



**ABN 17 117 227 086**

**FINANCIAL REPORT**

**For the year ended 31 December 2016**

**Directors**

|               |                        |
|---------------|------------------------|
| Glenn Whiddon | Executive Chairman     |
| Neil Hackett  | Non-executive Director |
| Rob Downey    | Non-executive Director |

**Company Secretary**

Neil Hackett

**Registered office – Perth Australia**

Suite 5  
531 Hay Street  
Subiaco WA 6008  
Telephone: +61 (0) 8 9380 8333  
Facsimile: +61 (0) 8 9380 8300  
Website: [www.azpetro.com](http://www.azpetro.com)

**Auditors**

BDO Audit (WA) Pty Limited  
38 Station Road  
Subiaco WA 6008

**Bankers**

National Australia Bank  
226 Main Street  
Osborne Park WA 6017

The Royal Bank of Scotland  
Queen's Cross Branch  
40 Albyn Place  
Aberdeen AB10 1YN

**Share registry**

Computershare Investor Services Pty Ltd  
Level 11, 172 St. Georges Terrace Perth WA 6000  
Telephone: +61 (0) 8 9323 2000  
Facsimile: +61 (0) 8 9323 2033

**Stock exchange listing**

The Company is listed on the ASX Limited ("ASX")

Home branch: Perth, Western Australia  
ASX Code: APY

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## Directors' report

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The Directors present their report on Azonto Petroleum Limited and its subsidiaries (the "Group") for the year ended 31 December 2016. All amounts are in Australian dollars ("A\$") unless stated otherwise.

### Principal activities

The principal activity of the Group is investing in oil and gas exploration and production projects internationally. The Company continues to evaluate new opportunities and investments in all sectors.

### Results

The Group's revenue for the year ended 31 December 2016 was \$103,254 (2015: \$1,665,990). The net loss after tax was \$1,274,284 (2015: \$27,159,057). The 2015 net loss principally arose from the impairment of the Company's joint venture in Cote d'Ivoire a consequence of the sale of the Company's final 35% of Vioco Petroleum Limited ("Vioco"). The sale of Vioco was the conclusion of the disposal of the Company's investments in oil and gas exploration in West Africa, a reduction in operating activities and a move back to Australia. Net cash used in operations for the year to 31 December 2016 was \$1,249,071 (2015: \$5,966,712).

### Dividends

No dividend has been paid since the end of the financial year and no dividend is recommended for the current period (2015: nil).

### Operating activities

#### Corporate

In October 2015 the Company completed the sale of Azonto's 35% shareholding in Vioco to Vitol E&P Limited ("Vitol"). In consideration for the sale Vitol paid an initial US\$4,000,000 (A\$5,485,464) and also paid US\$1,100,000 (A\$1,576,835) for the sale of certain wellhead drilling equipment that remained outstanding. A further US\$2,000,000 consideration is payable if an exploration well that is required to be drilled under the CI-202 licence in Cote d'Ivoire makes a commercially viable hydrocarbon discovery by 30 June 2018. Post sale to Vitol the Company still holds significant drilling equipment in Abidjan, Cote d'Ivoire. The equipment includes casing and tubulars, cementing and casing accessories and drilling tools with an original cost of approximately US\$1.0 million (A\$1.4 million). The Company is currently in the process of following up on leads for the disposal of the equipment. The inventory was written down in a prior period and any sale proceeds are not expected to materially impact the Company's cash balances.

The Company has closed its UK operations and transitioned activities back to Australia. The CFO has been released, the UK subsidiary has been liquidated and Azonto removed from UK reporting requirements. Management and directors are now all based in Australia. Azonto Petroleum (Ghana) Limited and other subsidiaries were liquidated in the year.

On 15 June 2016 a proposed transaction with Clipfort Ltd BV ("Clipfort") was terminated. The Company was disappointed that the transaction did not proceed as significant time, effort and resources had been allocated to this opportunity however, as the Company was unable to complete due diligence nor other transaction related matters to its satisfaction, the parties agreed to terminate the Heads of Terms.

The Company continues to evaluate new opportunities and investments in all sectors. The Company is highly likely, as a condition of any future investment, to be required by the ASX to obtain shareholder approval for any new investment. The ASX may also exercise its discretion to require the company to re-comply with ASX listing requirements.

### Financial summary

Interest revenue for the year to 31 December 2016 was \$45,021 (2015: \$10,160). Other revenue for the year to 31 December 2016 was \$58,233 (2015: \$1,655,830). Other revenue in 2015 principally comprises income receivable from Vioco for services provided by Azonto to the CI-202 joint venture prior to its disposal in 2015. The Group's total revenue for the year to 31 December 2016 was \$103,254 (2015: \$1,665,990).

## Directors' report

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Impairment of joint venture for 2015 was \$31,075,108. The impairment relates to the Group's sale of the final 35% investment in the Vioco joint venture and the requirement to remeasure it to the lower of carrying amount and fair value less cost to sell.

During the year to 31 December 2015 there was an impairment of property, plant and equipment of \$196,771. The impairment is a consequence of the sale of the CI-202 asset, a reduction in activity and the closure of the London operating office.

The 2015 consideration on the sale of non-current assets of \$1,662,266 is principally due to the sale of wellhead drilling equipment which remained outstanding from the original sale of 65% of Vioco to Vitol in 2013.

The reduction in the Company's operating activities during 2015 including the Vioco disposal, an employee redundancy programme and the closure of the London operating office late in the year has led to a significant fall in the Company's administrative expenses in 2016 compared to 2015. Administrative expenses for the year to 31 December 2016 were \$1,399,262 (2015: \$8,282,365) net of expenses recovered from partners or capitalised of nil (2015: \$1,819,596). Within the gross expenses total employee and director compensation expense, excluding share-based payments, was \$482,956 (2015: \$3,813,460), and other general administrative costs, including consultants, corporate and establishments costs were \$808,047 (2015: \$4,625,876). The 2016 expense includes \$503,588 of additional costs associated with the Clipfort transaction and other potential new projects.

The foreign currency translation recycled to the profit and loss of \$10,333 (2015: 8,530,360) is a transfer from the Foreign Currency Translation Reserve due to the liquidation of subsidiaries in the British Virgin Islands, Ghana and the UK after disposing of their main assets in 2015.

The gain on settlement of liabilities for the year to 31 December 2015 was \$345,658. The gain principally relates to the settlement of outstanding liabilities from the disposal of 65% of Vioco in November 2013 at amounts lower than originally provided.

The gain on sale of fixed assets for the year to 31 December 2015 was \$195,752. The gain arises on the disposal of property, plant and equipment included in the assignment of the London office lease to a third party. The disposal wasn't included when the property, plant and equipment was impaired earlier in the year.

The foreign currency gain for the year to 31 December 2016 was \$33,696 (2015: \$301,654). The gain was due to the weakening of the Australian dollar at the end of the year affecting the cash balances held in US dollars.

The net loss before tax for the year to 31 December 2016 was \$1,272,645 (2015: \$27,189,531) and the net loss after tax was \$1,274,284 (2015: \$27,159,057).

Cash and cash equivalents at 31 December 2016 were \$6,416,195 (2015: \$7,631,769). Net cash used in operations for the year to 31 December 2016 was \$1,249,071 (2015: \$5,966,712). Net cash flow from investing activities for the year to 31 December 2016 was \$nil (2015: \$6,234,467). The 2015 cash flow from investing activities related to the sale proceeds from the 35% disposal of Vioco.

### Equity issues

In November 2016 the Company issued 3,420,025 new ordinary shares as part settlement of a liability to a supplier for corporate advisory services.

### Material business risks

The Board has identified the following material business risks and adopted mitigating strategies as described below:

| Risk / Uncertainty             | Description  | Mitigation   |
|--------------------------------|--|--|
| New opportunities and ventures | The risk that the Company doesn't secure any new opportunities and ventures. | The Company's directors have a lot of experience in finding new opportunities. |

## Directors' report

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### Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated. The Directors have no special responsibilities.

|            |                                    |
|------------|------------------------------------|
| G. Whiddon | Executive Chairman                 |
| N. Hackett | Independent Non-executive Director |
| R. Downey  | Independent Non-executive Director |

### Mr Glenn Whiddon – Executive Chairman

Mr Glenn Whiddon is based in Australia and a significant shareholder in the Company. Mr. Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with a specific focus on natural resources. Mr Whiddon holds a degree in Economics and has extensive corporate and management experience. He is currently Director of a number of Australian and international public listed companies in the resources sector.

#### *Other current listed company directorships*

Auroch Minerals NL (formerly Terranova Minerals NL) – appointed 15 January 2013

Statesman Resources Limited – appointed 26 May 2004

Fraser Range Metals Group Limited – appointed 3 March 2016

### Neil Hackett – Independent Non-executive Director

Mr Neil Hackett holds a Bachelor of Economics from the University of Western Australia, post-graduate qualifications in Applied Finance and Investment, and is a Graduate (Order of Merit) with the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia. He is currently Non-executive Chairman of Australian Securities Exchange listed entity Ardiden Limited and company secretary of Metalicity Ltd and Steel Blue Footwear. Mr Hackett is also Chairman of non-listed company Westcycle Inc. Mr Hackett's previous West African experience includes company secretary at Ampella Mining Limited, Sundance Resources Limited and work with the Australian Securities and Investment Commission.

#### *Other current listed company Directorships*

Ardiden Limited – appointed 5 June 2011

#### *Former listed company Directorships in last 3 years*

Modun Resources Limited – appointed 31 January 2014, resigned 11 March 2015

African Chrome Fields Limited – appointed 9 June 2011, resigned 12 February 2015

### Rob Downey – Independent Non-executive Director

Mr Downey is a corporate resources solicitor and company director. He has worked extensively in all areas of resources law with a particular focus on oil and gas projects in a variety of offshore jurisdictions. Mr Downey has specialised in advising publicly listed oil and gas and mining companies in relation to a variety of legal issues including capital markets, structuring, mergers and acquisitions and listings on ASX, AIM and TSX. Mr Downey also established a corporate advisory business during 2005 and was involved in a number of IPO and listing various resources companies as well as asset acquisitions and divestments. Mr Downey has held a number of public company directorships. Mr Downey is currently a non-executive director of Laconia Resources Ltd, Kairiki Energy Limited, Instinct Energy Limited and Minex Resources NL. In July 2016, Mr Downey established Dominion Legal where he acts for a select group of public companies, high net worth individuals and several South East Asian large private conglomerates

#### *Other current listed Directorships*

Kairiki Energy Limited – appointed 15 February 2013

Instinct Energy Limited – appointed 13 April 2010

Minex Resources NL – appointed 8 September 2014

Laconia Resources Limited – appointed 18 October 2016

## Directors' report

*Former listed company Directorships in last 3 years*

Mount Ridley Mines Limited – appointed 8 September 2014, resigned 31 August 2016

### Meetings of Directors'

The following Directors' meetings were held during the year and the number of meetings attended by each of the Directors during the year was:

|                              | Directors' meetings | Meetings of committees |       |
|------------------------------|---------------------|------------------------|-------|
|                              |                     | Remuneration           | Audit |
| Number of meetings held      | -                   | -                      | 2     |
| Number of meetings attended: |                     |                        |       |
| G Whiddon                    | -                   | -                      | 2     |
| N Hackett                    | -                   | -                      | 2     |
| R Downey                     | -                   | -                      | -     |

During the financial year the Board has held numerous face to face operational meetings to undertake due diligence into proposed new projects and to review existing operations. This has been facilitated by the reduced Board composition to three Directors and the geographical co-location of all Directors in Western Australia. Formal business during the period has been implemented via Circular Resolutions of the Board.

### Directors' interests in the shares and options of the Company

As at the date of this report, the relevant interest of each Director in the shares, options and rights of Azonto Petroleum Limited were:

| Securities         | G Whiddon(a) | N Hackett | R Downey |
|--------------------|--------------|-----------|----------|
| Ordinary shares    |              |           |          |
| - Direct           | 28,167,568   | 706,667   | -        |
| - Indirect         | 98,645,382   | -         | -        |
| Performance rights |              |           |          |
| - Direct           | -            | 6,501,179 | -        |
| - Indirect         | -            | -         | -        |
| Options            |              |           |          |
| - Direct           | -            | -         | -        |
| - Indirect         | -            | -         | -        |

(a) Glenn Whiddon: Please note that the indirect holdings are only included for good corporate governance purposes. Mr Whiddon does not control the indirect holdings. They are held independently of Mr Whiddon. Mr Whiddon has no relevant interest in the indirect holdings.

### Company Secretary

Mr Neil Hackett is Company Secretary. His details are detailed in the Directors section above.

### Significant changes in the state of affairs

There were no changes in the state of affairs of the Group other than those referred to elsewhere in this report of the financial statements or notes thereto.

### Significant events after reporting date

There were no significant events after the balance date.

### Likely developments and expected results

The Company is currently looking at new investment opportunities.

## Directors' report

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### Environmental regulation and performance

There are no particular and significant environmental regulations that have affected the performance of the Group's operations.

### Share options

As at the date of this report, there were no unissued ordinary shares under options (nil at the reporting date).

There were no options issued, exercised or expired during the financial year. No options have been issued since the end of the financial year to the date of the report.

### Performance rights

At the date of the report the Company has 140,319,489 performance rights. No performance rights have been converted to ordinary shares since the end of the financial period to the date of the report.

| Number of rights   | Exercise price | Vesting date |
|--------------------|----------------|--------------|
| 46,589,916         | -              | 18-Dec-17    |
| 93,729,573         | -              | 18-Dec-17    |
| <b>140,319,489</b> |                |              |

The Performance Rights vesting on 18 December 2017, which were granted on 18 December 2013, 13 June 2014 and 3 March 2015, will vest subject to the satisfaction of certain performance criteria. The requirement for continued employment throughout the vesting period was amended during 2015 such that executives will be treated as good leavers (other than termination due to misconduct). Consequently, rights are still held by directors and employees who have left the Company. The Rights are split into two tranches, Tranche 1 (46,589,916 rights), and Tranche 2 (93,729,573 rights). Details of the vesting conditions attaching to these performance rights may be found in the Remuneration Report (see page 6 below).

### Officers' indemnities and insurance

The Group has, during the financial year, entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

During the financial year, the Group has paid premiums in respect of a contract insuring all the Directors and Officers of Azonto Petroleum Limited against costs incurred in defending proceedings except for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid in the year was \$52,744 (2015: \$111,153).

### Indemnification of auditors

The Group has agreed to indemnify its Auditors, BDO Audit (WA) Pty Ltd, to the extent permitted by law, against any claim by a third party arising from Azonto Petroleum Limited's breach of their agreement. The indemnity stipulates that Azonto Petroleum Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.



## Directors' report

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### Remuneration report (Audited)

The Directors and key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration levels for Directors and key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and executives.

The Board is responsible for remuneration policies and practices. The Remuneration Committee assesses the appropriateness of the nature and amounts of remuneration of officers and employees on a periodic basis and makes recommendations to the Board. The Remuneration Committee, where appropriate, seeks independent advice on remuneration policies and practices, including remuneration packages and terms of employment. No independent advice was received in the current year. The Group's securities trading policy regulates dealings by Directors, officers and employees in securities issued by the Group. The policy imposes trading restrictions on all Directors, key management personnel and employees of the Group and their related companies who possess inside information.

The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.

The Group has in place the following incentive plans:

- A Short Term Incentive Plan providing for cash bonuses to be paid annually based on a combination of individual and corporate performance over the previous year.
- A Performance Rights Plan (the "ASIC Relief Plan") for Australian resident directors and employees, and
- A Performance Rights Plan (the "No ASIC Relief Plan") for directors and employees outside Australia.

A summary of these Plans is set out below. The Board is of the opinion that these incentive plans achieve the following outcomes:

- Alignment of the interests of the Group's employees with that of shareholders;
- Retention of staff and management to pursue the Group's strategy and goals;
- Fair and reasonable reward for past individual and Group performance; and
- Incentive to deliver future individual and Group performance.

#### Performance Rights Plans

The Plans, which are substantially identical in nature, are open to any Executive Director, full time or part time employee or contractor of the Group who is declared by the Board to be eligible to receive grants of Performance Rights under the Plans. In addition the No ASIC Relief Plan permits grants to be made to non-executive Directors. Subject to the satisfaction of the vesting conditions given to eligible participants, each Performance Right vests to one Share.

The Performance Rights are issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights. Vesting conditions, if any, are determined by the Board from time to time and set out in individual offers for the grant of Performance Rights. Shares issued upon vesting may be freely transferred subject to compliance with the Group's securities trading rules.

The vesting conditions applicable to all of the outstanding unvested Rights are set out below:

#### Tranche 1 (1/3 of Rights outstanding)

The Tranche 1 Performance Rights will vest on achievement of three strategic milestones (the Tranche 1 Vesting Conditions), within four years of grant. The first milestone, namely the completion of the sale to Vitol of 65% of the Company's subsidiary in Cote d'Ivoire (now named Vioco), was achieved in 2013. The remaining strategic milestones are as follows:

## Directors' report

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

In the event that not all of the Tranche 1 Vesting Conditions are satisfied within four years of grant, the Board may resolve that a proportion of the Tranche 1 Performance Rights vest based on the degree of progress towards satisfaction of the Tranche 1 Vesting Conditions that has been achieved.

The three strategic milestones were chosen by the Board as they were considered to be the key milestones that the Company was working towards.

### Tranche 2 (2/3 of Rights outstanding)

The Tranche 2 Performance Rights will vest on achievement of certain share price hurdles (to be calculated based on the VWAP over the 10 trading days prior to the date of issue) within four years of grant, subject to the Board being satisfied, at the end of the four year period, with the overall financial, strategic and HSE performance of the Company over that four year period.

The share price hurdles are as follows:

- (a) 25% of the Tranche 2 Performance Rights will vest if the Company's Share price reaches \$0.05 per share;
- (b) a further 25% of the Tranche 2 Performance Rights will vest if the Company's Share price reaches \$0.07 per share;
- (c) the remaining 50% of the Tranche 2 Performance Rights will vest if the Company's Share price reaches \$0.09 per share.

A series of share price hurdles was chosen as a performance condition for Tranche 2 as this was considered by the Board to be the best way of aligning management incentives with shareholder returns. The share price hurdles in question were selected so as to provide stretching targets for full vesting.

In order to minimise the cash impact of resignations and redundancies that the Company undertook in 2015 the Board of Azonto agreed in March 2015 to exercise its discretion as provided for under the Company's Performance Rights Plan to enable all departing personnel, including executive management and directors, to be deemed as "good leavers", which results in all eligible participants to continue to hold their Performance Rights upon conclusion of employment or office, subject to the same strategic and share price related vesting conditions associated with the original grants of the Performance Rights and enable vesting in the event of a change in control under the Corporations Act. Note the disposal of Azonto's main business undertaking did not constitute a change of control event under the Corporation Act and accordingly did not give rise to the vesting of the performance rights.

### **Short Term Incentive Plan**

The Short Term Incentive Plan provides for the payment of discretionary cash bonuses to Executive Directors, full time or part time employees or contractors of the Group annually in respect of their performance and the overall performance of the Group during the previous financial year. The Plan establishes maximum bonus levels as a percentage of salary by grade of employee and a guideline framework for calibrating the actual bonus against the maximum according to certain parameters of individual and corporate performance. However all bonus payments are entirely at the discretion of the Board and there are no contractual bonus entitlements under the Plan.

### **Non-executive Directors**

The fixed fees for the Non-executive Directors were last reviewed by PWC in late 2013. There are no termination or retirement benefits for non-executive Directors (other than statutory superannuation). The maximum available pool of fees is set by shareholders in general meeting and is currently \$350,000 per annum.

## Directors' report

### Fixed remuneration for executives

Fixed remuneration for executives consists of base remuneration (which is calculated on a total cost basis and includes any Fringe Benefit Tax charges related to employee benefits), as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Board where applicable. The process consists of a review of Group and individual performance, length of service, relevant comparative remuneration internally and externally and market conditions.

### Service contracts

Remuneration and other terms of employment for Executive Directors and other key management personnel are formalised in service agreements and letters of employment (conditions of employment). All parties continue to be employed until their employment is terminated. Employment contracts can be terminated by either party by providing 3 months' written notice. The Company may make payment in lieu of notice.

Key management personnel are entitled to receive, on termination of employment, statutory entitlements of vested annual and long service leave, together with post-employment benefits. Any options or rights awarded but not vested at the time of resignation will be cancelled unless the Board advises otherwise at its own discretion.

Employment contracts do not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year with consideration of employment market conditions, changes in the scope of the role performed by the employee and changes in remuneration policy set by the Remuneration Committee.

### Remuneration

Details of the remuneration of the Directors of the Company and key management personnel are set out in the following tables.

The key management personnel of the Company include the following Directors and executive officers:

- Glenn Whiddon
- Neil Hackett
- Rob Downey

The cash bonus and share-based payment rights detailed in the table below are performance related. Share-based payment options are related to ongoing service conditions with the Company. While options issued have no performance conditions, they were issued at an exercise price out of the money at grant date, which encourages employees to remain with the Company and work towards achieving share price growth. The value of options and rights shown in the tables below represent the vesting expense, measured in accordance with Australian Accounting Standards, for awards granted in the current or previous financial years.

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings, performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five year financial summary to 31 December 2016:

|                      | Dec-16<br>12 months | Dec-15<br>12 months | Dec-14<br>12 months | Dec-13<br>6 months | Jun-13<br>12 months |
|----------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| Net loss after tax   | (1,274,284)         | (27,159,057)        | (19,601,654)        | (6,148,466)        | (170,626,492)       |
| EPS (cents) Basic    | (0.11)              | (2.34)              | (1.30)              | (0.58)             | (24.99)             |
| EPS (cents) Diluted  | (0.11)              | (2.34)              | (1.30)              | (0.58)             | (24.99)             |
| Year-end share price | 0.008               | 0.0001              | 0.01                | 0.03               | 0.03                |

## Directors' report

Following is the table of remuneration for the year ended 31 December 2016:

|                                 | Short-term benefits   |                  |                           | Share-based payment (c) |             |                          |
|---------------------------------|-----------------------|------------------|---------------------------|-------------------------|-------------|--------------------------|
| Name                            | Salary and fees<br>\$ | Cash bonus<br>\$ | Termination benefit<br>\$ | Rights<br>\$            | Total<br>\$ | Performance related<br>% |
| <b>Non- executive Directors</b> |                       |                  |                           |                         |             |                          |
| N Hackett (a)                   | 44,000                | -                | -                         | 30,830                  | 74,830      | 41.2                     |
| R Downey                        | 36,000                | -                | -                         | -                       | 36,000      | -                        |
| <b>Executive Directors</b>      |                       |                  |                           |                         |             |                          |
| Glenn Whiddon (b)               | 186,364               | -                | -                         | -                       | 186,364     | -                        |
| Total                           | 266,364               | -                | -                         | 30,830                  | 297,194     |                          |

(a) Mr Hackett received \$36,000 for Directors' fees and \$8,000 for services as Company Secretary.

(b) Mr Whiddon received \$80,000 for Director's fees and \$106,364 for consulting fees.

(c) Vesting expense for the fair value of share based payment awards determined at grant date in accordance with Australian Accounting Standards.

## Directors' report

Following is the table of remuneration for the year ended 31 December 2015:

|                                 | Short-term benefits   |                  |                           | Share-based payment (k) |             |                          |
|---------------------------------|-----------------------|------------------|---------------------------|-------------------------|-------------|--------------------------|
| Name                            | Salary and fees<br>\$ | Cash bonus<br>\$ | Termination benefit<br>\$ | Rights<br>\$            | Total<br>\$ | Performance related<br>% |
| <b>Non- executive Directors</b> |                       |                  |                           |                         |             |                          |
| N Hackett (a)                   | 79,500                | -                | -                         | 30,745                  | 110,245     | 27.9                     |
| R Downey (b)                    | 10,300                | -                | -                         | -                       | 10,300      | -                        |
| A Bartlett (c)                  | 47,622                | -                | -                         | 163,233                 | 210,855     | 77.4                     |
| A Sinclair (d)                  | 56,450                | -                | -                         | 91,225                  | 147,675     | 61.8                     |
| <b>Executive Directors</b>      |                       |                  |                           |                         |             |                          |
| Glenn Whiddon (e)               | 64,090                | -                | -                         | -                       | 64,090      | -                        |
| G Stoupnitzky (f)               | 325,278               | 251,874          | 75,585                    | 195,976                 | 848,713     | 23.1                     |
| R Shepherd (g)                  | 26,768                | -                | -                         | 5,539                   | 32,307      | 17.1                     |
| A Rose (h)                      | 20,202                | -                | -                         | 2,626                   | 22,828      | 11.5                     |
| <b>Executives</b>               |                       |                  |                           |                         |             |                          |
| J Durkin (i)                    | 297,526               | 245,700          | 64,849                    | 156,374                 | 764,449     | 20.5                     |
| J Smulders (j)                  | 241,450               | 243,627          | 64,620                    | 158,245                 | 707,942     | 22.4                     |
| Total                           | 1,169,186             | 741,201          | 205,054                   | 803,963                 | 2,919,404   |                          |

- (a) Mr Hackett received \$55,500 for Directors' fees and \$24,000 for services as Company Secretary.  
 (b) Mr Downey was appointed on 17 September 2015.  
 (c) Mr Bartlett resigned on 29 May 2015.  
 (d) Mr Sinclair resigned on 17 September 2015.  
 (e) Mr Whiddon was appointed Director on 2 June 2015. He received \$36,545 for Director's fees and \$27,545 for consulting fees.  
 (f) Mr Stoupnitzky resigned on 17 September 2015.  
 (g) Mr Shepherd resigned as Managing Director on 20 January 2015.  
 (h) Mr Rose resigned on 20 January 2015.  
 (i) Mr Durkin resigned on 17 September 2015.  
 (j) Mr Smulders resigned on 10 August 2015.  
 (k) Vesting expense for the fair value of share based payment awards determined at grant date in accordance with Australian Accounting Standards.

## Directors' report

### **Bonuses**

In the year to 31 December 2015 Mr Stoupnitzky received a bonus of \$196,529 (£90,404), Mr Durkin received a bonus of \$191,585 (£88,129) and Mr Smulders received a bonus of \$189,241 (£88,129) following the successful completion of the sale of the 35% interest in Vioco Petroleum Limited. Mr Stoupnitzky received a bonus of \$55,345 (£25,586), Mr Durkin received a bonus of \$54,115 (£25,017) and Mr Smulders received a bonus of \$54,386 (£25,017) following the completion of the sale of the CI-202 wellhead drilling equipment.

### **Employee share benefits plan**

At the end of the financial year the following share-based payment arrangements were in existence.

The Performance Rights granted in the periods to 31 December 2013, 2014 and 31 December 2015 will vest subject to the satisfaction of certain performance criteria as disclosed above.

### **Performance rights**

The table below represents performance rights issued still in existence at the end of the financial year:

| Reference number | Grant date | Grant date fair value | Vesting dates |
|------------------|------------|-----------------------|---------------|
| 1                | 18-Dec-13  | \$0.03                | 18-Dec-17     |
| 2                | 18-Dec-13  | \$0.02                | 18-Dec-17     |
| 3                | 13-Jun-14  | \$0.02                | 18-Dec-17     |
| 4                | 13-Jun-14  | \$0.01                | 18-Dec-17     |
| 5                | 3-Mar-15   | \$0.003               | 18-Dec-17     |
| 6                | 3-Mar-15   | \$0.00003             | 18-Dec-17     |

The following grants of share-based payment compensation, being performance rights to Directors and senior management, were awarded or vested during the current financial year:

| Name              | Financial year granted | Granted ref number | Number    | No. granted during year | No. vested during year | No. vested to date | % vested during year | % vested to date |
|-------------------|------------------------|--------------------|-----------|-------------------------|------------------------|--------------------|----------------------|------------------|
| <b>Executives</b> |                        |                    |           |                         |                        |                    |                      |                  |
| N Hackett         | 2013                   | 1                  | 2,167,060 | -                       | -                      | -                  | -                    | -                |
| N Hackett         | 2013                   | 2                  | 4,334,119 | -                       | -                      | -                  | -                    | -                |

## Directors' report

Following is the table of rights holdings for the year ended 31 December 2016:

| 31 December 2016       | Balance<br>1 January 2016 | Granted as<br>remuneration | Exercised | Net change<br>Other<br>(i) | Balance<br>31 December<br>2016 | Vested at<br>31 December<br>2016 | Vested and<br>Exercisable at<br>31 December<br>2016 | Vested and<br>unexercisable at<br>31 December<br>2016 |
|------------------------|---------------------------|----------------------------|-----------|----------------------------|--------------------------------|----------------------------------|---|---|
| <b>Direct interest</b> |                           |                            |           |                            |                                |                                  |   |   |
| <b>Directors</b>       |                           |                            |           |                            |                                |                                  |   |   |
| N Hackett              | 6,501,179                 | -                          | -         | -                          | 6,501,179                      | -                                | -   | -   |
|                        | 6,501,179                 | -                          | -         | -                          | 6,501,179                      | -                                | -   | -   |

(i) Key management personnel had no option holdings in 2016.

## Directors' report

Following is the table of shareholdings for the period ended 31 December 2016:

| 31 December 2016             | Balance<br>1 January | Granted as<br>remuneration | Options<br>exercised | Rights<br>issued | Net change<br>other | Balance<br>31 December |
|------------------------------|----------------------|----------------------------|----------------------|------------------|---------------------|------------------------|
| <b>Direct interest</b>       |                      |                            |                      |                  |                     |                        |
| <b>Directors (i)</b>         |                      |                            |                      |                  |                     |                        |
| G Whiddon                    | 28,167,568           | -                          | -                    | -                | -                   | 28,167,568             |
| N Hackett                    | 706,667              | -                          | -                    | -                | -                   | 706,667                |
|                              | 28,874,235           | -                          | -                    | -                | -                   | 28,874,235             |
| <b>Indirect interest(ii)</b> |                      |                            |                      |                  |                     |                        |
| <b>Directors</b>             |                      |                            |                      |                  |                     |                        |
| G Whiddon                    | 98,645,382           | -                          | -                    | -                | -                   | 98,645,382             |
|                              | 98,645,382           | -                          | -                    | -                | -                   | 98,645,382             |

(i) Indirect interests are shareholdings that the director has a relevant interest in but is not the registered holder.



## Directors' report

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### Other related party transactions

During the year the company paid MIMO Strategies Pty Limited, a related party of Glenn Whiddon, \$14,051 for office space and administrative services.

### Voting of shareholders at last year's annual general meeting

The Company received more than 80% of "yes" votes on its remuneration report for the 2015 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### *End of audited remuneration report*

### 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 Group are important. The Board of Directors are satisfied that the provision of the non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of the amount paid or payable to the auditor for audit services provided during the year are set out in Note 21. There were no non-audit services provided during the year.

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the Directors.



**Glenn Whiddon**  
**Chairman**  
29 March 2017

**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AZONTO PETROLEUM LIMITED**

As lead auditor of Azonto Petroleum Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Azonto Petroleum Limited and the entities it controlled during the year.



**Phillip Murdoch**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 29 March 2017

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

|  | Notes | 12 Month<br>31 December<br>2016<br>\$ | 12 Month<br>31 December<br>2015<br>\$ |
|--|-------|---------------------------------------|---------------------------------------|
| Interest revenue   |       | 45,021                                | 10,160                                |
| Other revenue  |       | 58,233                                | 1,655,830                             |
|  |       | 103,254                               | 1,665,990                             |
| Impairment of joint venture  | 15    | -                                     | (31,075,108)                          |
| Impairment of property, plant and equipment                            |       | -                                     | (196,771)                             |
| Consideration on the sale of non-current assets                        | 15    | -                                     | 1,662,266                             |
| General and administrative expenses                                    | 3     | (1,399,262)                           | (8,282,365)                           |
| Foreign currency translation recycled to Profit and Loss               |       | (10,333)                              | 8,530,360                             |
| Gain on settlement of liabilities                                      |       | -                                     | 345,658                               |
| Gain on sale of fixed assets   |       | -                                     | 195,752                               |
| Share of loss of a joint venture                                       | 15    | -                                     | (336,967)                             |
| Foreign exchange gain  |       | 33,696                                | 301,654                               |
| <b>Loss before income tax</b>  |       | <b>(1,272,645)</b>                    | <b>(27,189,531)</b>                   |
| Income tax benefit/(expense)   | 4     | (1,639)                               | 30,474                                |
| <b>Net loss for the year</b>   |       | <b>(1,274,284)</b>                    | <b>(27,159,057)</b>                   |
| <b>Other comprehensive income</b>                                      |       |                                       |                                       |
| <i>Items that may be reclassified subsequently to profit and loss:</i> |       |                                       |                                       |
| Foreign currency translation:  |       |                                       |                                       |
| Arising during the year  |       | (10,333)                              | 74,747                                |
| Recycled to the profit and loss on disposal of subsidiaries            |       | 10,333                                | (8,530,360)                           |
| Share of joint venture reserves  |       | -                                     | 1,987,331                             |
| <b>Other comprehensive loss for the year, net of tax</b>               |       | <b>-</b>                              | <b>(6,468,282)</b>                    |
| <b>Total comprehensive loss for the year</b>                           |       | <b>(1,274,284)</b>                    | <b>(33,627,339)</b>                   |
| Loss for the period is attributable to:                                |       |                                       |                                       |
| Non-controlling interest   |       | -                                     | -                                     |
| Owners of the parent   |       | (1,274,284)                           | (27,159,057)                          |
|  |       | (1,274,284)                           | (27,159,057)                          |
| Other comprehensive loss for the period is attributable to:            |       |                                       |                                       |
| Non-controlling interest   |       | -                                     | -                                     |
| Owners of the parent   |       | -                                     | (6,468,282)                           |
|  |       | -                                     | (6,468,282)                           |
| <b>Loss per share</b>  |       | <b>Cents per share</b>                | <b>Cents per share</b>                |
| - basic loss per share attributable to owners of the parent            | 12    | (0.11)                                | (2.34)                                |
| - diluted loss per share attributable to owners of the parent          | 12    | (0.11)                                | (2.34)                                |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

## Consolidated statement of financial position

As at 31 December 2016

|                                  |        | 31 December<br>2016 | 31 December<br>2015 |
|----------------------------------|--------|---------------------|---------------------|
|                                  | Notes  | \$                  | \$                  |
| <b>ASSETS</b>                    |        |                     |                     |
| <b>Current assets</b>            |        |                     |                     |
| Cash and cash equivalents        | 5      | 6,416,195           | 7,631,769           |
| Trade and other receivables      | 6      | 13,365              | -                   |
| Other current assets             | 7      | 63,948              | 92,492              |
| Income tax receivable            | 9      | -                   | 9,527               |
| <b>Total current assets</b>      |        | <b>6,493,508</b>    | <b>7,733,788</b>    |
| <b>TOTAL ASSETS</b>              |        | <b>6,493,508</b>    | <b>7,733,788</b>    |
| <b>LIABILITIES</b>               |        |                     |                     |
| <b>Current liabilities</b>       |        |                     |                     |
| Trade and other payables         | 8      | 108,958             | 210,573             |
| <b>Total current liabilities</b> |        | <b>108,958</b>      | <b>210,573</b>      |
| <b>TOTAL LIABILITIES</b>         |        | <b>108,958</b>      | <b>210,573</b>      |
| <b>NET ASSETS</b>                |        | <b>6,384,550</b>    | <b>7,523,215</b>    |
| <b>EQUITY</b>                    |        |                     |                     |
| Issued capital                   | 10     | 232,807,830         | 232,780,470         |
| Performance shares               | 10     | 9,994,250           | 9,994,250           |
| Reserves                         | 11 (b) | 12,761,823          | 12,653,564          |
| Accumulated losses               | 11 (a) | (249,179,353)       | (247,905,069)       |
| <b>TOTAL EQUITY</b>              |        | <b>6,384,550</b>    | <b>7,523,215</b>    |

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

## Consolidated statement of changes in equity

As at 31 December 2016

|   | Share capital      | Performance share | Employee equity<br>benefits reserve | Equity reserve     | Accumulated<br>losses | Total            |
|---|--------------------|-------------------|-------------------------------------|--------------------|-----------------------|------------------|
|   | \$                 | \$                | \$                                  | \$                 | \$                    | \$               |
| <b>At 1 January 2016</b>                                    | 232,780,470        | 9,994,250         | 15,081,130                          | (2,427,566)        | (247,905,069)         | 7,523,215        |
| Loss for period   | -                  | -                 | -                                   | -                  | (1,274,284)           | (1,274,284)      |
| Other comprehensive income/(loss)                           | -                  | -                 | -                                   | -                  | -                     | -                |
| Total comprehensive loss for the year                       | -                  | -                 | -                                   | -                  | (1,274,284)           | (1,274,284)      |
| <b>Transactions with owners in their capacity as owners</b> |                    |                   |                                     |                    |                       |                  |
| Issue of Share Capital                                      | 27,360             | -                 | -                                   | -                  | -                     | 27,360           |
| Share based payments  | -                  | -                 | 108,259                             | -                  | -                     | 108,259          |
| <b>At 31 December 2016</b>                                  | <b>232,807,830</b> | <b>9,994,250</b>  | <b>15,189,389</b>                   | <b>(2,427,566)</b> | <b>(249,179,353)</b>  | <b>6,384,550</b> |

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

## Consolidated statement of changes in equity

As at 31 December 2015

|   | Share capital | Performance share | Employee equity<br>benefits reserve | Equity reserve | Foreign currency<br>translation reserve | Accumulated<br>losses | Total        |
|---|---------------|-------------------|-------------------------------------|----------------|---|-----------------------|--------------|
|   | \$            | \$                | \$                                  | \$             | \$                                      | \$                    | \$           |
| <b>At 1 January 2015</b>  | 232,780,470   | 9,994,250         | 13,590,581                          | (2,427,566)    | 6,468,282                               | (220,746,012)         | 39,660,005   |
| Loss for period   | -             | -                 | -                                   | -              | -                                       | (27,159,057)          | (27,159,057) |
| Other comprehensive loss  | -             | -                 | -                                   | -              | (6,468,282)                             | -                     | (6,468,282)  |
| Total comprehensive loss for the year                           | -             | -                 | -                                   | -              | (6,468,282)                             | (27,159,057)          | (33,627,339) |
| <b>Transactions with owners in their<br/>capacity as owners</b> |               |                   |                                     |                |   |                       |              |
| Share based payments  | -             | -                 | 1,490,549                           | -              | -                                       | -                     | 1,490,549    |
| At 31 December 2015   | 232,780,470   | 9,994,250         | 15,081,130                          | (2,427,566)    | -                                       | (247,905,069)         | 7,523,215    |

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements

## Consolidated statement of cash flows

For the year ended 31 December 2016

|  |       | 2016        | 2015         |
|--|-------|-------------|--------------|
|  | Notes | \$          | \$           |
| <b>Cash flows from operating activities</b>                      |       |             |              |
| Receipts from customers  |       | 34,385      | 4,147,898    |
| Payments to suppliers and employees                              |       | (1,335,068) | (10,079,290) |
| Interest received  |       | 45,021      | 10,160       |
| Income tax (paid)/recovered                                      |       | 6,591       | (45,480)     |
| <b>Net cash flows used in operating activities</b>               | 16    | (1,249,071) | (5,966,712)  |
| <b>Cash flows from investing activities</b>                      |       |             |              |
| Proceeds from disposal of property, plant & equipment            |       | -           | 211,258      |
| Proceeds from sale of interest in joint venture                  |       | -           | 6,023,209    |
| <b>Net cash flows from investing activities</b>                  |       | -           | 6,234,467    |
| <b>Cash flows from financing activities</b>                      |       |             |              |
| Proceeds from issue of shares                                    |       | 27,280      | -            |
| <b>Net cash flows from financing activities</b>                  |       | 27,280      | -            |
| Net increase (decrease) in cash and cash equivalents             |       | (1,221,791) | 267,755      |
| Net foreign exchange differences                                 |       | 6,217       | 343,316      |
| Cash and cash equivalents at the beginning of the financial year |       | 7,631,769   | 7,020,698    |
| <b>Cash and cash equivalents at end of the financial year</b>    | 5     | 6,416,195   | 7,631,769    |

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

# Notes to the consolidated financial statements

For the year ended 31 December 2016

## 1. Corporate information

The consolidated financial report of Azonto Petroleum Limited for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on 31 March 2017.

Azonto Petroleum Limited is a Company limited by shares incorporated in Australia by shares which are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' report.

## 2. Summary of significant accounting policies

### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncement of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where stated.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed where appropriate.

For the purpose of preparing the consolidated financial statements, the Group is a for-profit entity.

Excepted as disclosed the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and by all entities in the consolidated entity.

### a) Compliance statement

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

### b) Going concern and basis of accounting

The consolidated financial statements have been prepared on a going concern basis as the Directors are of the opinion that the Group can meet its obligations as and when they fall due. The Company is currently looking at potential new opportunities.

### c) New accounting standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 January 2016, including:

| Summary   | Application date for Group |
|---|----------------------------|
| <p><b>AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</b><br/><b>[AASB 1 &amp; AASB 11]</b></p> <p>AASB 2014-3 amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11</p> | 1 January 2016             |



# Notes to the consolidated financial statements

For the year ended 31 December 2016

| Summary  | Application date for Group |
|--|----------------------------|
| <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations</p> <p>This Standard also makes an editorial correction to AASB 11.</p>   |                            |
| <p><b>AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)</b></p> <p>AASB 116 <i>Property Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>  | 1 January 2016             |
| <p><b>AASB 1057 Application of Australian Accounting Standards</b></p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.</p> <p>The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.</p>  | 1 January 2016             |
| <p><b>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b></p> <p>AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <p>(a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not)</p> <p>(b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>AASB 2014-10 also makes an editorial correction to AASB 10</p> <p>AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</p>   | 1 January 2016             |
| <p><b>AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</b></p> <p>The subjects of the principal amendments to the Standards are set out below:</p> <p><i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</i></p> <ul style="list-style-type: none"> <li>Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.</li> </ul> <p><i>AASB 7 Financial Instruments: Disclosures:</i></p> <ul style="list-style-type: none"> <li>Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.</li> <li>Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure—Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134.</li> </ul> <p><i>AASB 119 Employee Benefits:</i></p> <ul style="list-style-type: none"> <li>Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at</li> </ul> | 1 January 2016             |

## Notes to the consolidated financial statements

For the year ended 31 December 2016

| Summary   | Application date for Group |
|---|----------------------------|
| <p>the currency level.</p> <p>AASB 134 <i>Interim Financial Reporting</i>:</p> <ul style="list-style-type: none"> <li>Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</li> </ul>   |                            |
| <p><b>AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</b></p> <p>The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p> | 1 January 2016             |
| <p><b>AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i></b></p> <p>The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.</p>   | 1 January 2016             |
| <p><b>AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 &amp; AASB 1057]</b></p> <p>This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.</p>  | 1 January 2016             |

None of these standards required a restatement of comparative information, and had no impact on the accounting policies of the Group.

### New accounting standards not yet effective

The following accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 31 December 2016 and the Group has not yet determined the impact on the financial statements:

| Summary   | Application date for Group |
|---|----------------------------|
| <p><b>AASB 9 Financial Instruments</b></p> <p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p><i>Financial assets</i></p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> </ol> <p><i>Financial liabilities</i></p> | 1 January 2018             |

# Notes to the consolidated financial statements

For the year ended 31 December 2016

| Summary  | Application date for Group |
|--|----------------------------|
| <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><b>Impairment</b></p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p><b>Hedge accounting</b></p> <p>Amendments to AASB 9 (December 2009 &amp; 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>                                    |                            |
| <p><b>AASB 15 Revenue from Contracts with Customers</b></p> <p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i> and related Interpretations (Interpretation 13 <i>Customer Loyalty Programmes</i>, Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, Interpretation 18 <i>Transfers of Assets from Customers</i>, Interpretation 131 <i>Revenue—Barter Transactions Involving Advertising Services</i> and Interpretation 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ol style="list-style-type: none"> <li>(a) Step 1: Identify the contract(s) with a customer</li> <li>(b) Step 2: Identify the performance obligations in the contract</li> <li>(c) Step 3: Determine the transaction price</li> <li>(d) Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ol> <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> | 1 January 2018             |
| <p><b>IFRS 16 Leases</b></p> <p>The key features of IFRS 16 are as follows:</p> <p><b>Lessee accounting</b></p> <ul style="list-style-type: none"> <li>• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>• A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.</li> <li>• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to</li> </ul>   | 1 January 2019             |

# Notes to the consolidated financial statements

For the year ended 31 December 2016

| Summary   | Application date for Group |
|---|----------------------------|
| <p>be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</p> <ul style="list-style-type: none"> <li>IFRS 16 contains disclosure requirements for lessees.</li> </ul> <p><b>Lessor accounting</b></p> <ul style="list-style-type: none"> <li>IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul> <p>IFRS 16 supersedes:</p> <p>(a) IAS 17 Leases;</p> <p>(b) IFRIC 4 Determining whether an Arrangement contains a Lease;</p> <p>(c) SIC-15 Operating Leases—Incentives; and</p> <p>(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</p> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.</p> |                            |

An assessment of the impact of new standards and interpretations has not been completed.

## d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Azonto Petroleum Limited and its subsidiaries (as outlined in Note 20) (the Group) as at and for the period ended 31 December each year.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvements with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions have been eliminated in full.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

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.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

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### e) Joint arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Group recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method.

Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income (OCI) reflects the Group's share of the results of operations of the joint venture. Any change in OCI of that investee is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income. On loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

### f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit and loss component of the statement of comprehensive income as incurred.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

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Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

### **g) Foreign currency translation**

#### *Functional and presentation currency*

Both the functional and presentation currency of Azonto Petroleum Limited is Australian dollars (\$). The British Virgin Island (BVI) subsidiaries' and Ghana subsidiary functional currency is United States Dollars and the United Kingdom subsidiary's functional currency is Great British Pounds which are translated to the presentation currency.

#### *Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the average exchange rate prevailing in the period of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### *Translation of Group Companies' functional currency to presentation currency*

The results of the BVI, Ghana and United Kingdom subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

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Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity until the net investment is disposed, at which time, the cumulative amount is reclassified to the profit and loss.

### **h) Operating segments**

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 result are regularly reviewed by the Group'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.

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.

### **i) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### **j) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the difference between the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### **k) Exploration and evaluation expenditure**

Exploration and evaluation expenditure, including the costs of acquiring the licences/permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the profit and loss component of the consolidated statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

## Notes to the consolidated financial statements

For the year ended 31 December 2016

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- (i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (w)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to oil and gas property and development assets within property, plant and equipment.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

### **l) Investments and other financial assets**

The Group determines the classification of its financial instruments at initial recognition.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Changes in fair value are either taken to profit and loss or Other Comprehensive Income.

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the profit or loss.

### **m) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### *Depreciation*

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:



## Notes to the consolidated financial statements

For the year ended 31 December 2016

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- Plant and equipment over 2 to 20 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

### *Derecognition*

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit and loss in the period the item is derecognised.

### **n) Leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset 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 in finance costs in 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 Group will obtain ownership by the end of the lease term.

### **o) Trade and other payables**

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### **p) Provisions and employee benefits**

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

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 wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognised termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

### **q) Share-based payments**

The Group provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares. The fair value of equity instruments granted is recognised as an employee expense with a corresponding increase in equity. The

## Notes to the consolidated financial statements

For the year ended 31 December 2016

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fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the equity instruments.

The fair value of the performance rights granted is measured using a Monte Carlo valuation model and the share options granted is measured using a Black Scholes valuation model. These models take into account the terms and conditions upon which the rights and options were granted and the probability of achieving each required milestone.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on straight-line basis from the grant date to the date on which the relevant employees become fully entitled to the award ("vesting date"). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding equity instruments is reflected as additional share dilution in the computation of earnings per share.

### **r) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **s) Revenue recognition**

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

- Interest income is recognised as it accrues using the effective interest method.

### **t) Income tax and other taxes**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### *Other taxes*

Revenues, expenses and assets are recognised net of the amount of Government Sales Tax ("GST") except:

## Notes to the consolidated financial statements

For the year ended 31 December 2016

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- Where the GST incurred on the 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
- Receivable and payable are stated with the amount of GST included

The net amount of GST recoverable from the taxation authority is included as part of the receivables in the statement of financial position. The amount of GST payable to the taxation authority is included as part of the 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.

### **u) Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted Earnings Per Share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **v) Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

### **w) Use of estimates and judgements**

The preparation of financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

#### *Significant accounting judgments*

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

#### *Foreign currency translation*

Under the Accounting Standards, each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. In arriving at this determination, management gives priority to the currency that influences the labour, materials and other costs of exploration activities as they consider this to be a primary indicator of the functional currency.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

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### *Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

### *Exploration and evaluation assets*

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 2(k). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit and loss.

### *Share based payments*

The Group measures the cost of equity-settled share based payments at fair value at the grant date considering the probability of achieving milestones for rights and using the Black-Scholes formula for options, taking into account the terms and conditions upon which the instruments were granted, refer to Note 19 for the inputs used.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 3. General and administrative expenses

Employee benefit and Director compensation expense

Share based payment expense

Depreciation of property, plant & equipment

Consultants expense

Corporate expense

Establishment expense

Other

Expenses recovered from partners

| 2016<br>\$ | 2015<br>\$  |
|------------|-------------|
| 482,956    | 3,813,460   |
| 108,259    | 1,490,549   |
| 591,215    | 5,304,009   |
| -          | 182,076     |
| 55,758     | 2,267,231   |
| 664,350    | 1,306,119   |
| 63,919     | 988,908     |
| 24,020     | 53,618      |
| -          | (1,819,596) |
| 1,399,262  | 8,282,365   |

### 4. Income tax expense

Major components of income tax expense for the periods ended 31 December 2016 and 2015:

#### Statement of comprehensive income

##### Current income tax

- Current income tax credit

- Adjustments in respect of current income tax of previous years

##### Deferred income tax

- Relating to origination and reversal of temporary differences

Income tax expense reported in statement of comprehensive income

| 2016<br>\$ | 2015<br>\$ |
|------------|------------|
| -          | (17,858)   |
| 1,639      | (12,616)   |
| -          | -          |
| 1,639      | (30,474)   |

#### Reconciliation of income tax expense to prima facie tax:

Accounting loss before income tax

At the statutory income tax rate of 30%

(31 December 2015: 30%)

- Expenditure not allowable for income tax purposes

- Share based payment expense

- Foreign tax rate adjustment

- Adjustments in respect of tax loss in prior years

- Temporary differences not recognised as deferred tax asset

- Current year losses not recognised as deferred tax asset

Income tax reported in statement of comprehensive income

|             |              |
|-------------|--------------|
| (1,272,645) | (27,189,531) |
| (381,793)   | (8,156,859)  |
| 186,621     | 6,498,346    |
| 32,478      | 447,165      |
| -           | 4,431        |
| (9,862)     | 4,768,956    |
| (32,696)    | (52,659)     |
| 206,891     | (3,539,854)  |
| 1,639       | (30,474)     |

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 4. Income tax expense (continued)

#### Deferred income tax

Recognised on the statement of financial position

Deferred income tax at 31 December relates to the following:

#### Deferred income tax assets

- Foreign exchange
- Accrued expenditure
- Tax losses
- Deferred tax assets not recognised

#### Net deferred tax asset/(liability)

| 2016        | 2015        |
|-------------|-------------|
| \$          | \$          |
|             |             |
| (63,736)    | -           |
| (10,810)    | -           |
| (5,278,345) | (5,071,454) |
| 5,352,891   | 5,071,454   |
| -           | -           |
| -           | -           |

The deductible temporary differences and the tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise benefits. The Group has unrecognised tax losses of \$17,594,484 (31 December 2015: \$16,904,847). The unrecognised losses for 2016 all originate in Australia. All losses are revenue in nature.

#### Tax consolidation

For the purposes of income taxation, the Group and its 100% controlled Australian entity have not elected to form a tax consolidated group.

### 5. Cash and cash equivalents

Cash at bank and on hand  
Deposits at call

| 2016      | 2015      |
|-----------|-----------|
| \$        | \$        |
| 1,205,691 | 7,631,769 |
| 5,210,504 | -         |
| 6,416,195 | 7,631,769 |

The weighted average interest rate for the year was 0.7%.

### 6. Trade and other receivables

#### Current

GST/VAT receivable  
Other

|        |   |
|--------|---|
|        |   |
| 13,285 | - |
| 80     | - |
| 13,365 | - |

- (i) Trade and other receivables are neither past due nor impaired. These are non-interest bearing and generally have repayments between 30-90 days. Their carrying values approximate their fair value.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 7. Other current assets

Prepayments

| 2016   | 2015   |
|--------|--------|
| \$     | \$     |
| 63,948 | 92,492 |
| 63,948 | 92,492 |

### 8. Trade and other payables

Trade creditors and accruals (i)  
GST/VAT payable

| 2016    | 2015    |
|---------|---------|
| \$      | \$      |
| 108,958 | 205,006 |
| -       | 5,567   |
| 108,958 | 210,573 |

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms

### 9. Income tax (receivable)/payable

Current

UK income tax

| 2016 | 2015    |
|------|---------|
| \$   | \$      |
| -    | (9,527) |

### 10. Issued capital

#### (a) Share capital

Ordinary shares fully paid

| Number        | \$          |
|---------------|-------------|
| 1,162,795,125 | 232,807,830 |

#### (b) Movements in ordinary shares on issue

Balance at 1 January 2015

Balance at 1 January 2016

Issued in November 2016 to settle a creditor

Balance at 31 December 2016

|               |             |
|---------------|-------------|
| 1,159,375,100 | 232,780,470 |
| 1,159,375,100 | 232,780,470 |
| 3,420,025     | 27,360      |
| 1,162,795,125 | 232,807,830 |

#### (c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 10. Issued capital (continued)

| (d) Movements in performance shares | Number | \$        |
|-------------------------------------|--------|-----------|
| Balance 1 January 2015              | -      | 9,994,250 |
| Balance at 31 December 2015         | -      | 9,994,250 |
| Balance at 31 December 2016         | -      | 9,994,250 |

The performance shares arose on the acquisition of oil and gas assets that have now been sold. Under current accounting standards the value of the shares does not change.

|   | 2016        | 2015         |
|---|-------------|--------------|
| (e) Movements in number of options in issue | Number      | Number       |
| Balance 1 January                           | -           | 35,310,150   |
| Expired                                     | -           | (35,310,150) |
| Balance at 31 December                      | -           | -            |
| (f) Movements in number of rights in issue  |             |              |
| Balance 1 January                           | 140,569,489 | 138,378,501  |
| Share-based remuneration granted            | -           | 20,824,176   |
| Cancelled                                   | (250,000)   | (18,633,188) |
| Balance at 31 December                      | 140,319,489 | 140,569,489  |

### 11. Accumulated losses and reserves

| (a) Movements in accumulated losses were as follows: | 2016        | 2015        |
|--|-------------|-------------|
| Balance 1 January                                    | 247,905,069 | 220,746,012 |
| Net loss attributable to members                     | 1,274,284   | 27,159,057  |
| Balance at 31 December                               | 249,179,353 | 247,905,069 |

#### (b) Other reserves

|                              | Employee equity<br>benefits reserve | Equity reserve | Foreign currency<br>translation | Total       |
|------------------------------|-------------------------------------|----------------|---------------------------------|-------------|
|                              | \$                                  | \$             | \$                              | \$          |
| At 31 December 2014          | 13,590,581                          | (2,427,566)    | 6,468,282                       | 17,631,297  |
| Foreign currency translation | -                                   | -              | (6,468,282)                     | (6,468,282) |
| Share based payments         | 1,490,549                           | -              | -                               | 1,490,549   |
| At 31 December 2015          | 15,081,130                          | (2,427,566)    | -                               | 12,653,564  |
| Share based payments         | 108,259                             | -              | -                               | 108,259     |
| At 31 December 2016          | 15,189,389                          | (2,427,566)    | -                               | 12,761,823  |



## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 11. Accumulated losses and reserves (continued)

#### (c) Nature and purpose of reserves

##### *Employee equity benefits reserve*

The employee equity benefits reserve is used to record the value of share based payments provided to employees, as part of their remuneration.

##### *Equity reserve*

The equity reserve is used to record the excess value over the non-controlling interest that existed as at the date of either the acquisition of the controlling interests in the subsidiary companies or disposal of the non-controlling interests in subsidiary companies.

##### *Foreign currency translation*

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

### 12. Loss per share

|   | 2016<br>Cents per share | 2015<br>Cents per share |
|---|-------------------------|-------------------------|
| Basic loss per share  | (0.11)                  | (2.34)                  |
| Diluted loss per share (i)  | (0.11)                  | (2.34)                  |
|   | \$                      | \$                      |
| Losses attributable to ordinary equity holders of the parent used in calculating basic and diluted loss per share | (1,274,284)             | (27,159,057)            |
|   | Number                  | Number                  |
| Weighted average number of ordinary shares used in calculating basic and diluted loss per share                   | 1,160,178,712           | 1,159,375,100           |

- (i) Potential issued ordinary shares include 140,319,489 performance rights. As the Group is in a loss position, the performance rights are not included in calculating diluted loss per share as they are anti-dilutive.

### 13. Commitments

The company had no future commitments at the year end.

### 14. Segment reporting

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

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

All material interest revenue was earned in Australia and the United Kingdom.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 15. Interests in joint arrangements

The Group has an interest in the following joint arrangements:

| Project                 | Activities              | Equity interest     |                     | Carrying value      |                     |
|-------------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|
|                         |                         | 31 December<br>2016 | 31 December<br>2015 | 31 December<br>2016 | 31 December<br>2015 |
|                         |                         | %                   | %                   | \$                  | \$                  |
| Accra Block             | Oil and gas exploration | -                   | -                   | -                   | -                   |
| Vioco Petroleum Limited | Oil and gas exploration | -                   | -                   | -                   | -                   |

The Group relinquished the Accra Block in March 2015.

In October 2015 the Company completed the sale of Azonto's 35% shareholding in Vioco Petroleum Limited ("Vioco") to Vitol E&P Limited ("Vitol"). In consideration for the sale Vitol paid an initial US\$4,000,000 (A\$5,485,464) and also paid US\$1,100,000 (A\$1,576,835) for the sale of certain wellhead drilling equipment that remained outstanding. A further US\$2,000,000 consideration is payable if an exploration well that is required to be drilled under the CI-202 licence in Cote d'Ivoire makes a commercially viable hydrocarbon discovery by 30 June 2018. Disposal costs of \$1,039,090 were paid. The sale of the wellhead drilling equipment is included in the consideration on the sale of non-current assets of \$1,662,266 as it remained outstanding from the original sale of 65% of Vioco to Vitol. Prior to disposal Vioco was accounted for as a joint venture using the equity method in the consolidated financial statements. Based on the fair value of the consideration received, the Company impaired the Investment in the Vioco Joint Venture by \$31,075,108 in 2015.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 16. Reconciliation of cash flows from operating activities

|  | 2016<br>\$  | 2015<br>\$   |
|--|-------------|--------------|
| <b>Cash flows from operating activities</b>              |             |              |
| Loss for the period                                      | (1,274,284) | (27,159,057) |
| <i>Adjustments for:</i>                                  |             |              |
| Depreciation   | -           | 182,076      |
| Impairment of joint venture                              | -           | 31,075,108   |
| Impairment of property, plant and equipment              | -           | 196,771      |
| Consideration on the sale of non-current assets          | -           | (1,662,266)  |
| Share based remuneration                                 | 108,259     | 1,490,549    |
| Foreign currency translation recycled to Profit and Loss | 10,333      | (8,530,360)  |
| (Gain) on sale of fixed assets                           | -           | (195,752)    |
| Share of a loss of a joint venture                       | -           | 336,967      |
| Net exchange differences                                 | (16,551)    | (276,731)    |
| <i>Changes in assets and liabilities</i>                 |             |              |
| Decrease/(increase) in trade receivables                 | (21,030)    | 1,229,338    |
| Decrease/(increase) in other assets                      | 28,544      | 75,446       |
| Increase/(decrease) in trade creditors and accruals      | (93,869)    | (2,658,821)  |
| Increase/(decrease) in income tax receivable/payable     | 9,527       | (69,980)     |
| Net cash used in operating activities                    | (1,249,071) | (5,966,712)  |

### 17. Financial risk management objectives and policies

#### Overview

The Group have exposure to the following risks from their use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 17. Financial risk management objectives and policies (continued)

The Group's principal financial instruments are cash, short-term deposits, receivables and payables.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses.

Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

| 31 December 2016             | Weighted<br>average effective<br>interest rate | 1 Year or<br>Less | Over 1 to<br>5 years | More than<br>5 years | Total     |
|------------------------------|--|-------------------|----------------------|----------------------|-----------|
|                              | %  | \$                | \$                   | \$                   | \$        |
| <b>Financial assets</b>      |  |                   |                      |                      |           |
| Variable interest rate       | 0.70%  | 6,416,195         | -                    | -                    | 6,416,195 |
|                              |  | 6,416,195         | -                    | -                    | 6,416,195 |
| <b>Financial liabilities</b> |  |                   |                      |                      |           |
| Non-interest bearing         |  | 108,958           | -                    | -                    | 108,958   |

  

| 31 December 2015             | Weighted<br>average effective<br>interest rate | 1 Year or<br>Less | Over 1 to<br>5 years | More than<br>5 years | Total     |
|------------------------------|--|-------------------|----------------------|----------------------|-----------|
|                              | %  | \$                | \$                   | \$                   | \$        |
| <b>Financial assets</b>      |  |                   |                      |                      |           |
| Variable interest rate       | 0.10%  | 7,631,769         | -                    | -                    | 7,631,769 |
|                              |  | 7,631,769         | -                    | -                    | 7,631,769 |
| <b>Financial liabilities</b> |  |                   |                      |                      |           |
| Non-interest bearing         |  | 210,573           | -                    | -                    | 210,573   |

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 17. Financial risk management objectives and policies (continued)

#### Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown in the following.

| 31 December 2016            | Carrying value at<br>31 December | Profit or loss |                |
|-----------------------------|----------------------------------|----------------|----------------|
|                             |                                  | 25 bp increase | 25 bp decrease |
|                             | \$                               | \$             | \$             |
| <b>Financial assets</b>     |                                  |                |                |
| Cash and cash equivalents   | 6,416,195                        | 7,825          | (7,825)        |
| Cash flow sensitivity (net) |                                  | 7,825          | (7,825)        |

  

| 31 December 2015            | Carrying value at<br>31 December | Profit or loss |                |
|-----------------------------|----------------------------------|----------------|----------------|
|                             |                                  | 25 bp increase | 25 bp decrease |
|                             | \$                               | \$             | \$             |
| <b>Financial assets</b>     |                                  |                |                |
| Cash and cash equivalents   | 7,631,769                        | 1,299          | (1,299)        |
| Cash flow sensitivity (net) |                                  | 1,299          | (1,299)        |

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents.

The Group trades only with recognised, creditworthy third parties. It is the Group 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 Group's exposure to bad debts is not significant. The maximum exposure to credit risk is the carry value of the receivable, net of any allowance for doubtful debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group does not place funds on terms longer than 120 days and has the facility to place the deposit funds with more than one bank.

#### Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

|                           | 2016      | 2015      |
|---------------------------|-----------|-----------|
|                           | \$        | \$        |
| Cash and cash equivalents | 6,416,195 | 7,631,769 |
| Receivables               | -         | -         |
|                           | 6,416,195 | 7,631,769 |

#### Impairment losses

None of the Group's receivables are past due. The Group's trade receivables are all current at the reporting date.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 17. Financial risk management objectives and policies (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility.

The following are the contractual maturities of financial liabilities:

| Consolidated – 31 December 2016 | Carrying amount | Contractual cash flows | 6 months or less | 6 Months – 3 Years |
|---------------------------------|-----------------|------------------------|------------------|--------------------|
|                                 | \$              | \$                     | \$               | \$                 |
| Trade and other payables        | 108,958         | 108,958                | 108,958          | -                  |
|                                 | 108,958         | 108,958                | 108,958          | -                  |

| Consolidated – 31 December 2015 | Carrying amount | Contractual cash flows | 6 months or less | 6 Months – 3 Years |
|---------------------------------|-----------------|------------------------|------------------|--------------------|
|                                 | \$              | \$                     | \$               | \$                 |
| Trade and other payables        | 210,573         | 210,573                | 210,573          | -                  |
|                                 | 210,573         | 210,573                | 210,573          | -                  |

#### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 31 December 2015.

The capital structure of the Group consists of net debt (trade payables and Income tax (receivable)/payable detailed in Notes 8 and 9 offset by cash and bank balances detailed in Note 5) and equity of the Group (comprising issued capital, reserves, offset by retained losses detailed in Notes 10 and 11).

The Group is not subject to any externally imposed capital requirements.

The Group's Board of Directors reviews the capital structure on an ongoing basis. As part of this review the Board considers the cost of capital and the risks associated with each class of capital. In order to maintain the capital structure, the Group may issue fresh equity, return capital to shareholders or farm out part of its assets.

#### Fair value of financial assets and liabilities

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

#### Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses is denominated in a different currency from the Group's presentation currency) and the Group's net investment in foreign subsidiaries.

As a result of significant operations denominated in US Dollars (US\$), the Group's statement of financial position can be affected significantly by movements in the US\$ / A\$ exchange rates.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 17. Financial risk management objectives and policies (continued)

The Group had the following exposure to US\$ foreign currency:

|                              | 2016      | 2015      |
|------------------------------|-----------|-----------|
|                              | \$        | \$        |
| <b>Financial assets</b>      |           |           |
| Cash and cash equivalents    | 5,864,835 | 6,176,971 |
|                              | 5,864,835 | 6,176,971 |
| <b>Financial liabilities</b> |           |           |
| Trade and other payables     | -         | -         |
|                              | -         | -         |

The Group is mainly exposed to US\$. The following table details the Group's sensitivity to a 15% increase and decrease in the Australian dollar against the US\$. Management continually monitor exchange rate forecasts and assess the impact of possible changes in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusted their translation at the period end of a 15% change in foreign currency rates. A positive number indicates a decrease in loss where the Australian dollar weakens against the US Dollar.

|                       | 2016      | 2015      |
|-----------------------|-----------|-----------|
|                       | \$        | \$        |
| Profit or loss: + 15% | (764,978) | (805,692) |
| Profit or loss: - 15% | 1,034,971 | 1,090,054 |

### 18. Key management personnel disclosures

- (a) The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

#### Directors

|            |                                    |
|------------|------------------------------------|
| G Whiddon  | Executive Chairman                 |
| N. Hackett | Independent Non-executive Director |
| R. Downey  | Independent Non-executive Director |

#### (b) Key management personnel compensation

The key management personnel compensation included in employee benefit and Director compensation expenses are as follows:

|                              | 2016    | 2015      |
|------------------------------|---------|-----------|
|                              | \$      | \$        |
| Short-term employee benefits | 266,364 | 2,115,441 |
| Equity compensation benefits | 30,830  | 803,963   |
|                              | 297,194 | 2,919,404 |

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 18. Key management personnel disclosures (continued)

#### (c) Other transactions with key management personnel and their related parties

Information regarding individual Directors and executives compensation is provided in the Remuneration Report section of the Directors' Report.

Fees paid in the ordinary course of business for the twelve months ended 31 December 2016 for company secretarial services totalling \$8,000, excluding GST, were paid or payable to an associate company of Mr N. Hackett. Fees paid in the ordinary course of business for the period to 31 December 2016 for office space and administrative services totalling \$14,051, excluding GST, were paid or payable to an associate company of Mr G. Whiddon.

Apart from details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there was no material contracts involving Directors' interests existing at year end.

### 19. Share based payment

#### (i) Recognised share-based payment expenses

The expense recognised for employee services received during the period is shown in the table below:

|  | 2016    | 2015      |
|--|---------|-----------|
|  | \$      | \$        |
| Expense arising from equity-settled share-based payment transactions | 108,259 | 1,490,549 |
| Total expense arising from share-based payment transactions (Note 3) | 108,259 | 1,490,549 |

#### (ii) Types of share-based payment plans

Share based payments are provided to Directors, employees, consultants and other advisors. The issue to each individual Director, consultant or advisor is controlled by the Board and the ASX Listing Rules. Terms and conditions of the payments, including the grant date, vesting date, exercise price and expiry date are determined by the Board, subject to shareholder approval where required.

##### *Share option plan*

Each employee share option converts into one ordinary share of Azonto Petroleum Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights.

##### *Performance rights plan*

Each performance right converts into one ordinary share of Azonto Petroleum Limited on vesting. No amounts are paid or are payable by the recipient on receipt of the performance right. The performance rights carry neither rights of dividends nor voting rights.



## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 19. Share based payment (continued)

#### (iii) Summary of options granted under share option plan

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options issued during the year:

|  | 31 December 2016 |      | 31 December 2015 |      |
|--|------------------|------|------------------|------|
|  | Number           | WAEP | Number           | WAEP |
| Balance at beginning of the financial period | -                | -    | 9,483,333        | 0.51 |
| Expired during the period                    | -                | -    | (9,483,333)      | 0.51 |
| Outstanding at the end of the year           | -                | -    | -                | -    |
| Exercisable at the end of the year           | -                | -    | -                | -    |

There were no options outstanding at the end of the year.

#### (iv) Option pricing model

Options were priced using a Black Scholes option pricing model. The assessed fair values of the options were determined using a Black Scholes model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. Expected volatility was calculated based on the historic volatility of the Company over a period commensurate with the expected life of the awards.

#### (v) Summary of performance rights granted under performance rights plan

The following table illustrates the number and WAEP of, and movements in, performance rights issued during the period:

|  | 31 December 2016 |      | 31 December 2015 |      |
|--|------------------|------|------------------|------|
|  | Number           | WAEP | Number           | WAEP |
| Balance at beginning of the financial year | 140,569,489      | -    | 138,378,501      | -    |
| Granted during the period                  | -                | -    | 20,824,176       | -    |
| Cancelled during the period                | (250,000)        | -    | (18,633,188)     | -    |
| Outstanding at the end of the period       | 140,319,489      | -    | 140,569,489      | -    |
| Vested at the end of the period            | -                | -    | 250,000          | -    |

The outstanding balance as at 31 December 2016 vest 18 December 2017 and is represented by:

| Grant date | Grant date fair value | Exercise price | Number of rights |
|------------|-----------------------|----------------|------------------|
| 18-Dec-13  | \$0.27                | -              | 21,507,045       |
| 18-Dec-13  | \$0.15                | -              | 43,014,088       |
| 13-Jun-14  | \$0.018               | -              | 18,141,479       |
| 13-Jun-14  | \$0.007               | -              | 36,832,701       |
| 3-Mar-15   | \$0.003               | -              | 6,941,392        |
| 3-Mar-15   | \$0.00003             | -              | 13,882,784       |

## Notes to the consolidated financial statements

For the year ended 31 December 2016

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### 19. Share based payment (continued)

#### (vi) Weighted average remaining contractual life

The weighted average contractual life for the performance rights outstanding as at 31 December 2016 is 0.96 years (2015: 1.96 years).

#### (vii) Weighted average fair value

The weighted average fair value of performance rights granted during the year was \$nil (2015: \$0.0015).

#### (viii) Performance rights pricing model

The Performance Rights granted in the year to 31 December 2015 will vest subject to the satisfaction of certain performance criteria. The Rights are split into two tranches.

Tranche 1 will vest on the achievement of two strategic milestones:

- (i) all government and partner approvals, offtake, supply and service contracts, financings and other necessary conditions for the Gazelle field development project to proceed having been obtained and agreed and Vioco Petroleum Ltd having taken the Final Investment Decision to proceed with the project; and
- (ii) the first delivery of gas from the Gazelle field to the Cote d'Ivoire state electricity company (or other agreed purchaser) having been made under stabilised flow rate conditions (Tranche 1 Vesting Conditions).

In the event not all Tranche 1 Vesting Conditions are satisfied within four years of the Tranche 1 Performance Rights being granted, the Board may resolve that a proportion of the Tranche 1 Performance Rights vest based on the degree of progress towards satisfaction of the Tranche 1 Vesting Conditions has been achieved.

Tranche 2 will vest on the achievement of share price target and the Board being satisfied at the end of the four year period with overall financial, strategic and HSE performance of the Company (Final Performance Hurdle). The share price hurdles are as follows

- (i) 25% of the Tranche 2 Performance Rights will vest (on satisfaction of the Final Performance Hurdle) if the Company's Share price reaches \$0.05 per Share within four years;
- (ii) a further 25% of the Tranche 2 Performance Rights will vest (on satisfaction of the Final Performance Hurdle) if the Company's Share price reaches \$0.07 per Share within four years. Achievement of this milestone will result in 50% of the Tranche 2 Performance Rights vesting on satisfaction of the Final Performance Hurdle;
- (iii) the remaining 50% of the Tranche 2 Performance Rights will vest (on satisfaction of the Final Performance Hurdle) if the Company's Share price reaches \$0.09 per Share within four years. Achievement of this milestone will result in 100% of the Tranche 2 Performance Rights vesting on satisfaction of the Final Performance Hurdle.

The Performance Rights granted in the years to 31 December 2014 and 2013 will vest subject to the same performance criteria as for those granted in 2015 as detailed above.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 19. Share based payment (continued)

The 2015 performance rights were priced using a Monte Carlo valuation model. The assessed fair values of the rights were determined using a Monte Carlo valuation model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the rights. Expected volatility was calculated based on the historic volatility of a peer group of Companies over a period commensurate with the expected life of the awards. The inputs to the model for the period to 31 December 2016 and 2015 were:

| Grant date                      | 3-Mar-15<br>Tranche 1 | 3-Mar-15<br>Tranche 2 |
|---------------------------------|-----------------------|-----------------------|
| Dividend yield (%)              | -                     | -                     |
| Expected volatility (%)         | 63.92%                | 63.92%                |
| Risk-free interest rate (%)     | 1.87%                 | 1.87%                 |
| Expected life of options (yrs.) | 2.80                  | 2.80                  |
| Right's exercise price (\$)     | -                     | -                     |
| Share price at grant date (\$)  | \$0.003               | \$0.003               |
| Fair value at grant date (\$)   | \$0.003               | \$0.00003             |

### 20. Related party disclosures

#### (a) Subsidiaries

| Name of entity                        | Country of incorporation | Equity interest  |                  |
|---------------------------------------|--------------------------|------------------|------------------|
|                                       |                          | 31 December 2016 | 31 December 2015 |
|                                       |                          | %                | %                |
| Parent entity                         |                          |                  |                  |
| Azonto Petroleum Limited              |                          |                  |                  |
| Subsidiaries                          |                          |                  |                  |
| Azonto Petroleum (UK) Limited (i)     | United Kingdom           | 100              | 100              |
| Rialto Energy (Ghana) Pty Ltd         | Australia                | 100              | 100              |
| Azonto Petroleum Holdings Limited     | British Virgin Islands   | -                | 100              |
| Azonto Petroleum (Ghana) Limited      | British Virgin Islands   | -                | 100              |
| Azonto Petroleum (Ghana) Limited (ii) | Ghana                    | -                | 56.56            |

(i) Company liquidated in March 2017

(ii) Company liquidated in February 2016

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 20. Related party disclosures (continued)

Related party transactions

|                          |      | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|--------------------------|------|--------------------------|--------------------------------|---------------------------------|---------------------------------|
| Joint venture:           |      | \$                       | \$                             | \$                              | \$                              |
| Vioco Petroleum Limited  | 2016 | -                        | -                              | -                               | -                               |
|                          | 2015 | 2,982,990                | -                              | -                               | -                               |
| Key management personnel |      |                          |                                |                                 |                                 |
| Boral Consulting Limited | 2016 | -                        | -                              | -                               | -                               |
|                          | 2015 | -                        | 21,443                         | -                               | -                               |
| MIMO Strategies Pty Ltd  | 2016 | -                        | 14,051                         | -                               | -                               |
|                          | 2015 | -                        | 6,450                          | -                               | -                               |

Vioco Petroleum ceased being a related party on 21 August 2015. Boral Consulting Limited ceased being a related party on 17 September 2015.

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The sales to Vioco are partly included in other revenue - \$nil (2015: \$1,228,386) and partly in general and administrative expenses as expenses recovered from partners - \$nil (2015: \$1,754,604).

#### (b) Ultimate parent

Azonto Petroleum Limited is the ultimate Australian parent entity and ultimate parent entity of the Group.

#### (c) Key management personnel

Details relating to key management personnel, including remuneration paid are included in the Directors' Report and Note 18.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 21. Auditor's remuneration

**Current auditors:** BDO Audit (WA) Pty Ltd (2015: Ernst & Young)

|   | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|
| <i>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd (2015: Ernst &amp; Young (Australia)) for:</i>                      |            |            |
| An audit or review of the financial report of the Group   | 25,215     | 60,596     |
| Sub-total   | 25,215     | 60,596     |
| <i>Amounts received or due and receivable by related practices of BDO Audit (WA) Pty Ltd (2015: Ernst &amp; Young (Australia)) for:</i> |            |            |
| An audit or review of the financial report of subsidiaries and audit related services   | -          | -          |
| Sub-total   | -          | -          |
| Total remuneration  | 25,215     | 60,596     |

### 22. Contingent assets and liabilities

At 31 December 2016, there were no contingent liabilities.

A contingent consideration of US\$2,000,000 is receivable from the disposal of 35% shareholding in Vioco to Vitol E&P Limited, completed in 2015, if an exploration well that is required to be drilled under the CI-202 licence in Cote d'Ivoire makes a commercially viable hydrocarbon discovery by 30 June 2018.

### 23. Events after the reporting date

Since the end of the financial year, the Directors are not aware of any other matters or circumstances that have significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial years.

## Notes to the consolidated financial statements

For the year ended 31 December 2016

### 24. Parent disclosure

|                            | 2016          | 2015          |
|----------------------------|---------------|---------------|
|                            | \$            | \$            |
| Loss for the year          | (1,007,334)   | (28,748,010)  |
| Other comprehensive income | -             | -             |
| Total comprehensive loss   | (1,007,334)   | (28,748,010)  |
| Current assets             | 6,493,608     | 7,433,808     |
| Total assets               | 6,493,608     | 7,433,808     |
| Current liabilities        | 109,058       | 177,443       |
| Total liabilities          | 109,058       | 177,543       |
| Net assets                 | 6,384,550     | 7,256,265     |
| Issued capital             | 232,807,830   | 232,780,470   |
| Performance shares         | 9,994,250     | 9,994,250     |
| Reserves                   | 15,390,327    | 15,282,068    |
| Accumulated losses         | (251,807,857) | (250,800,523) |
| Total shareholders' equity | 6,384,550     | 7,256,265     |

### Contingent liabilities of the parent entity

Refer to Note 22.

### Commitments of the parent entity

Refer to Note 13.

## Directors' declaration

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The Directors of Azonto Petroleum Limited declare that:

- (a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors report set out on pages 6 to 14, are in accordance with the Corporations Act 2001, including :
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance, for the financial period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial period ended 31 December 2016.

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

Signed in accordance with a resolution of the Directors.



**Glenn Whiddon**  
Chairman

29 March 2016

## INDEPENDENT AUDITOR'S REPORT

To the members of Azonto Petroleum Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Azonto Petroleum Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent



with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

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

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

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Azonto Petroleum Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.



### **Responsibilities**

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.

**BDO Audit (WA) Pty Ltd**

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

**Phillip Murdoch**

**Director**

Perth, 29 March 2017

## Shareholders information

As at 28 February 2017

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 28 February 2017.

### 1. Distribution of equity securities

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

|                   | Shares       |
|-------------------|--------------|
| 1 - 1,000         | 151          |
| 1,001 - 5,000     | 156          |
| 5,001 - 10,000    | 156          |
| 10,001 - 100,000  | 649          |
| 100,001 and above | 537          |
| Total             | <u>1,649</u> |

The number of holders of less than a marketable parcel of ordinary fully paid shares is 0.

### 2. Substantial shareholders

Substantial shareholders (i.e. shareholders who hold 5% or more of the issued capital):

|                         | Number of shares | Percentage held |
|-------------------------|------------------|-----------------|
| 6466 Investment PTY Ltd | 98,645,382       | 8.48%           |
| Mr Jay Hughes           | 81,200,000       | 6.98%           |

### 3. Voting rights

- (a) Ordinary Shares  
Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative of attorney will have one vote on a show of hands and on a poll, one vote for each share held.
- (b) Options & contractual rights  
No voting right

### 4. Quoted securities on issue

The number of quoted shares and options issued by the Company are set out below:

|                            | Number        |
|----------------------------|---------------|
| Ordinary fully paid shares | 1,162,795,125 |
| Performance rights         | 140,319,489   |

## Shareholders information

As at 28 February 2017

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### 5. On-market buy back

There is no current on-market buy back.

### 6. Top 20 Quoted Shareholders

|   | Number of<br>shares | Percentage<br>held |
|---|---------------------|--------------------|
| 6466 Investments Pty Limited                    | 98,645,382          | 8.48%              |
| HSBC Custody Nominees (Australia)               | 94,667,717          | 8.14%              |
| Mr Jay Hughes                                   | 81,200,000          | 6.98%              |
| Mr Glenn Bull                                   | 54,650,000          | 4.70%              |
| J P Morgan Nominees Australia Limited           | 47,570,555          | 4.09%              |
| Croesus Mining Pty Limited                      | 38,000,000          | 3.27%              |
| Mr Mark Bahen and Mrs Margaret Bahen            | 33,125,000          | 2.85%              |
| Citicorp Nominees PTY Limited                   | 25,381,584          | 2.18%              |
| Alexander Holdings (WA) Pty Limited             | 22,000,000          | 1.89%              |
| Zero Nominees PTY Limited                       | 21,000,000          | 1.81%              |
| Arredo PTY Limited                              | 20,000,000          | 1.72%              |
| Jutland Nominees PTY Limited                    | 20,000,000          | 1.72%              |
| Floteck Consultants Limited                     | 19,921,369          | 1.71%              |
| Piama PTY Limited                               | 14,000,000          | 1.20%              |
| ACC Holdings International Limited              | 10,670,100          | 0.92%              |
| Konkera Pty Limited                             | 10,247,420          | 0.88%              |
| Mr Marcus James Taylor                          | 10,139,000          | 0.87%              |
| Mr James David Taylor and Mrs Marion Amy Taylor | 10,082,000          | 0.87%              |
| Newd Corp PTY Limited                           | 10,000,000          | 0.86%              |
| William Taylor Nominees PTY Limited             | 9,276,000           | 0.80%              |
|   | 650,576,127         | 55.94%             |