



Peak Oil & Gas Limited
ABN 79 131 843 868

Interim Financial Report
31 December 2014

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Directors

Geoffrey Albers	Non-Executive Chairman
Raewyn Clark	Non-Executive Director
Jeffrey Steketee	Managing Director
James Durrant	Executive Director

Company Secretary

Raewyn Clark

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Securities Exchange Listing

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Website: www.asx.com.au

ASX Code: PKO
Incorporated in Western Australia 25 June 2008

Directors' Report

Your Directors submit the interim financial report on the Group for the half-year ended 31 December 2014. In order to comply with the Corporations Act 2001, the Directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Geoffrey Albers	Non-Executive Director
Raewyn Clark (appointed 4 December 2014)	Non-Executive Director
Frank Jacobs (resigned 12 November 2014)	Non-Executive Director
Jeffrey Steketee	Managing Director
James Durrant	Executive (Technical) Director

Review of Operations

The consolidated net loss after income tax for the six months to 31 December 2014 was \$3,441,733 (six months to 31 December 2013: \$8,704,313). The 31 December 2014 loss includes \$2,831,425 of impairments to oil and gas deferred exploration assets and mineral assets as detailed below.

At 31 December 2014 the Company had \$229,350 in cash and at call deposits.

At 31 December 2014, the Company had:

- oil and gas deferred exploration assets of \$2,705,756 (30 June 2014: \$4,477,281). The 31 December 2014 figure is net of an impairment of \$2,642,312 (USD2,155,582) recorded in the 6 months to 31 December 2014;
- oil and gas development assets of \$Nil (30 June 2014: Nil) as a result impairment of the Cadlao project at 30 June 2014; and
- mineral exploration project acquisition assets of \$Nil (30 June 2014: \$189,113). The 31 December 2014 figure is net of an impairment of \$189,113 recorded in the 6 months to 31 December 2014.

During the half-year the Group continued its exploration activities as outlined below.

PROJECTS OVERVIEW

Summary of Peak's Project Interests

Country	Project	Asset	Direct Interest	Economic Interest
Indonesia	South Block A	Oil & Gas		38.25% ¹
Philippines	SC6 Cadlao	Oil & Gas	25.00% ²	16.25% ³
Australia	Sunday Creek	Uranium	100.00% ⁴	

¹ Interest held through REE Pte Ltd

² Interest earned by Peak and held on trust by Cadlao Development Company Limited (Cadco) and subject to arbitration

³ Prospective interest held through VenturOil Philippines Inc, subject to dispute (see page 7 and Note 10(a))

⁴ Access subject to execution of the relevant Heritage Agreement with Western Desert Lands Aboriginal Corporation

Directors' Report

South Block A PSC – North Sumatra, Indonesia

Peak's majority controlled company, Renco Elang Energy Pte Ltd (**REE**), is Operator of the South Block A (**SBA**) Production Sharing Contract (**PSC**) with a 51% working interest (Peak's 75% shareholding in REE equates to a net economic interest of 38.25%).

SBA Joint Venture Interests

REE (Operator)*	51%	Peak holds 75% of REE, the Operator and 51% interest holder in SBA (effective net to Peak of 38.25%)
KRX Energy (SBA) Pte Ltd (KRX)	35%	A subsidiary of Lion Energy Ltd
PT Prosys Oil & Gas	14%	

* REE Shareholders

Peak Oil & Gas (SBA) Pte Ltd	75.000%
PT Realto Energi Nusantara Corelasi	18.125%
Elang Energy Inc	6.875%

SBA Production Sharing Contract

The SBA PSC was granted in 2009 with a term for 30 years including an initial exploration period of 6 years which presently expires in May 2015.

95% of the territorial area of SBA PSC is located in Aceh Province where between 2009 and 2012 there were certain negotiations between the Indonesian Central Government and Aceh Local Government in relation to the Law No. 11 of 2006 regarding government of Aceh Province. One of the impacts was that several PSC companies located in Aceh, including REE, were unable to conduct upstream oil and gas activities in Aceh for the first two years of the PSC term.

REE has therefore requested the extension of the initial 6 year exploration period by a corresponding two year period which would result in that the 6 year exploration period would end in May 2017 rather than May 2015.

If such consent is not granted, and if the Firm Work Commitment has not been completed by May 2015, the SBA PSC may be terminated by the regulator. The outstanding component of the Firm Work Commitment is the drilling of an exploration well.

Potential Exploration Well

Following processing of the 183 km seismic survey, seismic interpretation has led to selection of a possible drilling location for a low-risk, shallow well (around 700m total depth) targeting high quality oil on the Paya Bili structure. Small volumes of oil were produced from this structure during the early 1900s. The Paya Bili structure has also been the subject of three deeper wells drilled by Asamera Oil (Indonesia) Ltd in 1976 and 1982. The location of the proposed shallow well, to be named Amanah Timur-1, is shown on the enclosed map (Figure 1) and seismic line (Figure 2).

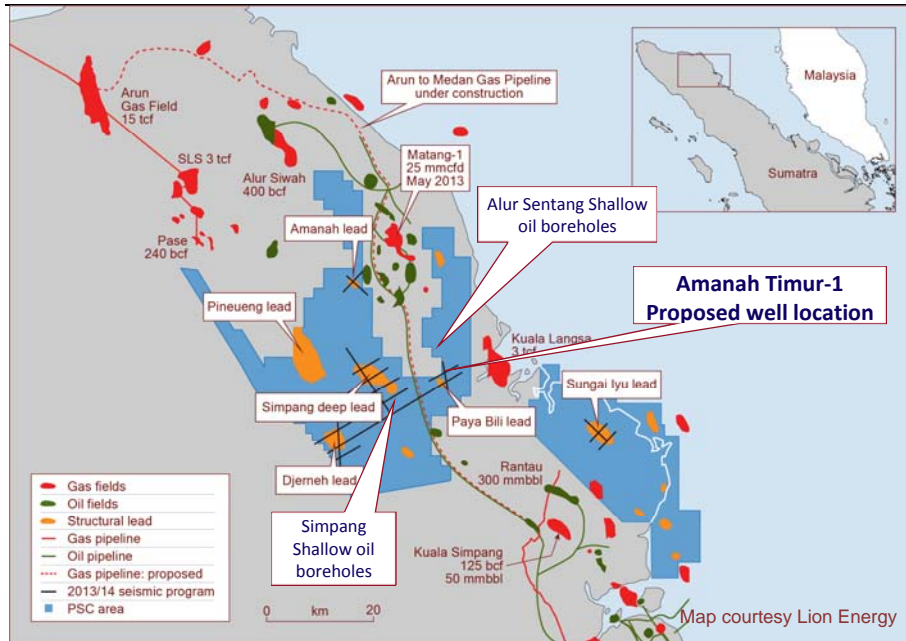


Fig 1: SBA map showing location of proposed Amanah Timur-1 well, key leads and prospects, new seismic, shallow oil samples and gas pipeline under construction

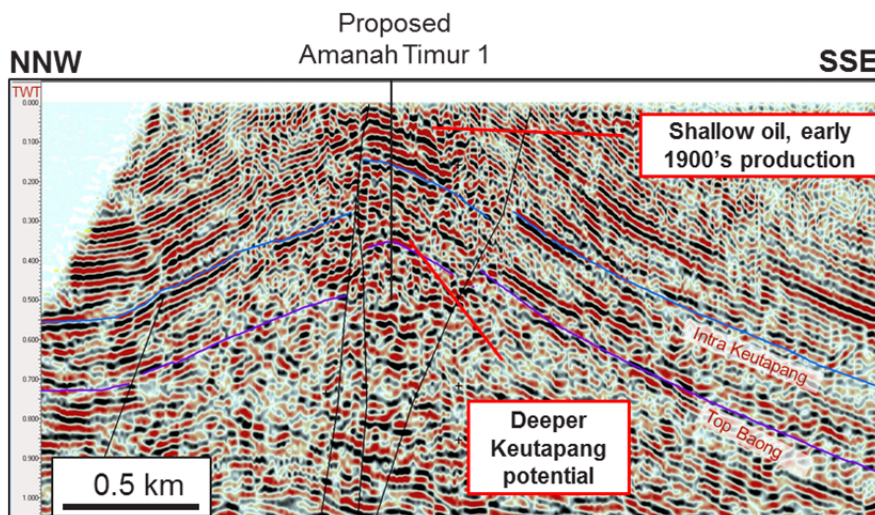


Fig 2: Seismic section showing location of proposed Amanah Timur-1 well and early 1900s shallow oil production

Peak's arrangements for and financial commitment to participation in the Paya Bili well are not firm. In particular, share of contributions from the shareholders of REE remains to be settled. Given Peak's financial position, Peak presently has a preference to farmout the cost of the well, or failing that, to sell the interest, in whole or in part.

Located in Prolific Basin

SBA is located in the prolific North Sumatra Basin, in proximity to an established pipeline and facilities.

The presence of an active petroleum system in the vicinity of the proposed Amanah Timur-1 well location is validated by both light, 50° API, high quality live oil samples produced from shallow boreholes hand drilled by local residents (Figure 1) and confirmed by the record of historic oil production on the Paya Bili structure.

Drilling by Asamera between 1976 and 1982 produced indications of oil and gas.

Directors' Report

SBA has potential for both oil and gas development, with both commodities in strong demand within Sumatra. It is intended that a subsequent well would target an attractive gas-condensate prospect to be matured through ongoing seismic interpretation activities.

Gas Pipeline Infrastructure

A new gas pipeline has been constructed between Lhokseumawe and Medan, the largest city in Sumatra and the fourth largest city in Indonesia, and provides a new incentive for gas exploration in the SBA block as a potential contribution to increasing energy demand required to underpin the continuation of economic growth in the surrounding region. The pipeline passes through SBA (Figure 1) and is reported to have a capacity of 400 MMSCF per day and will transport gas from the Arun gas facilities (including an LNG receival terminal currently being built). Peak understands it will be an open access pipeline with around 200 MMSCFD forecast spare capacity. The pipeline is located in proximity to key prospects within the SBA permit and could assist in commercialising any gas discovery the SBA Joint Venture may make through its drilling program.

SC6 (Cadlao) - Cadlao Oilfield Re-development Project, The Philippines

25% Interest subject to Cadco Arbitration (Arbitration)

Peak and Cadco continued to progress the Arbitration with preliminary hearings scheduled to continue in mid 2015.

Peak's VenturOil Interest

In addition to the 25% working interest held on trust by Cadco, Peak also holds a prospective 16.25% indirect economic interest through its partial ownership of VenturOil Philippines Inc (VenturOil) which the Company acquired from Clove Capital Partners Limited in July 2012. This interest is not subject to the Cadco dispute, however, on 19 February 2015, VenturOil claimed to terminate unspecified agreements between VenturOil and the Company in connection with the SC6 Cadlao Service Contract on the basis that Peak is in breach of pre-funding obligations (refer Note 10).

The Company is of the firm opinion that neither it, nor any subsidiary of it, is in breach of any obligation under any binding agreement between any of them and either of VenturOil or its related entity, Figurado Energy Investment Holdings, and that there are no grounds for termination of any agreement.

Minerals Project

Peak remains focused on its oil and gas portfolio, but continues to review options for monetizing the Company's remaining minerals project. Peak believes its Sunday Creek project may provide future value to shareholders should the uranium sector recover and the Company remains open to offers from interested parties.

Auditor independence

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the half yearly report. This Independence Declaration is set out on the following page and forms part of this directors' report for the period ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Jeffrey Steketee
Managing Director
Perth, Western Australia
16 March 2015



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Peak Oil & Gas Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
16 March 2015

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

M R W Ohm
Partner

Condensed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2014

		Consolidated	
		31 December	31 December
		2014	2013
	Note	\$	\$
Revenue from ordinary operations			
Financial income		504	5,622
Other income		204,628	192,573
		<u>205,132</u>	<u>198,195</u>
Expenses from ordinary operations			
Administrative expenses		(303,292)	(680,189)
Professional and consultancy fees		(408,701)	(113,513)
Depreciation charges		(5,934)	(33,771)
Financial expense		(60,397)	(1,540)
Exploration expenditure incurred		(164)	(481)
Oil & gas development expenditure impairment	3	(2,642,312)	(8,073,014)
Trade and other receivables written off		(36,952)	-
Mineral exploration project acquisition costs impairment	4	(189,113)	-
		<u>(3,646,865)</u>	<u>(8,902,508)</u>
Loss before income tax expense		(3,441,733)	(8,704,313)
Income tax expense		-	-
Net loss for the half-year		(3,441,733)	(8,704,313)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign exchange loss on translation of subsidiary financial statements		(6,413)	(5,375)
Foreign exchange gain on translation of subsidiary foreign loan		759,711	293,218
Other comprehensive income, net of tax		753,298	287,843
Total comprehensive loss for the half-year		(2,688,435)	(8,416,470)
Basic loss per share			
(cents per share)		(0.51)	(1.79)

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

Condensed Consolidated Statement of Financial Position as at 31 December 2014

		Consolidated	
		31 December	30 June
		2014	2014
	Note	\$	\$
Current Assets			
Cash and cash equivalents		229,350	213,312
Trade and other receivables		305,653	260,087
Total Current Assets		535,003	473,399
Non-Current Assets			
Trade and other receivables		212,163	66,555
Plant and equipment		8,790	15,144
Oil and gas deferred exploration expenditure	3	2,705,756	4,477,281
Oil and gas development expenditure	4	-	-
Mineral exploration project acquisition costs	5	-	189,113
Total Non-Current Assets		2,926,709	4,748,093
Total Assets		3,461,712	5,221,492
Current Liabilities			
Trade and other payables		209,300	278,847
Borrowings	10(b)	1,952,815	954,613
Total Current Liabilities		2,162,115	1,233,460
Total Liabilities		2,162,115	1,233,460
Net Assets		1,299,597	3,988,032
Equity			
Issued capital	6	36,528,192	36,528,192
Reserves		3,109,575	2,356,277
Accumulated losses		(38,338,170)	(34,896,437)
Total Equity		1,299,597	3,988,032

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

Condensed Consolidated Statement of Changes in Equity for the half-year ended 31 December 2014

Consolidated	Issued capital \$	Options reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	34,725,276	1,895,126	699,997	(25,337,679)	11,982,720
Loss for the period	-	-	-	(8,704,313)	(8,704,313)
Other comprehensive income	-	-	287,843	-	287,843
Total comprehensive loss for the half-year	-	-	287,843	(8,704,313)	(8,416,470)
Share issue costs	(14,700)	-	-	-	(14,700)
Balance at 31 December 2013	34,710,576	1,895,126	987,840	(34,041,992)	3,551,550
Balance 1 July 2014	36,528,192	1,895,127	461,150	(34,896,437)	3,988,032
Loss for the period	-	-	-	(3,441,733)	(3,441,733)
Other comprehensive income	-	-	753,298	-	753,298
Total comprehensive loss for the half-year	-	-	753,298	(3,441,733)	(2,688,435)
Balance at 31 December 2014	36,528,192	1,895,127	1,214,448	(38,338,170)	1,299,597

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

Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2014

	Note	Consolidated	
		31 December 2014 \$	31 December 2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(570,316)	(639,191)
Interest paid		504	(1,540)
Return of bond		25,394	-
Net cash outflow from operating activities		(544,418)	(640,731)
Cash flows from investing activities			
Interest received		-	1,834
Purchase of plant and equipment		-	(2,964)
Payments for oil and gas deferred exploration expenditure	3	(353,409)	(21,925)
Payments for oil and gas development expenditure		-	(28,171)
Loan to other entities		(36,952)	(42,257)
Net cash outflow from investing activities		(390,361)	(93,483)
Cash flows from financing activities			
Payment of share issue costs		-	(14,700)
Proceeds from borrowings		937,805	-
Net cash outflow from financing activities		937,805	(14,700)
Net decrease in cash held		3,026	(748,914)
Cash at the beginning of half-year		213,312	1,206,191
Effect of exchange rate fluctuations on cash held		13,012	11,920
Cash at the end of the half-year		229,350	469,197

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

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2014

Note 1: Statement of significant accounting policies

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and the public announcements made by Peak Oil and Gas Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies adopted and methods of computation are consistent with those of the previous financial year and corresponding half-year reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year.

Furthermore, the Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and therefore, no change is necessary to Group accounting policies.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's financial report for the year ended 30 June 2014, except for the following:

- The Directors have considered the carrying value of Peak's interest in SBA. Previously all expenditure incurred by Peak in relation to the permit has been capitalised in accordance with AASB 6. The directors consider it prudent to carry Peak's SBA interest with reference to Peak's 38.25% economic interest and the amount of cash calls paid by SBA Joint Venture participants since the SBA Joint Operating Agreement was signed in 2012. Accordingly, the Group has recorded an impairment at 31 Dec 2014 of AUD2,642,312 (USD2,155,582).

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2014

Note 1: Statement of significant accounting policies (continued)

- Given minimal advancement, the mineral assets have been fully impaired at 31 December 2014 resulting in an impairment charge of \$189,113 for the 6 month period ending 31 December 2014.

Going Concern

As at 31 December 2014, the Group had a working capital deficit of \$1,627,112, largely because of the Octanex loan (refer note 10(b)). For the half-year ended 31 December 2014, the Group incurred a net cash outflow from operating and investing activities of \$934,779 and a net loss after tax of \$3,441,733.

The Board considers that the Group is a going concern but recognises that additional funding is required to ensure that it can continue to fund its operations and further develop its oil and gas assets during the twelve month period from the date of this interim financial report. Such additional funding may be derived from either one or a combination of the following:

- an pro- rata rights entitlement issue made to all shareholders, with or without underwriting;
- the placement of securities under the ASX Listing Rule 7.1;
- an excluded offer pursuant to the Corporations Act 2001;
- securing a farm in for South Block A with accompanying option fee; or
- the sale of assets.

The ability of the Group to continue as a going concern for the coming year is dependent on securing additional funding for further exploration activity and development. The Directors anticipate that the Group will be able to secure such additional funding to enable it to continue as a going concern for at least 12 months from the signing of the interim financial report. If the Group is unable to raise sufficient capital for these purposes, there is a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Note 2: Segment information

For management purposes, the Directors of Peak Oil and Gas Limited have been defined as the Chief Operating Decision Maker. Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure.

During the half-year the Group operated predominantly in two business segments that consisted of oil and gas exploration and development and mineral exploration. Geographically, the Group operates in The Philippines, Indonesia, and Australia. Offices are maintained in Australia and Indonesia. Segment accounting policies are the same as the Group's policies described in Note 1. Segment results are classified in accordance with their use within geographic segments regardless of legal entity ownership. Intersegment pricing is determined on an arm's length basis.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The following table present revenue and result information and certain asset and liability information regarding business segments for the half-years ended 31 December 2014 and 31 December 2013.

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2014

Note 2: Segment information (continued)

	Oil and Gas Exploration & Development		Mineral Exploration	Unallocated	Total
	Philippines	Indonesia	Australia		
	\$	\$	\$	\$	\$
31 December 2014					
Segment revenue	-	-	-	205,132	205,132
Segment loss for the half-year	(36,952)	(2,688,311)	(189,277)	(527,193)	(3,441,733)
Segment assets	12,476	3,207,386	-	241,850	3,461,712
Segment liabilities	(3,186)	(73,284)	-	(2,085,645)	(2,162,115)
31 December 2013					
Segment revenue	-	10,632	-	187,563	198,195
Segment loss for the half-year	(8,075,760)	10,632	-	(639,185)	(8,704,313)
Segment assets	748,984	2,970,942	189,113	576,281	4,485,320
Segment liabilities	(1,063)	(121,505)	-	(811,202)	(933,770)

Note 3: Oil and gas deferred exploration expenditure

	Consolidated	
	Six months to 31 December 2014	Year to 30 June 2014
	\$	\$
Balance at the beginning of the period	4,477,281	1,932,383
Expenditure incurred	354,645	2,453,475
Reclassification to receivables	(210,455)	-
Foreign exchange differences	735,036	91,423
Impairment*	(2,642,312)	-
Balance Oil and gas deferred exploration expenditure at the end of the period	2,705,756	4,477,281

*Refer Note 1 - Significant accounting judgments and key estimates for details on impairment.

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

Note 4: Oil and gas development expenditure

	Consolidated	
	Six months to 31 December 2014	Year to 30 June 2014
	\$	\$
Balance at the beginning of the period*	-	10,889,989
Expenditure incurred	-	26,485
Reversal of accrued expenditures*	-	(2,993,693)
Foreign exchange differences	-	(375,825)
Impairment**	-	(7,546,956)
Balance at the end of the period	-	-

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2014

Note 4: Oil and gas development expenditure (continued)

*Balance at the beginning of the year to 30 June 2014 includes USD3,575,000 (AUD3,425,097) for the acquisition of an entity that holds the Company's 16.25% Working Interest in the Cadlao Project, held through VenturOil Philippines Inc. The majority of the accrued expenditure (USD2,800,000) is only payable if the Group retains its economic interest in the Cadlao Project via VenturOil and will be payable in equal instalments following each of the first two liftings of oil from the project. At 30 June 2014 this accrued expenditure was reclassified as a contingent liability in light of the uncertainty surrounding the DOE's intentions with regard to terminating SC6 Cadlao (see immediately below).

The Company is currently in arbitration with Cadlao Development Company Limited (Cadco**), formerly Blade Petroleum Limited in respect of the Acquisition and Farm-in Agreement (**Farmin Agreement**) for the Cadlao Redevelopment Project (Cadlao **Project**). During the 2013-14 year, the Philippines Department of Energy (**DOE**) threatened termination of the Project due to non-performance by Cadco. The DOE approved an extension of the time for the Cadlao Project to reach first oil to 30 June 2015. Due to the uncertainty surrounding the DOE's intentions to terminate the Cadlao Project, Peak's directors have determined that it is prudent to continue to impair the full value of the project on Peak's Statement of Financial Position.

Note 5: Mineral exploration project acquisition costs

	Consolidated	
	Six months to 31 December 2014 \$	Year to 30 June 2014 \$
Balance at the beginning of the period	189,113	189,113
Costs written off	-	-
Impairment	(189,113)	-
Balance at the end of the period	-	189,113

The recoupment of exploration project acquisition costs carried forward is dependent upon the recoupment of costs through successful development and commercial exploitation, or alternatively by sale of the respective areas. Given uncertainty in realising the value of these assets, the Directors have determined that it is prudent to impair the full value of mineral assets on the Group's Statement of Financial Position.

Note 6: Issued Capital

As at 31 December 2014 there were 680,253,247 fully paid ordinary shares on issue (30 June 2014: 680,253,247).

	Group			
	Six months to 31 December 2014 \$	Year to 30 June 2014 \$	Six months to 31 December 2014 Number	Year to 30 June 2014 Number
Movement in ordinary share capital				
At the beginning of the period	36,528,192	34,725,276	680,253,247	485,895,247
Shares issued during the year	-	1,943,580	-	194,358,000
Costs associated with share issue	-	(140,664)	-	-
Balance at the end of the period	36,528,192	36,528,192	680,253,247	680,253,247

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

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

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2014

Note 7: Options

The following options issued to employees, key management personnel and their associates were in place during the current and prior periods:

	Group	
	Six months to 31 December 2014	Year to 30 June 2014
	Number	Number
Balance at the beginning of the period	82,457,569	95,107,569
Expired	(82,357,569)	(12,650,000)
Cancelled	(100,000)	-
Balance at the end of the period	-	82,457,569

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

Balance at the beginning of the period	24,850,000	28,700,000
Granted	-	-
Expired	(4,850,000)	(3,850,000)
Balance at the end of the period	20,000,000*	24,850,000
Total options on issue by the Company	20,000,000*	107,307,569

There were no alterations of the terms and conditions of the above share-based payment arrangements since grant date.

*Exercisable at \$0.28 per share on or before 25 November 2016.

Note 8: Acquisition of Renco Elang Energy Pte Ltd (REE)

During the year ended 30 June 2014, Peak Oil and Gas Limited completed its farmin and earned a 75% shareholding interest in REE which in turn holds a 51% interest in the South Block A ("SBA") contract area. Accordingly Peak holds a 38.25% indirect interest in the SBA contract area. The activities of the SBA contract area are managed by an Operator appointed by the participants to a Joint Operating Agreement ("JOA") whereby the SBA contract area is owned by the Parties in accordance with their respective Participating Interests. Unless otherwise provided, all obligations and all liabilities and expenses incurred by and in connection with the operations will be shared by the Parties in accordance with their Participating Interest. Accordingly, from 30 June 2014, Peak has accounted for the substance of the JOA by recognising its 38.5% interest in the transaction undertaken by the Operator on behalf of the Participants in the SBA contract area.

Note 9: Contingent Liabilities

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Contingent liability payable by Peak's subsidiary Energy Best Limited, on upliftings from oil project, provided the Group retains its economic interest in the Cadlao Project via VenturOil (Note 4)	3,432,240	2,996,320

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2014

Note 10: Events subsequent to reporting date

(a) VenturOil purported termination of agreements

In December 2014, following the significant decline in oil price and apparent lack of progress in the development of the Cadlao oilfield, the Company acted to reduce costs and ceased paying certain non binding “pre-funding amounts” it had paid to VenturOil Philippines Inc (“VenturOil”) since 2011.

On 19 February 2015, VenturOil claimed to terminate unspecified agreements between VenturOil and the Company in connection with the SC6 Cadlao Service Contract on the basis that Peak is in “breach” of its “pre-funding obligations” (despite such “obligations” being non-binding).

The Company is of the firm opinion that neither it, nor any subsidiary of it, is in breach of any obligation under any binding agreement between any of them and either of VenturOil or its related entity Figurado Energy Investment Holdings and that there are no grounds for termination of any agreement.

(b) Amended and Restated Loan Agreement with Octanex NL

On 6 March 2015, the Company entered into an Amended and Restated Loan Agreement (Amended Loan Agreement) and associated security documentation with Octanex NL (Octanex). This relates to the Loan Facility provided by Octanex in May 2014 pursuant to which Octanex funded the Company’s budgeted outgoings to the end of December 2014. The net balance owing under the Loan Facility at 31 December 2014 was \$1,952,815 (30 June 2014: \$954,613).

Key principles of the Amended Loan Agreement are summarized below

- a) Peak Group’s indebtedness to Octanex is fixed as at 31 December 2014 at \$1,952,815 which, from 1 January 2015, will bear interest at the RBA cash rate from time to time. Unpaid interest will be capitalised.
- b) The revised terms provide for extensions of the Due Date for payment of Peak Group’s debt to Octanex on a recurring 60 day cycle with possible extensions on a rolling basis for a maximum of 18 months from 31 December 2014 to 30 June 2016, subject to Octanex not terminating the arrangement at any time during a 60 day period.
- c) During each 60 day extension period Peak Group and Octanex will consult as to steps being taken or available to Peak Group to repay its indebtedness to Octanex.
- d) Peak and POGA have assumed joint and several liability to repay all such moneys which were advanced by Octanex to Peak Group and which were used substantially by POGA to fund its obligations in relation to South Block A in Indonesia as previously advised to the market.
- e) the loan documentation has been revised with an Amended and Restated Loan Agreement being entered into and both Peak and POGA have, pursuant to a further ASX waiver granted on 27 February 2015, granted charges over their assets to secure repayment of the Peak Group’s indebtedness in due course.

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

Directors' Declaration

In the opinion of the directors:

1. The accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year then ended; and
- b. complying with Accounting Standards, and the Corporations Regulations 2001 and other mandatory professional requirements.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Jeffrey Steketee
Managing Director

Perth, Western Australia
16 March 2015



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Peak Oil & Gas Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Peak Oil & Gas Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



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Conclusion

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that as at 31 December 2014, the Group had a working capital deficit of \$1,627,112 and during the half-year then ended incurred a net cash outflow from operating and investing activities of \$934,779 and a net loss after tax of \$3,441,733. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

M R W Ohm
Partner

Perth, Western Australia
16 March 2015