle the amount. The directors are confident that replacement investors have been secured to fund the face value of the $550,000 and assume ownership of the Convertible Security from that date.

On 8 September 2014, the Company reduced its current liabilities by $425,000 when 8,500,000 Series 3 convertible notes converted into fully paid shares in the Company. The Company issued 128,787,879 fully paid ordinary shares upon the conversion of these notes.

The Company's ability to continue as a going concern is dependent upon obtaining necessary funds and successfully negotiating conversion of existing convertible notes to fully paid ordinary shares an negotiating the extension of payment terms on existing commitments to meet its current obligations. While the Company is expending its best efforts, the raising of the necessary funds is not assured. This financial report does not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

(d) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2014 (the "Consolidated Entity"). The Parent controls a subsidiary if it 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. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Investments in subsidiaries held by OGI Group Ltd are accounted for at cost less impairment charges in the parent entity information in Note 26. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment.
Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

(e) Plant and equipment

Oil and Gas Properties

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are charged to profit and loss during the financial period in which they are incurred.

Depreciation

Oil and gas properties and plant and equipment, other than freehold land, are depreciated to their residual values at rates based on the expected useful lives of the assets concerned on a unit of production basis. The major categories of assets are depreciated as follows:

- Oil and gas properties are depreciated over the useful lives of the asset on a unit of production basis once a reserve has been established.

- Office equipment is depreciated based on the straight line method at rates of between 25% and 40%.

Currently there are no buildings owned by the Consolidated Entity.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in profit or loss.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(f) Mineral exploration and development costs

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration licence acquisition costs are capitalised and subject to annual impairment testing or more frequent if there is an indication of impairment. All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs, are capitalised provided the rights to tenure of the area of interest is current and either:

- The expenditure relates to an exploration discovery that, at balance date, has not reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant activities in relation to the area of interest are continuing; or

- It is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons. Areas of interest may be recognised at either the field or the well level, depending on the nature of the project. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are capitalised.

Each potential or recognised area of interest is reviewed half yearly to determine whether economic quantities of resources have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs. Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever the facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

(g) Impairment of non-financial assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes a formal estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of recoverable amount, but only if there has been a change in the estimates used to determine the assets recoverable amount and only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit).

(h) Provision for restoration

The Consolidated Entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas. Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer Note 1(e)). Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the full debt. Bad debts are written off when identified. Objective evidence is defined as when the debt is more than 120 days old. This is a base case scenario, other prevailing circumstances like payment history and payment arrangements may override the 120 day rule.

(j) Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, including bank overdrafts.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Provisions

Provisions are recognised when the Consolidated Entity 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 Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Employee entitlements

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Wages, salaries, bonus payments, annual leave and sick leave

Liabilities for wages and salaries, bonus payments, including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Profit or Loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Profit or Loss as an integral part of the lease expense.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales revenue
Sales revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of "delivery of goods to the customer". Delivery of product is under well specific contracts that define transfer point of ownership.
The nominated transfer point has appropriate meter equipment installed. Product pricing is dependent upon product quality and delivery volumes rates, and base price marked to an appropriate commodity market benchmark.

Interest
Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(p) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences; except:

When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, in which case the deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date.

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

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

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
Receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(r) Borrowing costs

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (greater than 12 months). The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Consolidated Entity's outstanding borrowings during the year.

(s) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

(t) Earnings per share ("EPS")
Basic EPS is calculated as net profit or loss attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.
Diluted EPS is calculated as the net profit or loss attributed to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares; adjusted for any bonus element.

(u) Foreign currency translation
Both the functional and presentation currency of OGI Group Ltd and its Australian subsidiaries are Australian Dollars ($). Functional currency for foreign operations has been determined based on the requirements of AASB 121 "The Effects of Changes in Foreign Exchange Rates". Each entity in the Consolidated Entity uses its specific functional currency to measure the items included in the financial statements of that entity.

The functional currency of all the overseas subsidiaries is United States Dollars (US$). As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of OGI Group Ltd at the rate of exchange ruling at the balance date and their Statement of Profit or Loss and Other Comprehensive Income items are translated at the average exchange rate for the year.

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange ruling at the date of the transaction or the average for the period when translating a large number of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rate as at the date when fair value was determined.

The exchange differences arising on the translation are taken directly to the foreign currency reserve. On disposal of a foreign entity, the exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(v) Share-based payment transactions
The Consolidated Entity provides benefits to directors and employees of the Consolidated Entity in the form of equity, whereby directors and employees render services in exchange for options to acquire shares or rights over shares.
The fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The fair value of the options granted is measured using an appropriate model, taking into account the terms and conditions upon which the options were granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the group or Company receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of the shares of OGI Group Ltd (market conditions).

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to market conditions not being met.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the grant date fair value of the award, (ii) the extent to which the vesting period has expired and (iii) for non-market based hurdles the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for changes in the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the fair value at grant date. The Statement of Profit or Loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 13).

(w) Convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issuance of the convertible notes, the fair value of the liability component is determined using an estimated market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. Interest on the liability component of the instruments is recognised as an expense in the Statement of Profit or Loss. The increase in the liability due to the passage of time is recognised as a finance cost if material.

(x) Jointly controlled assets

Jointly controlled operations and assets

The interest of the Company and of the Consolidated Entity in unincorporated joint operations and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint operation.

The financial statements of the jointly controlled operations and assets are prepared for the same reporting period as the parent company using consistent accounting policies.

(y) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(z) Comparative figures

Where necessary, prior year comparatives have been adjusted to be consistent with the classification applied in the current year.

(aa) Critical accounting estimates, assumptions and judgements

Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Consolidated Entity continually employs judgement in the application of its accounting policies.

(i) Critical accounting estimates and assumptions

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable resources. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Equity settled transactions include options and performance rights. The fair value of an option is determined by using an appropriate option-pricing model.

(ii) Critical judgements in applying the consolidated entity’s accounting policies

Exploration and evaluation

The Consolidated Entity’s accounting policy for exploration and evaluation is set out at Note 1(f). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been or will be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, it is determined that the Consolidated Entity is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the Statement of Profit or Loss.

Restoration provision

The Consolidated Entity’s accounting policy for restoration provisions is set out at Note 1 (h). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular the forecast costs of the restoration and remediation of prospects to their pre-drilling state. Any such estimates and assumptions may change as new information becomes available. Any change in the estimated level of restoration provision will be written off or written back to the Statement of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. REVENUE, EXPENSES AND LOSSES/GAINS

	2014	2013
	$	$
(a) Revenue from continuing operations		
Sales revenue	1,312,829	1,507,925
(b) Cost of sales from continuing operations		
Operating costs	350,201	646,919
Depletion	237,993	165,958
Royalties	305,848	376,980
	894,042	**1,189,857**
(c) Administration costs		
Employee/consulting fees	684,241	1,452,075
Defined contribution superannuation	14,379	18,914
Employee benefit / consulting fees expense	698,620	1,470,989
Compliance costs	407,540	850,255
Insurance	37,606	35,353
Depreciation	11,186	9,746
Other	503,684	353,352
	1,658,636	**2,719,695**
(d) Finance expense		
Fair value loss on derivatives	20,212	156,695
Finance costs of convertible security	-	12,993
Interest expense	266,295	297,841
	286,507	**467,529**

3. INCOME TAX

The major components of income tax expenses are:

	Consolidated	
	2014 $	2013 $
Statement of comprehensive income		
Current income tax		
Current income tax charge	(616,270)	(4,051,235)
Adjustments in respect of current income tax of previous years		
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
DTA not brought to account	616,270	4,051,235
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	**-**	**-**
Statement of changes in equity		
Deferred income tax		
Convertible note	-	-
Deferred income tax recognised directly in equity	**-**	**-**

The aggregate amount of income tax attributed to the financial period differs from the amount calculated on the operating loss. The differences are recorded as follows:

Accounting (loss)	(23,444,116)	(5,528,461)
Prima facie tax receivable at 30% (2013:30%)	(7,033,235)	(1,658,538)
Add tax effect of:		
DTA not brought to account	7,033,235	1,658,538
Income tax expense / (benefit) on loss	**-**	**-**

Deferred income tax

Deferred income tax at 30 June relates to the following:

	2014 $	2013 $
Deferred tax liabilities		
Deferred tax liabilities movement in the profit and loss:		
Exploration expenses	-	-
Deferred tax liabilities movement in equity:		
Convertible note	-	-
	-	**-**

	Consolidated	
	2014	2013
	$	$
Deferred tax assets		
Deferred tax assets movement		
Exploration expenses:		
Provisions	(18,280)	(4,809)
Losses - Aust	-	755,591
Losses - US	-	3,295,644
Non-recognition of deferred taxes	18,280	(4,046,426)
	-	-

Tax losses
At 30 June 2014, OGI Group Ltd consolidated group has determined that it will no longer carry forward tax losses as the Company intends to operate (subject to shareholder approval) in a different field of business and there is significant uncertainty as to whether the continuity of ownership will be passed in the future. No deferred tax assets had been recognised in the Statement of Financial Position in respect of the amount of previous losses.

	Consolidated	
	2014	2013
	$	$
Deferred tax assets		
Tax losses – Australian	-	3,540,490
Tax losses – US	-	29,702,023
	-	**33,242,513**

OGI Group Ltd and its 100% owned Australian subsidiaries have not formed a tax consolidated group for the year ended 30 June 2014.

The potential deferred tax asset will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company and/or the Consolidated Entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- conditions for the deductibility imposed by the laws are complied with; and
- no changes in tax legislation adversely affect the realization of the benefit from the deductions.

4. TRADE & OTHER RECEIVABLES

	Consolidated	
	2014	**2013**
	$	**$**
Current		
Trade debtors [1]	233,387	741,359
	233,387	741,359
Other receivables [3]	1,829,320	846,387
Allowance for impairment loss[2]	(830,786)	(50,000)
	1,231,921	**1,537,746**

Reconciliation of the allowance for impairment loss at the beginning and end of financial year:

	Consolidated	
	2014	**2013**
	$	**$**
Allowance for impairment loss		
Balance at start of year	50,000	-
Additions	780,786	50,000
Utilisation	-	-
Release	-	-
Balance at end of year	**830,786**	**50,000**

	Consolidated	
	2014	**2013**
	$	**$**
Non-current		
Security deposits [4]	249,598	253,500
	249,598	**253,500**

Terms and conditions relating to the above financial instruments;

1 Trade debtors are non-interest bearing and generally on 60 day terms.

2 An allowance for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $780,786 (2013:$50,000) has been recognised by the group in the current year. This amount has been included in administration overheads in the current year. The amount includes US$500,000 for the Permian Sale Litigation holdback amount.

3 Other receivables are non-interest bearing and have repayment terms of between 30 and 90 days. The amount includes US$500,000 for the Permian Sale Litigation holdback and US$492,000 for the lien removal amount held in escrow.

4 Security deposits are interest bearing and provide security towards performance bonds provided by the Consolidated Entity's banks to state governmental agencies against environmental obligations. The security deposits represent the net of farm in partners share.

At 30 June, the ageing analysis of current trade receivables is as follows:

		Total	0 to 30 Days	31 to 60 Days	61 to 90 Days	>90 Days CI*	>90 Days PDNI**
		$	$	$	$	$	$
2014	Consolidated	233,387	137,219	28,645	1,228	-	66,295
2013	Consolidated	741,359	380,085	148,346	57,346	-	155,582

* Considered impaired ('CI')
** Past due not impaired ('PDNI')

Receivables past due but not impaired total $66,295 (2013: $155,582).

Management has reviewed the outstanding amounts considered PDNI and are satisfied that the debts are collectable or will be netted off against future payments to the debtor from current contract entitlements.

5. PREPAYMENTS

	Consolidated	
	2014	**2013**
	$	**$**
Prepayments	25,732	161,656

The majority of the prepayment balance in 2014 relates to prepaid insurance and the majority of the prepayment balance in 2013 relates to prepaid legal expenses.

6. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Percentage of equity Interest held by the consolidated entity	
		2014	**2013**
Investments in subsidiaries		**%**	**%**
Southdale Holdings Pty Ltd *	Australia	-	100
Bablah Pty Ltd *	Australia	-	100
Golden Gate Resources Ltd	Canada	100	100
Cathie Energy Texas, LLC	USA	100	100
Kindee Oil & Gas Louisiana, LLC	USA	100	100
Kindee Oil & Gas Texas, LLC	USA	100	100
Long Flat Ltd	USA	100	100
Birdwood Louisiana, LLC	USA	100	100
Yarras Texas, LLC	USA	100	100

* These dormant companies were deregistered during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

7. PLANT & EQUIPMENT

	Consolidated	
	2014	2013
	$	$
Office equipment at cost	92,760	112,371
Accumulated depreciation	(86,478)	(86,622)
Total office equipment	**6,282**	**25,749**

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the financial year:

	Consolidated	
	2014	2013
	$	$
Office equipment at cost		
Balance at start of year	25,749	32,100
Additions	-	576
Sales	(8,372)	-
Movement in carrying value as a result of foreign currency valuations	91	2,819
Depreciation	(11,186)	(9,746)
Balance at end of year	**6,282**	**25,749**

8. EXPLORATION AND EVALUATION ASSETS

a) Expenditure carried forward in respect of hydrocarbon areas of interest

	Consolidated	
	2014	2013
	$	$
Exploration and evaluation - at cost	-	22,000,001

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective hydrocarbon interests.

b) Reconciliation:

	Consolidated	
	2014	2013
	$	$
Carrying amount at beginning of period	22,000,001	18,569,170
Movement in carrying value as a result of foreign currency variations	211,000	1,988,760
Additions	498,597	9,213,570
Sales	-	(1,922,630)
Transfer to oil & gas properties	(17,316,738)	(5,289,064)
Transfer to assets held for sale	-	-
Amortisation	-	(74,705)
Impairment expense – continuing operations	(1,003,248)	(199,855)
Impairment expense – discontinuing operations	(4,389,612)	(285,245)
Carrying amount at end of period	**-**	**22,000,001**

* *Allowance for impairment expense in 2014 write off incurred with respect to the non-developed Permian prospects, and prospects at Bowtie West and Napoleonville. The Permian prospects were impaired to match the sale value, Bowtie West was impaired due to the Company not participating in further wells at this project and the Templet #1 well was the final well that the Company will be involved in at Napoleonville Project and this was declared a dry well in September 2014. Allowance for impairment expense in 2013 was write-offs incurred with respect to Permian prospects and North Edna prospect. The Permian prospects were evaluated but it was decided not to proceed with them and the Company terminated its involvement with the North Edna prospect.*

9. OIL AND GAS PROPERTIES

a) Oil and gas properties carried forward

	Consolidated	
	2014	**2013**
	$	**$**
Oil and gas production properties	**777,076**	**5,102,120**

b) Reconciliation:

	Consolidated	
	2014	**2013**
	$	**$**
Carrying amount at beginning of period	5,102,120	631,905
Transferred from exploration	17,316,738	5,289,064
Movement in carrying value as a result of foreign currency variations	29,166	489,840
Additions	27,646	37,508
Sales	(5,375,625)	-
Impairment expense – continuing operations	(401,079)	(576,665)
Impairment expense –discontinuing operations	(15,186,614)	(123,727)
Amortisation	(735,277)	(645,805)
Carrying amount at end of period	**777,076**	**5,102,120**

The recoverable amount of the discontinued operations were based on fair value less cost to sell while continuing operations were based on their value in use. The carrying value of the discontinued operations were based on the sale value of the Permian leases less commissions paid to complete an open market sale. The carrying amounts of the continuing operations were determined to be higher than their recoverable amounts and an impairment expense of $15,587,692 (2013: $700,392) was recognised. The impairment costs relate primarily to the Permian leases that were sold during the year.

Value in use was determined by modelling management's estimate of the future discounted cash flows that could be generated from on-going development and use of the assets. The values calculated from the model were used as a guide to assist the management in determining the recoverable value of development assets. The model was based on the following key assumptions:

- a discount rate of 10.0%
- no increase in oil or gas prices from existing prices

The above assumptions have been applied by management based on an assessment of historical operating performance to date, and best estimates of forecast future production.

Sensitivity to changes in assumptions

With regard to the assessment of the value in use of the development assets, reasonable possible changes in key assumptions could cause the carrying value of the assets to exceed its recoverable amount. At 30 June 2014, the actual recoverable amount of the assets agrees to its carrying value. Should future production at the Napoleonville and Bowtie West projects not meet forecasts, the recoverable value of the assets may be reduced to less than its carrying value.

10. FINANCIAL LIABILITIES

a) Trade creditors

	Consolidated	
	2014 $	**2013 $**
Current		
Trade creditors [1]	1,200,301	3,959,549
Other creditors [2]	564,124	1,090,713
	1,764,425	**5,050,262**
Cash call [3]	37,028	37,607
	1,801,453	**5,087,869**
Aggregate amount payable to related parties included in the above:		
Directors and director related entities:		
- director related entity [4]	37,166	59,556

Terms and conditions

1) Trade creditors are non-interest bearing and generally on 30 - 60 day terms.
2) Other creditors are non-interest bearing and have no fixed repayment terms.
3) Payments received in advance from JV partners are non-interest bearing.
4) Amounts relate to consulting fees and travel expenses owing at year end and are payable within 30 days. Refer to Note 20 for details of other key management personnel transactions.

b) Interest bearing loans and borrowings

	Consolidated	
	2014 $	**2013 $**
Current		
Convertible Notes – Series 1	300,000	300,000
Convertible Notes – Series 2	206,000	206,000
Convertible Notes – Series 3	830,000	-
Convertible Notes – Series 4	200,000	-
Convertible Security	550,000	-
	2,086,000	**506,000**
Non-current		
Convertible Notes – Series 3	-	980,000
Convertible security	-	27,351
	-	**1,007,351**

Terms and conditions of convertible notes and security

Series 1 & 2 Notes
(1) The coupon rate is 11% per annum, payable quarterly in arrears;
(2) The principal of Series 1 and Series 2 is repayable on 31 December 2014;
(3) The notes convert at maturity on a 1:1 basis, but may be converted prior to maturity at the lower of: $0.05 per Share; or 85% of the previous 10 day volume weighted average price of the Company's shares on ASX calculated from the date that the Company receives the conversion notice; and
(4) The Company may redeem the notes at any time on giving 30 days' notice to the note holders.
(5) No derivative liability was recognised because the value was deemed insignificant to be brought to account.

Series 3 Notes
(1) The coupon rate is 10% per annum, payable quarterly in arrears;
(2) The principal of Series 3 matures on 30 September 2014;
(3) The notes convert at maturity at a rate of 85% of the previous 5 day volume weighted average price of the Company's shares on ASX, but may be converted prior to maturity at 90% of the previous 5 day volume weighted average price of the Company's shares on ASX calculated from the date that the Company receives the conversion notice; and
(4) The Company may redeem the notes at any time on giving 30 days' notice to the note holders.
(5) No derivative liability was recognised because the value was deemed insignificant to be brought to account.

Series 4 Notes
(1) The coupon rate is 10% per annum, payable quarterly in arrears;
(2) The principal of Series 4 is repayable on 31 December2014;
(3) The notes convert at maturity on a 1:1 basis, but may be converted prior to maturity at the lower of: $0.05 per Share; or 90% of the previous 5 day volume weighted average price of the Company's shares on ASX calculated from the date that the Company receives the conversion notice; and
(4) The Company may redeem the notes at any time on giving 30 days' notice to the note holders.
(5) No derivative liability was recognised because the value was deemed insignificant to be brought to account.

Convertible Security
(1) There is no interest payable on this security under the agreement however the Company has accrued an amount of 8.5% pa compounded monthly in anticipation of a settlement of a dispute with the holder. The Company has entered into a Settlement Agreement with the current holder that may see ownership of the convertible security change by October 7, 2014. Please refer to the Subsequent Event notes for details. The Company received an amount of $500,000 but the face value of the convertible security is $550,000.
(2) The maturity date of the security is 19 March 2015.
(3) The conversion price, either at maturity or at any time after 120 days from the execution of the securities purchase agreement and prior to maturity will be the lesser of $0.006 or 90% of the average of three daily VWAPs chosen by the investor, during the 20 trading days before the conversion date.
(4) No derivative liability was recognised because the value was deemed insignificant to be brought to account.

c) Derivative liability

	Consolidated	
	2014 $	**2013 $**
Non – current		
Derivative liability – convertible security	-	444,837
	-	**444,837**

The derivative liability represents the value of the convertible security issued on 19 March 2013. The convertible security is convertible at any time through to 19 March 2015. The embedded derivative arose due to the variability of the conversion price in the Share Purchase and Convertible Security Agreement with The Australian Special Opportunities Fund, LLC. Under accounting standards the liability will be required to be re-valued at each reporting date. No material derivative liability exists as at 30 June 2014. The Company obtained an independent valuation of the value of the liability as at 30 June 2014.

11. PROVISIONS

	Consolidated	
	2014 $	2013 $
Current		
Employee benefits	26,351	13,645
Restoration costs	84,926	253,250
	111,277	**266,895**
Non-Current		
Restoration costs	182,997	15,298
	182,997	**15,298**
Restoration		
Carrying amount at beginning of period	268,548	252,519
Additional provisions	18,431	17,251
Accretion in provisions	(14,912)	55,750
Provision reversed in the period	-	(79,344)
FX movement on provision	(4,144)	22,372
Carrying amount at end of period	**267,923**	**268,548**

A provision for restoration is recognised in relation to the exploration and production activities for costs associated with the restoration of the various sites. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the restoration provision, the entity has assumed no significant changes will occur in the relevant federal and state legislation in relation to restoration in the future.

12. CONTRIBUTED EQUITY

(a) Issued and paid up share capital

	Consolidated	
	2014 $	2013 $
Ordinary shares fully paid	112,248,925	111,809,740

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. No dividends were declared during the current year or the prior year.

(b) Movements in ordinary shares

	2014		2013	
	Number of Shares	$	Number of Shares	$
Balance at the beginning of the year	4,470,816,468	111,809,740	2,384,396,755	104,616,230
Conversion of convertible notes	140,522,875	150,000	1,026,860,241	3,933,000
Equity issues not for cash	54,572,559	74,073	120,817,472	415,823
Equity issues during the year for cash	-	-	646,242,000	3,231,210
Tranche issue of shares (1)	132,555,556	134,556	292,500,000	697,500
Less: transaction costs(2)	-	80,556	-	(1,084,023)
Total prior to 25:1 Share Consolidation	4,798,467,458	112,248,925	-	-
Balance at the end of the year	**191,938,698**	**112,248,925**	**4,470,816,468**	**111,809,740**

(1) During the financial year the Company drew down 2 tranches from the Working Capital Funding facility. These drawdowns realised a total of $126,000 in cash. In addition under accounting standards the Company is required to fair value the transaction due to the Company receiving a cash advance at the beginning of a drawdown period and issuing shares at the end of 30 days from the drawdown. The Company is required to calculate the difference between the fair value of the share price on the date of issue and the purchase price. The movement is considered a fair value gain or loss on the derivative. For this financial year this amount was a loss of $8,556 (2013: loss of $247,500)
(2) During the year a GST exclusive amount of $116,706 of transaction costs was credited back.

13. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the year ended 30 June 2014 was based on the loss attributable to ordinary shareholders of $23,444,116 (2013: $5,528,461) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2014 calculated on a post 25:1 share consolidation basis of 188,657,846 (2013: 119,913,817), calculated as follows:

	Consolidated	Consolidated
	2014	2013
	$	$
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	178,834,025	95,375,870
Effect of shares issued during the period	9,823,821	24,537,947
Weighted average number of ordinary shares at 30 June	188,657,846	119,913,817
Loss attributable to ordinary shareholders	(23,444,116)	(5,528,461)
Loss per share (cents) overall	**(12.43)**	**(4.61)**

Potential ordinary shares are not considered dilutive and accordingly diluted earnings per share is the same as basic earnings per share. Total number of anti-dilutive options which could be dilutive in the future was 37,473,374 as at 30 June 2014 (2013: 36,412,737). In addition there are potential ordinary shares arising as a result of convertible notes that are not considered dilutive (refer Note 10).

On 8 September 2014 the Company issued 136,698,041 fully paid ordinary shares. 128,787,879 upon conversion of 8,500,000 ($425,000) Series 3 Convertible Notes and 7,910,162 fully paid ordinary shares in settlement of convertible note interest in fully paid share in lieu of cash.

On 26 September 2014, the Company entered into a Settlement Deed in regard to the Convertible Security who currently owns 4,700,445 unlisted options. If settlement occurs by 7 October 2014, all of these the options will be forfeited. Please refer to the Subsequent Events Note 22 for further information.

There were no other events that occurred subsequent to year end which would have a significant effect on the number of shares or potential ordinary shares on issue.

14. RESERVES

	Consolidated	
	2014	**2013**
	$	**$**
Option premium reserve	4,029,740	4,029,740
Foreign exchange translation reserve	(4,756,950)	(4,924,244)
Convertible note reserve	1,369,193	1,369,193
Balance at end of the year	**641,983**	**474,689**

(a) Option premium reserve

(i) Nature and purpose of reserve

The management option premium reserve is used to record the value of incentive options.

(ii) Movements in reserve

	Consolidated	
	2014	**2013**
	$	**$**
Balance at the beginning of the year	4,029,740	4,029,740
Share option premium reserve	-	-
Issue of options	-	-
Balance at end of the year	**4,029,740**	**4,029,740**

(iii) Movements in options on issue

2014	Number	Exercise Price	Expiry Date
Unlisted options			
Balance at the beginning of the year	45,000,000	$0.0200	19-Mar-16
	10,000,000	$0.0024	19-Apr-16
	25,000,000	$0.0012	22-May-16
	11,000,000	$0.0015	27-Jun-16
Issue of options	13,400,000	$0.0012	31-Jul-16
	13,111,111	$0.0011	6-Sep16
Balance at end of the year after 25:1 consolidation	1,800,000	$0.50	19-Mar-16
	400,000	$0.06	19-Apr-16
	1,000,000	$0.03	22-May-16
	440,000	$0.0375	27-Jun-16
	536,000	$0.03	31-Jul-16
	524,445	$0.0275	06-Sep-16
Total unlisted options at the end of the year	**4,700,445**		

* Subsequent to year end the Company entered a Settlement Agreement with the holder of these options to cancel them. Refer to Note 22 for further information.

2014	Number	Exercise Price	Expiry Date
Listed options			
Balance at the beginning of the year	173,076,921	$0.05	31-Dec-14
	646,242,000	$0.02	31-Dec-14
Balance at end of year after 25:1 consolidation	6,923,082	$1.25	31-Dec-14
	25,849,847	$0.50	31-Dec-14
Total listed options at the end of the year	**32,772,929**		

2013	Number	Exercise Price	Expiry Date
Unlisted options			
Balance at the beginning of the year	-	-	-
Issue of options	45,000,000	$0.0200	19-Mar-16
	10,000,000	$0.0024	19-Apr-16
	25,000,000	$0.0012	22-May-16
	11,000,000	$0.0015	27-Jun-16
Total unlisted options at the end of the year	**91,000,000**		
Listed options			
Balance at the beginning of the year	679,099,507	$0.08	31-Aug-12
Expiry of options	(679,099,507)	$0.08	31-Aug-12
Issue of options	173,076,921	$0.05	31-Dec-14
	646,242,000	$0.02	31-Dec-14
Total listed options at the end of the year	**819,318,921**		

(b) Foreign currency translation reserve

(i) Nature and purpose of reserve

The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(ii) Movements in reserve

	Consolidated	
	2014 **$**	**2013** **$**
Balance at the beginning of the year	(4,924,244)	(7,105,044)
Currency translation differences	167,294	2,180,800
Balance at end of the year	**(4,756,950)**	**(4,924,244)**

(c) Convertible note reserve

(i) Nature and purpose of reserve

These convertible notes have the ability to convert to ordinary shares and in accordance with the accounting standards the equity component is required to be calculated and included in shareholders' equity.

(ii) Movements in reserve

	Consolidated	
	2014 **$**	**2013** **$**
Balance at the beginning of the year	1,369,193	1,369,193
Convertible notes issued (net of tax)	-	-
Balance at end of the year	**1,369,193**	**1,369,193**

15. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net loss after tax to the net cash flows from operations

	Consolidated	
	2014 $	**2013 $**
Net loss after tax for the period	**(23,444,116)**	**(5,528,461)**
Add/(less) non-cash items:		
Allowance for impairment in exploration & development assets	20,980,551	1,185,483
Allowance for impairment of debtors	780,786	50,000
Amortisation of production and exploration assets	735,277	720,510
Accrued interest expense	177,446	80,001
Future value loss/(gain) on derivative	20,212	156,695
Derivative finance cost	-	12,993
Net loss/(gain) on sale of non-current assets	353,633	783,381
Depreciation	11,186	9,746
Net cash (used in)/ from operating activities before change in assets and liabilities	**(385,025)**	**(2,529,652)**
Decrease/(increase) in receivables	309,727	(91,663)
Decrease/(increase) in prepayments	135,924	426,775
Increase/(decrease) in provisions	12,081	(274,590)
Increase/(decrease) in prepaid JV receipts	(579)	(27,566)
Increase/(Decrease) in payables	(2,570,084)	(193,150)
Net cash flow from / (used in) operating activities	**(2,497,596)**	**(2,689,846)**

(b) Reconciliation of cash and cash equivalents

Cash balance comprises:		
Cash at bank		
Held in AUD funds	77,091	93,366
Held in USD funds	1,400,723	578,445
Total cash and cash equivalents	1,477,814	671,811

(c) Non-cash investing and financial activities

	Consolidated	
	2014 $	**2013 $**
Shares issued as commencement fee and collateral for working capital funding facility.	-	345,000
Shares issued in settlement of interest on series 3 secured convertible notes.	74,073	70,823

16. INTEREST IN JOINT OPERATIONS

At 30 June 2014 the Consolidated Entity was a participant in the following joint operations:

	Consolidated	
	2014 Working Interest %	2013 Working Interest %
Producing wells		
Dugas & Leblanc #3	15.30%	15.30%
Sugar Valley #1	12.00%	12.00%
Hensarling #1	3.99%	3.99%
Louisiana prospects		
Templet #1	3.28%	3.28%
Acadia Project option	-	33.75%
Texas prospects		
Goliad Project option	-	25.00%

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenues and profit. Capitalised petroleum exploration costs of $NIL (2013: $1,034,353) and production costs of $777,076 (2013: $1,145,186) represent principally the Consolidated Entity's share of development and exploration joint ventures, the material interests of which are noted above.

17.COMMITMENTS

Leases as lessee

Non-cancellable operating lease rental are payable as follows:

	Consolidated	
	2014 $	2013 $
Less than one year	26,291	52,580
Between one and five years	5,164	60,412
More than five years	-	-
	31,455	**112,992**

The Consolidated Entity extended the term for the current space in regard to the Houston office. These leases expire on 31 July 2015. There are no exploration commitments.

18. CONTINGENT LIABILITIES

Several class action suits had been filed in the United States against the operator of the Dugas & Leblanc #1 well and the joint venture partners. Commercial settlement has been reached between the landowners affected by the well blow out and the joint venture partners. The settlement was achieved without additional cash outlay by the Company. The Company continues to have (as a joint venture partner) ongoing personal injuries cases that are pending. In addition under the settlement with the landowners, the joint venture partners remain obligated to complete the remaining remediation of the land affected by the blowout. As at the date of this report the Company does not expect any material costs to eventuate given the level of the Company's insurance. Any eventuating costs and insurance reimbursements are unable to be quantified as this time.

Mr Paul Page and Petro-Raider LLC, "Petro Raider" together a party to a previous agreement with a subsidiary of Arturus Capital Limited in connection with the Permian project leases have enjoined the Company in an action to enforce an option agreement previously entered into by Arturus Capital Limited with the parties prior to the sale of the leaseholds to the Company. The parties are seeking to transfer the option agreement to a US based subsidiary of the Company. The primary claims by Petro-Raider are its rights to a 5% net profits interest and 20% working interest back-in. The working interests back-in would not have vested until the Company's capital costs had been recovered.. Petro-Raider also contends that when the Company recovers 110% of the amount of its capital costs that the back-in increases to 25%. Petro-Raider, makes no claim to the balance of the working interest. Petro Raider also claim fraud, tortious interference and civil conspiracy. The Company sold the leases on 11 June 2014. The Company has in place an indemnity provided by Arturus Capital Limited against the actions by the party. On 6 June 2013 Arturus Capital Limited was placed in liquidation and therefore the value of this indemnity is uncertain. The Company has lodged a proof of debt with the liquidator in regard to certain legal, royalties and administration costs that the Company considers that Arturus Capital Limited is required to pay.

The action has been stayed by the court in Reagan County Texas, USA until the Arturus Capital Limited liquidation proceedings are completed in Australia.

Following the sale of the Permian interest, the purchaser has withheld US$500,000 which is currently held in escrow. Should the matter not be resolved by March 2015, then the purchaser retains this amount and assumes all potential liabilities relating to this matter. The Company has fully provided for this receivable as at 30 June 2014, as it expects the matter will not be resolved by this time.

19. AUDITORS' REMUNERATION

Amounts received or due and receivable by Grant Thornton Audit Pty Ltd for:

	Consolidated	
	2014 $	2013 $
Audit or review of the financial reports of the company		
Auditors of OGI Group Ltd – Grant Thornton		
Audit Services	72,000	106,109
Non-audit services *	2,145	-
	74,145	**106,109**

* Non-audit services refers to corporate advisory fees

20. KEY MANAGEMENT PERSONNEL

Directors and Executives

	Consolidated	
	2014	**2013**
	$	**$**
DISCLOSURES		
Short term	405,959	731,704
Short term non-monetary	5,904	5,411
Post-employment	17,806	18,949
	429,669	**756,064**

Other transactions and balances with key management personnel

No loans have been made during the financial period or at the date of this report to any specified directors or specified executives. A number of specified directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Transaction	Note	2014 $	2013 $
Directors & Executives			
Mr F Petruzzelli	(i)	-	380,950
Mr S Graves	(ii)	63,449	54,278
Mr C Porter		1,239	-
Mr R Oliver		175	-
Mr C Ritchie	(iii)	43,025	5,964

(i) During 2014, Mr Petruzzelli was not considered to be part of the key management personnel. MDB Taxation & Business Advisors Pty Ltd & MDB Corporate Advisors, of which Mr F Petruzzelli is a principal, provided consulting, accounting, administration and taxation services, provided serviced office accommodation and was reimbursed director and management related travel costs in the previous year. MDB was owed $55,460 at the end of the 2013. MDB Corporate Advisors were paid corporate advisory fees of $95,000 in the 2013 year.

(ii) During 2014, Tigre International Inc., of which Mr S Graves is a director was reimbursed travel costs. Tigre International Inc. was not owed any funds at year end (2013: 8,125).

(iii) During 2014, Mr C Ritchie was reimbursed travel and shareholder meeting costs. Mr Ritchie was owed $412 at year end (2013: $5,964).

21. SHARE BASED PAYMENTS

(a) Recognised share based payments

	Consolidated	
	2014 $	2013 $
Shares issued in settlement of prepaid legal fees	-	125,000

(b) Details of options granted and vested during the year ended 30 June 2014

During the year the Company did not issue any incentive options to directors, executives and consultants. No options vested during the year.
During the year the Company granted options to The Australian Special Opportunities Fund, LP in line with the terms and conditions of the Working Capital Facility. These options vested upon issue.

Details of options granted and vested during the year ended 30 June 2013

During the year the Company did not issue any incentive options to directors, executives and consultants. No options vested during the year.
During the year the Company granted options to The Australian Special Opportunities Fund, LP in line with the terms and conditions of the Working Capital Facility. These options vested upon issue.

(c) Summaries of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at the beginning of the year	91,000,000	0.0110	2,000,000	0.080
Granted during the year	26,511,111	0.0012	91,000,000	0.0011
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	=	(2,000,000)	0.080
Balance after 25:1 consolidation	4,700,445	0.213		
Outstanding at the end of the year	**4,700,445**	**0.213**	**91,000,000**	**0.011**
Exercisable at the end of the year	**4,700,445**	**0.213**	**91,000,000**	**0.011**

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 0.67 years (2013: 2.81 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year (post 25:1 consolidation) was $1.25 to $0.0275. The exercise price of options outstanding at the end of the previous year was $0.011 Refer to section (c) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of the those options.

(f) Weighted average fair value

The weighted average fair value price of options issued during the year (post 25:1 consolidation) was $0.0288 (2013: $0.0034). There were no options granted or vested in the previous year.

22. SUBSEQUENT EVENTS

On 4 August 2014, the Company announced that it was to acquire an effective 50.7% working interest in a highly-prospective diamond prospecting and exploration licence and a first right of refusal to acquire an effective 51.8% working interest of an adjacent diamond prospecting and exploration licence downstream from the world class Murowa and Marange diamond fields in Zimbabwe. On 8 September 2014, the Company announced that it had secured the acquisition of the effective 51.8% working interest in the 4525L diamond prospecting and exploration licence and that the bulk sampling programme had been expanded to include the second licence.

As part of this announcement, the Company further advised that it was to seek a capital raising of between $3.5 million and $6 million (before costs) pursuant to a Prospectus. The minimum raising of $3.5 million will be arranged on a best endeavours basis through Novus Capital Limited.

As part of and until completion of the bulk sampling phase of the exploration programme, the Company will be providing a loan facility to a maximum of US$1.7 million. The loan will have an interest rate of LIBOR +2.5% and will be secured against the proceeds of all diamonds sold from the bulk sampling programme in priority to any distribution to shareholders. The maximum anticipated drawdown is US$1.3 million under the bulk sampling programme budget.

To ensure that the Company has adequate funds to meet this facility, it has arranged a US$500,000 convertible loan facility. The facility is available for a 6 month period and is subject to an interest rate of 10%. The loan may be converted to equity, subject to shareholder approval, under a prospectus.

The Company has been notified by a number of existing convertible note holders that subject to the transaction proceeding they intend to convert their notes to ordinary fully paid shares. At 30 June 2014 the Company had $2.1 million in convertible notes. The conversion of these notes into shares would provide the Company with the ability to eliminate significant debt which it otherwise may not be able to repay from existing cash reserves.

On 8 September 2014, the Company advised that 8,500,000 ($425,000) of Series 3 convertible notes converted into fully paid shares in the Company. The Company issued 128,787,879 fully paid ordinary shares upon the conversion of these notes.

On 30 July 2014, Mr Chris Porter and Mr Rob Oliver resigned as directors of the Company and Mr Mark Freeman and Mr Ian Daymond were appointed as directors of the Company. Both of these new directors will hold office until the 2014 AGM at which time they are required to retire from office and seek election by shareholders.

The Company also advised that subject to the transaction completing, the Company will be appointing Mr Charles Mostert to the board. Mr Mostert has 33 years' experience in the mining industry which includes 4 years with Gold Fields of South Africa, 15 years with Anglo American, 3 years with Durban Roodepoort Deep and 11 years with Australian and Canadian junior mining companies. In his career he has served as Chairman and/or CEO and /or Director of 10 resource companies listed on the ASX, with over $400 million in capital raisings. Mr Mostert's resources experience includes diamonds, gold, coal, copper, platinum and iron ore.

On 27 August 2014, the Company announced that the Series 1 and Series 2 Convertible Notes maturity dates had been extended through to 31 December 2014.

On 30 September 2014, the Company entered into a settlement arrangement with The Australian Special Opportunities Fund, LP “ASOF” in relation to the funding agreement of March 2013, to repay the outstanding amount of the Convertible Security and settle claims arising out of alleged defaults by the Company of the funding agreement since January 2014. The Company has agreed to pay ASOF approximately $167,000 (including for accrued interest and past legal expenses, paid to ASOF’s solicitors’ trust account), ASOF’s costs of preparing the settlement documents and is arranging for third parties to acquire the Convertible Security (which is due and payable by the Company). Upon receiving AU$550,000 for the Convertible Security and the amounts referred to above, ASOF will forego certain rights under the funding agreement, cease its claims of default and the agreement will be mutually terminated (with ASOF also forfeiting the options issued to it). All payments for settlement are required to be completed on or before 7 October 2014 for the above arrangements to take effect.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity’s principal financial instruments comprise cash, trade receivable and payables, and convertible notes. It is, and has been throughout the period under review, the Consolidated Entity’s policy that no trading in financial instruments shall be undertaken. The main risks arising from the Consolidated Entity’s financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Historically, the Consolidated Entity has not implemented strategies to mitigate these financial risks. As the Consolidated Entity’s activities are mainly in the US the majority of funds held are held in US$ to mitigate foreign currency risk. Accordingly, no hedging policies have been put in place. The directors will review this policy periodically going forward. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(a) Interest rate risk

Cash flow interest rate risk

The Consolidated Entity’s exposure to the risk of changes in market interest rates relates primarily to the Consolidated Entity’s cash and short-term deposits with a floating interest rate. These financial assets with variable rates expose the Consolidated entity to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables are non-interest bearing or bear fixed interest rates (the convertible notes). The Consolidated Entity currently does not engage in any hedging or derivative transactions to manage interest rate risk.

(b) Foreign currency risk

The Consolidated Entity also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit’s functional currency. The Consolidated Entity currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

(c) Commodity price risk

Due to the nature of the group’s and parent’s principal operations being oil & gas exploration and production the group and the parent is exposed to the fluctuations in the price of oil & gas. Although the group and parent entity is economically exposed to commodity price risk of the abovementioned inputs, this is not a recognised market risk under the accounting standards as the risk is embedded within normal purchase and sales and are therefore not financial instruments.

(d) Credit risk

The Consolidated Entity trades only with recognised, creditworthy third parties. It is the Consolidated Entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity’s exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Consolidated Entity. With respect to credit risk arising from the other financial assets of the Consolidated Entity, which comprise cash and cash equivalents the Consolidated Entity’s exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Consolidated Entity trades only with recognised third parties, there is no requirement for collateral.

(e) Liquidity risk

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans if required. The Company does not currently have any bank loans.

24. FINANCIAL INSTRUMENTS

a. Interest rate risk

Interest rate risk exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

Consolidated	Weighted Average Interest rate	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
2014					
Financial assets					
Cash assets *	0.1%	-	1,477,814	-	1,477,814
Trade and other receivables – current *	-	-	-	1,231,921	1,231,921
Security deposits **	0.5%	-	249,598	-	249,598
		-	**1,727,412**	**1,231,921**	**2,959,333**
Financial liabilities					
Trade and other payables*	-	-	-	1,764,425	1,764,425
Convertible security **	8.5%	550,000	-	-	550,000
Convertible notes *	10%	1,030,000	-	-	1,030,000
Convertible notes *	11%	506,000	-	-	506,000
		2,086,000	**-**	**1,764,425**	**3,850,425**

* Maturing in 1 year or less
** Maturing in 1 year or more

Consolidated 2013	Weighted Average Interest rate	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
Financial assets					
Cash assets *	0.1%	-	671,811	-	671,811
Trade and other receivables - current *	-	-	-	1,537,746	1,537,746
Security deposits **	0.5%	-	253,500	-	253,500
		-	**925,311**	**1,537,746**	**2,463,057**
Financial liabilities					
Trade and other payables*	-	-	-	5,050,262	5,050,262
Convertible security **	-	-	-	27,351	27,351
Derivative liability **	-	-	-	444,837	444,837
Convertible notes *	10%	980,000	-	-	980,000
Convertible notes *	11%	506,000	-	-	506,000
		1,486,000	**-**	**5,522,450**	**7,008,450**

* Maturing in 1 year or less
** Maturing in 1 year or more

Sensitivity analysis

(a) Interest rate risk

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant. A 50 basis point favourable (+) and unfavourable (-) change is deemed to be possible change and is used when reporting interest rate risk.

Consolidated		Effect On:		Effect On:	
		Profit	Other Comprehensive Income	Profit	Other Comprehensive Income
Risk variable	Sensitivity*	2014	2014	2013	2013
Interest rate	+ 50 b.p.	7,389	7,389	3,359	(3,359)
	- 50 b.p.	(7,389)	(7,389)	3,359	(3,359)

(b) Foreign currency risk

There is no material foreign exchange denominated financial assets or liabilities.

(c) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in portion to each class of recognised financial asset, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Company does not have any material risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(d) Liquidity risk and capital management

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity’s reputation.

The Consolidated Entity objectives when managing capital are to safeguard the Consolidated Entity ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. Capital is defined as total equity and borrowings, as disclosed in the Statement of Financial Position. In order to maintain or adjust the capital structure, the Consolidated Entity may return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity’s focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Consolidated Entity’s approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Consolidated Entity has a deficiency in working capital of $1,263,272 (2013: $3,489,551). Notwithstanding this deficiency all the directors consider the Consolidated Entity to be a going concern.

The following are the contractual maturities of financial liabilities:

Consolidated 30 June 2014						
	Carrying amount	**Contractual cash flows**	**<3 months**	**3-6 mths**	**6-24 mths**	**>2 years**
	$	**$**	**$**	**$**	**$**	**$**
Trade and other payables	1,579,730	1,579,730	1,579,730	-	-	-
Convertible notes *	2,086,000	64,570	39,665	724,915	-	-
	3,665,730	**1,644,300**	**1,619,395**	**724,915**	**-**	**-**

* The contractual cash flows are interest only for Series 3 Convertible Notes as the holder has no right to redemption and interest and principal for the Series 1, 2 & 4 Convertible Notes. Interest on Series 3 secured convertible notes has been paid by the issue of shares at the Company's option. This is likely to continue in regard to these notes.

30 June 2013						
	Carrying amount	**Contractual cash flows**	**<3 months**	**3-6 mths**	**6-24 mths**	**>2 years**
	$	**$**	**$**	**$**	**$**	**$**
Trade and other payables	5,050,262	5,050,262	5,050,262	-	-	-
Convertible notes *	2,036,000	64,425	13,915	519,915	30,415	-
	7,086,262	**5,114,687**	**5,064,177**	**519,915**	**30,415**	**-**

* The contractual cash flows are interest only for Series 3 Convertible Notes as the holder has no right to redemption and interest and principal for the Series 1 & 2 Convertible Notes. Interest on Series 3 secured convertible notes has been paid by the issue of shares at the Company's option. This is likely to continue in regard to these notes.

(e) Fair values

Methods and assumptions used in determining net fair value

For financial assets and liabilities, the fair value approximates their carrying value. Accounts receivable, accounts payable, cash and cash equivalents approximates fair value due to their short term nature. Intercompany loans approximates fair value due to being payable on demand. The Company has no financial assets where carrying amounts exceed net fair values at balance date.

25. SEGMENT INFORMATION

The group has identified its operating segments based on the internal management reporting that is reviewed and used by the executive management team (the chief operating decision makers ("CODM") in assessing performance and in determining the allocation of resources.

The group has one operating business, being oil and gas exploration and development in the USA. The financial information reviewed by the CODM is only prepared on a consolidated basis and no discrete financial information is available, hence no business segments and no segment information is presented.

Entity-wide disclosures

Products and services
Revenues from external customers for each group of similar products and services is as follows:

Revenues from external customers	Oil	Gas	Total
	$	$	$
2014	2,646,596	302,053	2,948,649
2013	2,861,258	630,008	3,491,266

Geographical information
Revenues and non-current assets by geographical location are as follows:

2014	USA	Australia
	$	$
Sales revenue	2,948,649	-
Non-current assets	1,032,416	539

2013	USA	Australia
	$	$
Sales revenue	3,491,266	-
Non-current assets	27,379,686	1,684

The Consolidated Entity produces oil and gas to customers located in the North American market. The Group has four customers to which it provides oil, gas and other products. These customers account for 100% of total revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

26. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2014, the parent entity of the group was OGI Group Ltd.

	Parent	
	2014	**2013**
	$	**$**
Result of the parent entity		
Loss of the parent entity	(23,276,824))	(6,392,705)
Total comprehensive income of the parent entity	**(23,276,824)**	**(6,392,705)**
Financial position of the parent entity at year end		
Current assets	76,915	487,345
Non-current assets	2,011,364	24,599,862
Total assets	**2,088,279**	**25,087,207**
Current liabilities	415,583	1,210,686
Non-current liabilities	2,086,000	1,452,188
Total liabilities	**2,501,583**	**2,662,874**
Net assets	(413,304)	22,424,333
Contributed equity	112,248,925	111,809,740
Retained earnings	(112,744,035)	(89,467,213)
Option premium reserve	4,029,740	4,029,740
Foreign exchange translation reserve	(5,317,127)	(5,317,127)
Convertible note reserve	1,369,193	1,369,193
Total shareholders' equity	**(413,304)**	**22,424,333**

	2014	**2013**
	$	**$**
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	-	-
Details of any contingent liabilities of the parent entity	-	-
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	-	-

27. DISCONTINUED OPERATIONS

The Company completed the sale of its major undertaking (after receiving shareholder approval) on 11 June 2014. The Permian leases were sold for a total of US$4,938,586. The Company received cash of US$3,512,909 with a total of US$1,259,500 held in escrow. The escrow relates to $US500,000 as a litigation holdback until the Company can provide Laredo Petroleum Inc., the purchaser, with evidence that the lawsuit filed in Reagan County 112th District Court under Case No. 1573 (Paul Page Plaintiff) has been rectified cleared, removed, waived or otherwise eliminated. On the one year anniversary of the date of the agreement or at any time prior to this date, if the lawsuit has been rectified, cleared, removed, waived or otherwise eliminated then the litigation holdback will be paid to the Company, otherwise it will be paid to Laredo Petroleum Inc. This amount was fully impaired as at 30 June 2014.

US$492,000 was placed in escrow pending the Company providing Laredo Petroleum Inc. with confirmation that a lien placed across the SRH #3 well, as part of the security provided for the Series 3 Convertible Notes had been removed. The Company is working with the executor of an estate to be able to achieve the required outcome by 10 October 2014.

US$267,500 was placed in escrow as an estimate of the post-closing transactions. The Company has provided Laredo with the Final Accounting Statement for the sale transaction and expects to be paid this amount plus or minus final agreed changes on 10 October 2014.

The economic effect of the sale was from 1 February 2014. Revenue and expenses, gains and losses relating to the discontinued operations have been eliminated from profit or loss from the Company's continuing operations and are shown as a single item on the face of the statement of profit or loss and other comprehensive income.

	2014 $	2013 $
Revenue	1,635,819	1,983,341
Cost of sales	(1,425,906)	(2,626,681)
Gross Margin	209,913	(643,340)
Impairment of oil & gas properties	(15,186,614)	(123,727)
Impairment of exploration and evaluation expenditure	(4,389,612)	(285.245)
Impairment of debtors	(544,247)	-
Loss on sale of assets	(353,633)	-
Loss from discontinued operations before tax	(20,264,194)	(1,052,312)
Income tax (expense) / benefit	-	-
Loss from discontinued operations	(20,264,194)	(1,052,312)

As at 30 June the Company is carrying the following values relating to the discontinued operations.

	2014 $	2013 $
Assets		
Trade debtors	-	338,244
Other debtors	878,890	-
Non-current assets	-	23,647,678
Total assets	878,890	23,985,922
Liabilities		
Trade creditors	279,176	2,326,087
Total liabilities	279,176	2,326,087

Cash flows generated by the Permian leases for the reporting periods under review until the disposal are as follows:

	2014 $	2013 $
Operating activities	(729,548)	(419,092)
Investing activities	3,264,011	(6,267,981)
Cash flows from discontinued operations	2,530,630	(6,687,073)

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Independent Auditor's Report
To the Members of OGI Group Ltd

Report on the financial report

We have audited the accompanying financial report of OGI Group Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, 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 and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company'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 audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of OGI Group Ltd is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern

Without qualifying our opinion we draw attention to Note 1(c) in the consolidated financial statements which indicates that the consolidated entity incurred a net loss of $23,444,116 during the year ended 30 June 2014, and as at that date the consolidated entity had a working capital deficiency of $1,263,263, and its total liabilities exceeded total assets by $413,304. Note 1(c) also indicates that to continue as a going concern, the consolidated entity is dependent on raising further capital through equity issues and via negotiating the conversion of existing convertible notes into equity of the Company. These conditions along with other matters set forth in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter
Without qualification to the audit opinion expressed above, we draw attention to Note 22 to the financial statements. Subsequent to the signing of the original financial report on 30 September 2014, an error in the wording of the subsequent event detailing the settlement deed entered into by the Company on the convertible security was noted and amended. This Auditor's Report replaces our Audit Report signed on 30 September 2014 for the year ended 30 June 2014.

Report on the remuneration report
We have audited the remuneration report included in pages 5 to 11 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report
In our opinion, the remuneration report of OGI Group Ltd for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 1 October 2014

THE CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

1. OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. These revised Principles and Recommendations reflect the contributions of more than 100 public submissions and took effect from 1 January 2008. These Principles and Recommendations were further revised in 2010.

The ASX Corporate Governance Council's Recommendations are not mandatory and cannot, in themselves, prevent corporate failure or poor corporate decision-making. They are intended to provide a reference point for companies about their corporate governance structures and practices. There is no single model of good corporate governance. The document articulates eight core principles along with various recommendations to assist in meeting these.

The ASX Corporate Governance Council encourages companies to use the guidance provided by this document as a focus for re-examining their corporate governance practices and to determine whether and to what extent the company may benefit from a change in approach, having regard to the company's particular circumstances. There is little value in a checklist approach to corporate governance that does not focus on the particular needs, strengths and weaknesses of the company. The ASX Corporate Governance Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following the Recommendations.

The Recommendations are not prescriptions, they are guidelines, designed to produce an outcome that is effective and of high quality and integrity. This document does not require a "one size fits all" approach to corporate governance. Instead, it states suggestions for practices designed to optimise corporate performance and accountability in the interests of shareholders and the broader economy. If a company considers that any of the Recommendations are inappropriate to its particular circumstances, it has the flexibility not to adopt it - a flexibility tempered by the requirement to explain why – the "if not, why not" approach.
The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition).

Further information on the Company's corporate governance policies is located on the website: www.ggpl.com.au

	Recommendation	Comply Yes / No	Reference
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	Page 66
1.2	Disclose the process for evaluation the performance of senior executives	Yes	Page 66
2.1	A majority of the board should be independent directors.	Yes	Page 67
2.2	The chairperson should be an independent director.	No	Page 67
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No	Page 67
2.4	The board should establish a nomination committee.	No	Page 67
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	Yes	Page 67
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: the practices necessary to maintain confidence in the Company's integrity; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 68
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them	Yes	Page 68
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity.	Yes	Page 68
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior positions and women on the board	Yes	Page 68

	Recommendation	Comply Yes / No	Reference
4.1	The board should establish an audit committee.	No	Page 69
4.2	Structure the audit committee so that it consists of: only non-executive directors; a majority of independent directors; an independent chairperson, who is not chairperson of the Board; at least three members.	No	Page 69
4.3	The audit committee should have a formal charter.	No	Page 69
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	Page 68
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Page 71
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Yes	Page 72
7.2	The board should require management to design and implement the risk management, and internal control system the company's material business risks and report to it on whether these risks are being managed effectively. The board should disclose that management has reported to it is as to the effectiveness of the company's management of its material business risks.	Yes	Page 72
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 72
8.1	The board should establish a remuneration committee.	No	Page 73
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent director and has at least three members	No	Page 73
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 73

2. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

2.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

2.2 The Company's practice:

The board sets its primary responsibility as the protection and enhancement of long term shareholder value. The board is also responsible for setting the strategic direction and establishing and overseeing the policies and financial position of the Company, and monitoring the business on behalf of its shareholders, by whom the directors are elected and to whom they are accountable.

Further, the board takes specific responsibility for:-

- the appointment and removal of the managing director and the company secretary,
- the final approval of management's development of corporate strategies and performance objectives,
- the review and modification of internal controls with respect to internal and legal compliance and its code of conduct,
- monitoring and evaluating senior management's performance and the implementation of the Company's corporate strategies and objectives,
- ensuring that appropriate resources are available to achieve strategic objectives,
- the appointment of directors to the board and ensuring those directors receive a letter of appointment identifying their duties and specific responsibilities, the Company's expectations of them, their remuneration and their obligations with respect to advising the Company of any compliance matters.

The board is responsible for the overall corporate governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal board charter. In broad terms, the board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The board charter sets out the role and responsibilities of the board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the board.

3. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the board should be independent directors.

Recommendation 2.2: The chair should be an independent director.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

Recommendation 2.4: The board should establish a nomination committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Recommendation 2.6: Companies should provide the information indicated in the guide to reporting on Principle 2.

3.1 The Company's practice:

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

The board presently comprises an executive chairman, and two non-executive directors. Under the independence guidelines in the Recommendations, only Mr Brophy, a non-executive director, would be considered independent as he is not currently involved or previously been involved in the management of the Company. The Company has advised that it is interested in appointing an additional independent director to complement the existing board member's expertise.

Composition

The directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives. Please refer to the Directors' Report to view the expertise of each director. The term in office held by each director in office at the date of this report is as follows:

Name	Position	Term in Office
Mr C Ritchie	Executive Director	11 Months
Mr M Freeman	Non-Executive Director	2 Months
Mr I Daymond	Non-Executive Director	2 Months

The directors meet both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified advisor at the Consolidated Entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

Nomination committee

The Company does not currently have a separate nomination committee. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities. The board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Monitoring of board performance

The performance of all directors is reviewed by the chairman on an ongoing basis and any director whose performance is considered unsatisfactory is asked to retire. The chairman's performance is reviewed by the other board members. The Company has established firm guidelines to identify the measurable and qualitative indicators of the director's performance during the course of the year.

4. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

4.1 The Company's practice:

Ethical standards

The Company has a formal code of conduct as per Recommendation 4.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Directors dealings in company shares

The Company has a securities trading policy in place that applies to its directors, employees and contractors. The trading policy prohibits directors, employees and contractors from dealing in shares of the Company whilst in possession of price sensitive information. General trading in the Company's securities is prohibited:

- whilst in possession of unpublished price sensitive information;
- where officers are engaging in the business of active dealing;
- four weeks before and 24 hours after the release of the Company's half yearly or annual report to the ASX;
- two weeks before and 24 hours after the release of the Company's quarterly reports; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a director or employee is applying for securities pursuant to that disclosure document.

The policy requires directors to notify the board and employees to notify the managing director in advance of any transactions involving the Company's securities. In addition, directors must notify the Australian Securities Exchange of any acquisition or disposal of shares by lodgement of a Notice of Director's Interests.

Conflicts of interest

In accordance with the Corporations Act and the Company's constitution directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the board believes that a significant conflict exist the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Diversity

The Company does not have a diversity policy. At this time the Board believes that the Company adopts an open and inclusive attitude in the decisions on the employment of individuals and the appointment of new directors. The Company wishes to ensure that it seeks and retains the best people for the roles assigned regardless of gender.

Category	Women as a proportion of total
Organisation as a whole	56%
Senior executive positions	0%
Board of directors	0%

5. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The board should establish an audit committee.

Recommendation 4.2: The audit committee should be structured so that it:

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

Recommendation 4.3: The audit committee should have a formal charter.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

5.1. The Company's practice:

Audit committee

The board has not established a separate audit committee. This function is performed by the role of the full board.

The processes the board applies in performing this function include:-

- reviewing internal control and recommending enhancements,
- monitoring compliance with Corporations Act 2001, Stock Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions,
- improving the quality of the accounting function,
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management,
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner, and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and compliance policy

The board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the board on these issues and the board meets regularly to consider audit matters prior to statutory reporting. The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The board, consisting of members with financial expertise and detailed knowledge and experience of the oil and gas exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The managing director and the chief financial officer declared in writing to the board that the Company's financial reports for the year ended 30 June 2012 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

6. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Recommendation 5.2: Companies should provide the information indicated in the guide to reporting on Principle 5.

6.1. The Company's practice:

Continuous disclosure policy

The Company has a formal continuous disclosure and information policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
- Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
- Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The company secretary is responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the company secretary, including:

- Media releases;
- Analyst briefings and presentations; and
- The release of reports and operational results.

Information not disclosed via ASX announcement that might be considered price sensitive will not be discussed with any external parties other than on a confidential basis in order to conduct the business of the Company. Discussions with external parties will only occur following an ASX announcement. All written materials containing new price sensitive information to be used in briefing media, investors and analysts will be notified to the ASX prior to the commencement of that briefing. In reviewing the content of analysts' reports and profit forecasts, the Company will correct factual inaccuracies or historical matters. Media contact and comment are conducted by the managing director. Other directors, officers and employees of the Company will not disclose any information to the media without express permission from the managing director.

7. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Recommendation 6.2: Companies should provide the information indicated in the guide to reporting on Principle 6.

The Company's practice:

Shareholder communication

The board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders,
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website,
- the Annual General Meeting and other meetings so called to obtain approval for board action as appropriate, and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.
The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting. The Company's policy on shareholder communication can be found on the website.

8. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

8.1. Companies should establish a sound system of risk oversight and management and internal control.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Companies should provide the information indicated in the guide to reporting on Principle 7.

8.2. The Company's practice:

Recognise and manage risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various directors and management, depending upon the nature and materiality of the matter. The board has no formal policy in place to recognise and manage risk as required by Recommendation 7.1, as it considers, in the context of the size and nature of the Company, that it would not improve the present modus operandi.

RISK MANAGEMENT

Oversight of the risk management system

The board takes a proactive approach to risk management. The board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the board. This oversight encompasses operational, financial reporting and compliance risks. The Company believes that it is crucial for all board members to be a part of the process, and as such the board has not established a separate risk management committee. The board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The managing director and chief financial officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the board has instigated an internal control framework that deals with:

Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the board. Monthly actual results are reported against these budgets.

Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.

Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

9. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

9.1. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structures so that it:

- Consists of a majority of independent directors
- Is chaired by an independent director
- Has at least three members

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Recommendation 8.3: Companies should provide the information indicated in the guide to reporting on Principle 8.

9.2. The Company's practice:

Remuneration committee

The Company does not currently have a separate remuneration committee. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

Remuneration policies

Remuneration of directors are formalised in service agreements. The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the managing director and the executive team. It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the Company
- Performance incentives which allow executives to share the rewards of the success of the Company
- Remuneration of non-executive directors is determined by the board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders.

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to the Remuneration Report of the Annual Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of the Company and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

ADDITIONAL SHAREHOLDER INFORMATION
AS AT 19 SEPTEMBER 2014

Stock exchange listing

OGI Group Ltd shares are listed on the Australian Securities Exchange Limited. The Company's ASX code is OGI for ordinary shares and OGIOA and OGIOB for listed options.

Substantial shareholders (holding not less than 5%)

LPS Holdings, LLC	11.687%
Elba Investments Pty Ltd	7.498%
F & A Petruzzelli Superannuation Fund Pty Ltd	5.643%

Class of shares and voting rights

At 19 September 2014 there were 5,276 holders of 328,638,106 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

There are no voting rights attached to the options in the Company. Voting rights will be attached to the unissued ordinary shares when options have been exercised.

Distribution of security holders

Number of shares held	Number of shareholders
1 – 1,000	1,314
1,001 – 5,000	1,565
5,001 – 10,000	747
10,001 – 100,000	1,354
100,001 and over	295
Total	**5,276**

The number of shareholders holding less than a marketable parcel is 4,980.

Cash usage

Since the time of listing on ASX, the entity has used its cash resources and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

ADDITIONAL SHAREHOLDER INFORMATION
AS AT 19 SEPTEMBER 2014

Listing of 20 largest shareholders

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held
1	LPS Holdings, LLC	38,407,718	11.687%
2	Elba Investments Pty Ltd <Elba>	24,641,021	7.498%
3	F & A Petruzzelli Superannuation Fund Pty Ltd	18,544,505	5.643%
4	Greymace Investments Pty Ltd <Zucco Super Fund>	15,365,868	4.676%
5	Dr J Hatzis	15,365,868	4.675%
6	Towertun Pty Ltd	15,354,250	4.672%
7	Blanksby Family Superannuation Fund Pty Ltd	7,679,334	2.337%
8	Mrs P J Bligh	6,584,151	2.003%
9	Supafaha Pty Ltd <Supfaha Super Fund>	5,657,143	1.721%
10	Camlex Holdings Pty Ltd	5,622,606	1.711%
11	Alimold Pty Ltd	4,896,800	1.490%
12	Mr T A Valentine	4,000,000	1.217%
13	Mr A Baumgartner	3,800,000	1.156%
14	Highland Timbers Pty Ltd	3,466,520	1.055%
15	Fodemo Pty Ltd	3,009,143	0.916%
16	Willow Bend Station Pty Ltd	2,706,207	0.823%
17	Bahrain Investments Pty Ltd <Bahran Iv Absolutely Ent>	2,666,580	0.812%
18	Northland Rd Pty Ltd <G Booth (SWAL) S/F A/C>	2,460,000	0.749%
19	Cooinda Corporation Pty Ltd <John Price Superfund A/C>	2,169,890	0.660%
20	Westglade Pty Ltd	2,000,000	0.609%
		184,396,823	56.109%

Listing of 20 largest listed option holders:- OGIOA (Expiry 31 December 2014, Exercise Price $1.25)

	Name of Option Holder	Number of Options Held	Percentage of Options Held
1	Alimold Pty Ltd	1,217,816	17.591%
2	Mr T Booth <Cedris Libani Super Fund A/C>	480,000	6.933%
3	Mr T D Clarke	400,000	5.778%
4	MAPD Nominees Pty Ltd	375,395	5.422%
5	Ms A Kontkanen & Mr J Hildred <Super Duper Super Fund>	300,000	4.333%
6	Mr R W Waterhouse	214,000	3.091%
7	Najava Pty Ltd <Macintosh Super Fund>	200,000	2.889%
8	Mrs V Chamala	160,000	2.311%
9	Northland Rd Pty Ltd <Mr G Booth SWAL A/C>	160,000	2.311%
10	F J D Investments Pty Ltd <Four P Investment S/F A/C>	154,000	2.224%
11	Mr A M Kelly	154,000	2.224%
12	Four P Investment Company Ltd	153,847	2.222%
13	Mr A Mitchell <Nine Lives Investment A/C>	141,539	2.044%
14	Castlerock Capital Pty Ltd <Castelrock Capital A/C>	140,000	2.022%
15	Xtra Super Pty Ltd <Xtra Super A/C>	138,462	2.000%
16	Mr M B Herriman	126,000	1.820%
17	Mr R S Yeates & Mrs M J Yeates <Yeates Family A/C>	123,077	1.778%
18	Ms R Price <The Wandering Moth A/C>	120,000	1.733%
19	Mr S S Van Es	120,000	1.733%
20	Salamander M Pty Ltd	120,000	1.733%
		4,998,136	72.195%

ADDITIONAL SHAREHOLDER INFORMATION
AS AT 19 SEPTEMBER 2014

Listing of 20 largest listed option holders:- OGIOB (Expiry 31 December 2014, Exercise Price $0.50)

	Name of Option Holder	Number of Options Held	Percentage of Options Held
1	Elba Investments Pty Ltd	4,254,496	16.458%
2	Alimold Pty Ltd	3,200,000	12.379%
3	Fodemo Pty Ltd	3,000,000	11.605%
4	J P Morgan Nominees Australia Limited	1,749,893	6.769%
5	Camlex Pty Ltd	1,372,877	5.311%
6	Mr S W Tritton	1,258,168	4.867%
7	Highland Timbers Pty Ltd	1,120,000	4.333%
8	Novus Capital Nominees Pty Ltd	1,008,443	3.901%
9	Ms K C Shearer	800,000	3.095%
10	Mr R W Waterhouse	600,000	2.321%
11	F J D Investments Pty Ltd	400,000	1.547%
12	Virtus Capital Pty Ltd	400,000	1.547%
13	Waterox Pty Ltd <Tien Chai A/C>	400,000	1.547%
14	Mr S Van Es	320,000	1.238%
15	Mr T D Clarke	291,937	1.129%
16	Earthrowl Superannuation Pty Ltd	280,000	1.083%
17	Mr J R Gerrish & Mrs A Gerrish <Fairlight Super Fund A/C>	280,000	1.083%
18	Rossland Pty ltd	200,000	0.774%
19	Supafaha Pty Ltd <Supafaha Super Fund>	171,429	0.663%
20	K Shearer	161,637	0.625%
		21,268,880	82.279%

Unlisted Options

Number Issued	Exercice Price	Maturity Date	Number of Holders
1,800,000	$0.50	19 Mar 2016	1
400,000	$0.60	19 Apr 2016	1
1,000,000	$0.30	22 May 2016	1
440,000	$0.0375	7 Jun 2016	1
524,445	$0.0275	6 Sep 2016	1

All unlisted options are held by the Australian Special Opportunities Fund, LP

Unlisted convertible securities

Description	On Issue	No of Holders	Holders in excess of 20%
Series 1 Notes	6,000,00	2	Alimold Pty Ltd – 5,000,000 notes
Series 2 Notes	4,120,000	1	JW Douglass Holdings Pty Ltd – 4,120,000 notes
Series 3 Notes	8,100,000	5	Bahrain Investments Pty Ltd – 5,000,000 notes
Series 4 Notes	4,000,000	1	Chifley Portfolios Pty Ltd – 4,000,000 notes
Convertible Security	1	1	The Australian Special Opportunities Fund, LP – 1 security

ADDITIONAL SHAREHOLDER INFORMATION
AS AT 19 SEPTEMBER 2014

Tenement summary

Tenement	Working Interest
Producing Wells	
Dugas & Leblanc #3 well	15.00%
Hensarling #1	3.99%
Sugar Valley #1	12.00%