CRESTAL PETROLEUM LTD

ABN 35 144 733 595

HALF YEAR
FINANCIAL REPORT
31 DECEMBER 2014

CORPORATE DIRECTORY

ABN 35 144 733 595

Directors

David Nolan
Non-Executive Chairman

Carl Dorsch
Managing Director

Richard Willson
Non-Executive Director

Company Secretary

George Yatzis

Registered Office and Principal Place of Business

Level 7
28-30 Grenfell Street
Adelaide SA 5000
T: (08) 8100 9200
F: (08) 8212 9291
W: www.crestal.com.au
E: info@crestal.com.au

Share Register

Computershare Investor Services Pty Limited
Level 5 115 Grenfell Street
Adelaide SA 5000
T: 1300 787 272
F: (02) 9279 0664

Stock Exchange Listing

Australian Securities Exchange
ASX Code: CRX

Auditor

Grant Thornton
Level 1, 67 Greenhill Road
Wayville SA 5034
T: (08) 8372 6666
F: (08) 8372 6677
www.grantthornton.com.au

Solicitor

Johnson Winter & Slattery
Level 10 211 Victoria Square
Adelaide SA 5000
T: (08) 8239 7111
F (08) 8239 7100
www.jws.com.au

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DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

The Directors of Crestal Petroleum Ltd (previously Tellus Resources Ltd) present their report, together with the financial report of the consolidated entity (referred to hereafter as the "Group") consisting of Crestal Petroleum Ltd (the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons held office as Directors of Crestal Petroleum Ltd during or since the end of the reporting period and up to the date of this report:

Mr David Nolan	Non-Executive Chairman (appointed 17 February 2015)
Mr Robert Kennedy	Non-Executive Chairman (resigned 17 February 2015)
Mr Carl Dorsch	Managing Director
Mr Richard Willson	Non-Executive Director (appointed 12 March 2015)
Mr Stephen Brent	Non-Executive Director (appointed 17 February 2015, resigned 12 March 2015)
Mr Neil Young	Non-Executive Director (resigned 17 February 2015)

Principal Activities

The principal activities of the Group during the period were exploration and evaluation of its various resource tenements and licenses.

Operating Results

The Group incurred a loss after tax for the reporting period of $6,493,310 (2013: $7,488,373).

Review of Operations

Exploration Program

On the 2nd of November 2014 the Company participated in the first well drilled by the Covenant Mondo joint venture (CMJV) in Utah. The well was plugged and abandoned as a dry hole. A second well is expected to be drilled in early 2015.

During the reporting period, the Company acquired a 25% interest (with the right to acquire up to an 80% interest) in Petromad (Mauritius) Limited (Petromad), which owns a 100% interest in Block 3114 in Madagascar.

The Company executed an agreement with Senex Energy Ltd (SXY) to be free carried in a 3D seismic program covering 42 square kilometres of its Cooper Basin assets (PRL109/109/110). The Company currently has a 50% working interest in these three long term retention licences and this will reduce to 43% post the seismic program.

XRF sampling in the Company's Rockley Gold Project in NSW identified a significant surface copper anomaly. A small scale drilling program was undertaken in this project post the end of the reporting period.

Changes in the State of Affairs

Corporate

A General Meeting was held on the 26th September 2014 with all resolutions passed including the completion of the purchase of the interest in Madagascar, Block 3114. The consideration for the acquisition of the Petromad interest was the issue of 89.5 million ordinary shares in the Company.

During the period the Company announced that it raised AUD$660,000 through the placement of 22,000,000 new shares to sophisticated investors in August 2014. The price paid was $0.03 per share and the funds were used for working capital.

The Company received a research and development refund from the Federal Government's AusIndustry for eligible work done during the 2014 fiscal year in relation to its Cooper Basin asset. The total net funds received were approximately $1.28 million.

The Company's Annual General Meeting (AGM) was held on the 28th of November 2014. All resolutions were passed.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Events Subsequent To Reporting Date

The Company was in dispute with the operator of the CMJV over various matters. An arbitration process has recently been resolved and a commercial resolution recognised as follows;

a. Crestal Petroleum Ltd ("Crestal") paid TWP the sum of USD $450,000 on 12 March 2015 by wire transfer. The USD $450,000 will be apportioned in the following manner:

   i. USD $400,000 applied toward Crestal acquiring a ten percent (10%) Working Interest ("WI") in the AGT #1-34 Well - the second well of the farmin; (note that Crestal must pay 12% of the costs of AGT#1-34 to get this WI);
   ii. USD $50,000 will be applied toward the $560,855 USD previously invoiced on the USG #1 Well ("Well 1 Costs"). Crestal also agrees to pay thirty percent (30%) of any additional expenses received by TWP on the USG #1 up to a maximum of $13,000 ("Well 1 Additional Costs").

b. Crestal agrees to pay USD$50,000 toward TWP's attorney fees and costs of arbitration;

c. Crestal agreed to pay the Well 1 Costs, Well 1 Additional Costs (if any) and the TWP Costs ("Total Well 1 Costs") within sixty (60) days of the Agreement. Both Parties agreed that the Total Well Costs will be a minimum of USD$560,855 (assuming no Well 1 Additional Costs) and a maximum of USD $573,855.

On the 19th of December 2014, the Company announced a partially underwritten 3 for 2 renounceable pro-rata rights issue at an issue price of $0.002 per new share to raise approximately $897,000 before costs. Subsequent to the end of the reporting period, the rights issue was amended to be fully underwritten by Wentworth Global Capital Finance Pty Limited. The rights issue was completed on 13th February 2015. Funds raised will be used to maintain all of the Company's assets in good standing and for general working capital purposes.

As resolved at the AGM, the Company's name was to be changed to Crestal Petroleum Limited. This occurred formally on the 16th February 2015 at the conclusion of the rights issue.

On the 16th February 2015, the Company announced the sale of part of its hard rock tenement portfolio in Queensland for consideration of up to $250,000. This sale remains subject to Ministerial approval.

The Company agreed to issue a convertible note to its Managing Director, Mr Carl Dorsch to provide short term funding to the Company. The funds will be used to pay a proportion of the second CMJV well costs and for working capital. The convertible note is for an amount of $300,000. Subject to Shareholder approval at the next General Meeting, the convertible note will be converted to ordinary shares at $0.003 per share. If conversion is not approved by shareholders, interest will be charged monthly at 15% per annum commencing 30 days following receipt of funds, and will be repaid 12 months after issue.

There are no additional events that have occurred between the reporting date and the date of these financial statements.

Dividends

The Directors recommend that no dividend be paid for the reporting period ended 31 December 2014 nor have any amounts been paid or declared by way of dividend during the reporting period.

Auditors Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors Grant Thornton Audit Pty Ltd, to provide the Directors of Crestal Petroleum Limited an Independence Declaration in relation to the review of the half year financial report. The Independence Declaration is set out on the following page and forms part of this directors report.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Signed in accordance with a resolution of the Directors.

Carl Dorsch
Managing Director

Adelaide, 16th of March 2015

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CRESTAL PETROLEUM LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Crestal Petroleum Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 16 March 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	NOTE	31 DEC 2014 $	31 DEC 2013 $
Revenue from continuing operations	5	1,615	14,970
Administration and corporate costs		(494,712)	(235,597)
Business development		(343,579)	(327,926)
Depreciation	6	(6,734)	(6,131)
Impairment of exploration assets	6	(2,630,942)	(6,077,952)
Impairment of loan to associate	6	(99,714)	-
Impairment of investment in associate	6	(2,538,000)	-
Remuneration costs		(330,928)	(689,625)
Share based payments		(9,486)	(28,654)
Loss before income tax		(6,452,480)	(7,350,915)
Income tax expense relating to the ordinary activities		(40,830)	(137,458)
Net loss for the period		(6,493,310)	(7,488,373)
Other comprehensive income		-	-
Total comprehensive loss		(6,493,310)	(7,488,373)
EARNINGS/LOSS PER SHARE:			
Basic loss per share (cents per share)	13	(2.8)	(5.2)
Diluted loss per share (cents per share)		(2.8)	(5.2)

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTE	31 DEC 2014 $	30 JUNE 2014 $
CURRENT ASSETS			
Cash and cash equivalents		190,258	409,330
Trade and other receivables		96,906	1,560,959
Other assets		8,604	69,493
TOTAL CURRENT ASSETS		**295,768**	**2,039,782**
NON-CURRENT ASSETS			
Plant and equipment		51,010	49,398
Exploration and evaluation assets	7	7,615,953	8,662,845
Investment in an associate	8	-	-
TOTAL NON-CURRENT ASSETS		**7,666,963**	**8,712,243**
TOTAL ASSETS		**7,962,731**	**10,752,025**
CURRENT LIABILITIES			
Trade and other payables	9	1,181,298	892,610
Borrowings	10	423,204	550,392
Provision for employee benefits		42,626	20,510
TOTAL CURRENT LIABILITES		**1,647,128**	**1,463,512**
NON-CURRENT LIABILITIES			
Provision for employee benefits		15,038	6,780
TOTAL NON-CURRENT LIABILITIES		**15,038**	**6,780**
TOTAL LIABILITIES		**1,662,166**	**1,470,292**
NET ASSETS		**6,300,565**	**9,281,733**
EQUITY			
Share capital	11	20,988,525	17,485,869
Reserves	12	1,642,221	1,632,735
Accumulated losses		(16,330,181)	(9,836,871)
TOTAL EQUITY		**6,300,565**	**9,281,733**

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	ISSUED CAPITAL $	SHARE-BASED PAYMENTS RESERVE $	ACCUMULATED LOSSES $	TOTAL $
Balance as at 1 July 2013	7,374,031	371,725	(3,129,575)	4,616,181
Total loss for the period	-	-	(7,488,373)	(7,488,373)
Other comprehensive income	-	-	-	-
Fair value of options and rights issued	-	1,168,753	-	1,168,753
Shares issued during period	9,068,727	-	-	9,068,727
Share issue costs (net of tax)	(353,237)	-	-	(353,237)
Balance as at 31 December 2013	**16,089,521**	**1,540,478**	**(10,617,948)**	**7,012,051**
Balance as at 1 July 2014	17,485,869	1,632,735	(9,836,871)	9,281,733
Total loss for the period	-	-	(6,493,310)	(6,493,310)
Other comprehensive income	-	-	-	-
Fair value of options and rights issued	-	9,486	-	9,486
Shares issued during period	3,597,926	-	-	3,597,926
Share issue costs (net of tax)	(95,270)	-	-	(95,270)
Balance as at 31 December 2014	**20,988,525**	**1,642,221**	**(16,330,181)**	**6,300,565**

The financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	31 DEC 2014 $	31 DEC 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,617	14,970
Payments to suppliers and employees	(874,582)	(870,893)
Income tax received – R & D tax offset	1,351,957	-
Net cash from/(used in) operating activities	478,992	(855,923)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(1,198,352)	(5,799,437)
Receipts from joint venture partners	-	3,500,000
Payments for applications and security bonds	(2,000)	(50,000)
Payments for plant and equipment	(1,612)	(22,385)
Net cash used in investing activities	(1,201,964)	(2,371,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	690,000	3,097,946
Proceeds from borrowings	100,000	-
Repayment of Borrowings	(250,000)	-
Payments for issue of shares	(36,100)	(111,913)
Net cash from financing activities	503,900	2,986,033
Net (decrease) in cash held and cash equivalents	(219,072)	(241,712)
Cash and cash equivalents at the beginning of the period	409,330	1,134,661
Cash and cash equivalents at the end of the period	190,258	892,949

The financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

1. General information

The consolidated entity (the Group) consists of Crestal Petroleum Ltd (the “Company”) and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

The registered and principal place of business is Level 7, 28-30 Grenfell Street, Adelaide SA 5000. Crestal Petroleum’s shares are listed on the ASX. The half year financial statements were authorised for issue by the Board of Directors on 16th of March 2015.

2. Significant accounting policies

Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2014 has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They are presented in Australian Dollars ($) which is the functional and presentation currency of the parent company.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements of the ASX listing rules.

The half year financial report does not include full disclosures of the type normally included in an annual financial report.

Significant Accounting Policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2014, except for the application of the following standards as of 1 July 2014:

AASB 1031: Materiality
AASB 1055: Budgetary Reporting
AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements
AASB 2013-4, Novation of Derivatives and Continuation of Hedge Accounting
AASB 2013-5, Investment Entities
AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments
AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

AASB 2014-1, Amendments to Australian Accounting Standards Part A, B and C
These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group’s financial result is determined or upon the extent of disclosures included in future financial reports.

Management has reviewed the new requirements of the above standards and has concluded that there is no effect on the classification or presentation of balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

3. Dividends

There have been no dividends paid or declared in the period or in the previous reporting period.

4. Operating Segments

The Group's expansion into additional geographic locations in Australia and internationally has resulted in additional detail being provided about operating segments that was not disclosed in the 2014 annual report.

Management has determined the operating segments based on internal reports about components of the group that are regularly reviewed by the Chief Operating Decision Maker, the Managing Director, in order to make strategic decisions. The reportable operating segments reflect the group's current strategic business units. The following summary describes the operations in each of the group's reportable segments;

i. South Australian;

ii. Eastern Australian;

iii. Utah, United States;

iv. Madagascar;

The Managing Director monitors performance in these areas separately. Unless stated otherwise, all amounts reported to the Managing Director are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the group. The group operates primarily in one business segment, namely the exploration, development and production of resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

Reportable segment performance for the six months ended 31 December 2014 (and the applicable comparatives) is set out below:

	SOUTH AUSTRALIA		EASTERN AUSTRALIA		UTAH UNITED STATES		MADAGASCAR		TOTAL SEGMENT AMOUNTS		ADD/(DEDUCT) NON SEGMENT AMOUNTS		TOTALS	
	31 DEC 2014 $	31 DEC 2013 $	31 DEC 2014 $	31 DEC 2013 $	31 DEC 2014 $	31 DEC 2013 $	31 DEC 2014 $	31 DEC 2013 $	31 DEC 2014 $	31 DEC 2013 $	31 DEC 2014 $	31 DEC 2013 $	31 DEC 2014 $	31 DEC 2013 $
REVENUE														
Interest income	-	-	-	-	-	-	-	-	-	-	1,615	14,970	**1,615**	**14,970**
Total segment revenue	-	-	-	-	-	-	-	-	-	-	1,615	14,970	**1,615**	**14,970**
RESULTS														
Operating loss before tax	(994,295)	(4,604,987)	(33,885)	(1,923,379)	(1,396,051)	(28,654)	(3,052,657)	-	(5,476,888)	(6,557,020)	(975,592)	(793,985)	**(6,452,480)**	**(7,350,915)**
Net loss after tax	(994,295)	(4,604,987)	(33,885)	(1,923,379)	(1,396,051)	(28,654)	(3,052,657)	-	(5,476,888)	(6,557,020)	(1,016,422)	(931,353)	**(6,493,310)**	**(7,488,373)**
Included within segment results:														
Depreciation	-	-	-	-	-	-	-	-	-	-	6,734	6,131	**6,734**	**6,131**
Impairment	1,060,095	4,367,187	33,885	1,710,765	1,396,051	-	2,778,625	-	5,268,656	6,077,952	-	-	**5,268,656**	**6,077,952**

	31 DEC 2014 $	30 JUNE 2014 $	31 DEC 2014 $	30 JUNE 2014 $	31 DEC 2014 $	30 JUNE 2014 $	31 DEC 2014 $	30 JUNE 2014 $	31 DEC 2014 $	30 JUNE 2014 $	31 DEC 2014 $	30 JUNE 2014 $	31 DEC 2014 $	30 JUNE 2014 $
SEGMENT ASSETS AND LIABILITIES														
Segment assets	4,057,866	6,436,770	1,311,483	1,227,270	2,246,604	2,410,657	-	-	7,615,953	10,074,697	346,778	677,328	**7,962,731**	**10,752,025**
Additions	38,142	5,331,371	85,513	28,307	1,351,460	2,291,195	2,778,625	-	4,253,740	7,650,873	-	144,380	**4,253,740**	**7,795,253**
Impairment	(1,060,095)	(4,588,106)	(33,885)	(1,657,218)	(1,396,051)	-	(2,778,625)	-	(5,268,656)	(6,245,324)	-	-	**(5,268,656)**	**(6,245,324)**
Segment liabilities	100,078	424,115	-	-	699,816	-	-	-	799,894	424,115	862,272	1,046,177	**1,662,166**	**1,470,292**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

5. Revenue

	31 DEC 2014 $	31 DEC 2013 $
Revenue		
Interest income – bank deposits	1,615	12,870
Other income	-	2,100
	1,615	14,970

6. Loss for the reporting period

Loss before income tax includes the following specific expenses:

	31 DEC 2014 $	31 DEC 2013 $
Depreciation:		
Depreciation of non-current assets	6,734	6,131
	6,734	6,131
Impairment of exploration assets		
South Australian Assets	980,276	4,367,187
New South Wales Assets	32,584	39,291
Queensland Assets	1,301	1,671,474
Utah, United States Assets	1,396,051	-
Other assets	220,730	-
Subtotal	2,630,942	6,077,952
Impairment of interests in Associate		
Loan to Associate	99,714	-
Investment in Associate	2,538,000	-
	5,268,656	6,077,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

7. Exploration and Evaluation Assets

	31 DEC 2014 $	30 JUNE 2014 $
Exploration and evaluation expenditure:		
Balance at the beginning of the reporting period	8,662,845	2,799,550
Additions	232,590	5,299,748
Tenements and licenses acquired on acquisition of		
PNC Aust Pty Ltd – including costs of acquisition	-	6,267,676
Tenements and licenses acquired – 50% interest in PEL 105	-	1,750,000
Farm out of 50% interest to Senex Energy Limited – in PEL 105	-	(3,500,000)
Covenant Mondo Joint Venture Utah, USA – participation costs	1,351,460	2,291,195
Impairment of exploration and evaluation assets	(2,630,942)	(6,245,324)
Balance at the end of the reporting period	7,615,953	8,662,845
Closing balance comprises :		
Exploration and Evaluation	1,311,483	1,371,650
Exploration and Evaluation – Joint Operations	6,304,470	7,291,195
	7,615,953	8,662,845

Impairment of exploration and evaluation assets occurs when it is concluded that capitalised expenditure is unlikely to be recovered by sale or future exploration.

***Impairment of exploration and evaluation assets**:*

ASSET	NATURE	REPORTABLE SEGMENT	31 DEC 2014 $	30 JUNE 2014 $
Cooper Basin SA	Oil & gas exploration	South Australia	(980,276)	(4,588,106)
Upper Hunter NSW	Gold exploration	Eastern Australia	(32,584)	(39,291)
Chillagoe QLD	Gold exploration	Eastern Australia	(1,301)	(1,528,711)
ATP 904 QLD	Oil & gas exploration	Eastern Australia	-	(89,216)
Utah, USA	Oil & gas exploration	Utah, United States	(1,396,051)	-
Other	Oil & gas exploration	Other	(220,730)	-
			(2,630,942)	(6,245,324)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

8. Investment in Associate

The Group holds an investment in PetroMad (Mauritius) Limited (Petromad) which is the licence holder of Concession Block 3114 located in the Morondava Oil Basin in Southern Madagascar. The carrying amount of the investment is accounted for under the equity method. The Group has a 25% interest in PetroMad at 31 December 2014 (30 June 2014: Nil). The interest in Petromad was purchased through the issue of 85 million ordinary shares.

Reconciliation of movement in carrying amount of investment in associate

Balance at the beginning of period	-
Cost of investment in associate	2,538,000
Impairment of investment in associate	(2,538,000)
Carrying amount of investment in associate	-

Reconciliation of movement in carrying amount of loan – PetroMad (Mauritius) Ltd

Balance at the beginning of period	-
Loan – PetroMad (Mauritius) Ltd	99,714
Impairment – Loan – PetroMad (Mauritius) Ltd	(99,714)
Carrying amount of loan – PetroMad (Mauritius) Ltd	-

9. Trade & Other Payables

	31 DEC 2014 $	30 JUNE 2014 $
Current		
Trade Payables	481,482	892,610
Trans Western Petroleum – Well 1 Additional Costs (a)	699,816	-
	1,181,298	892,610

(a) Utah – Crestal has agreed to pay Total Well 1 Costs of USD$573,855 (AUD$699,816) within 60 days of 13 March 2015 pursuant to an agreement with Trans-Western Petroleum Ltd.

10. Borrowings

	31 DEC 2014 $	30 JUNE 2014 $
Current		
Unsecured loans (a)	423,204	550,392
	423,204	550,392

(a) Interest has been capitalised as part of the loans where applicable in accordance with loan agreements entered into.

11. Share Capital

	31 DEC 2014 $	30 JUNE 2014 $
298,848,295 fully paid ordinary shares (2014: 168,099,767 fully paid ordinary shares)	**22,381,403**	18,783,477
Share issue expenses net of tax	**(1,392,878)**	(1,297,608)
	20,988,525	17,485,869

Each ordinary share carries the right to one vote at shareholders' meetings and is entitled to participate in any dividends or other distributions of the Group.

	31 DEC 2014 NUMBER	31 DEC 2014 $	30 JUNE 2014 NUMBER	30 JUNE 2014 $
Fully paid ordinary shares				
Balance at the beginning of the period	**168,099,767**	**17,485,869**	44,380,555	7,374,031
Shares issued during the period and fully paid	**130,748,528**	**3,597,926**	123,719,212	10,598,977
Share issue transaction costs net of tax	**-**	**(95,270)**	-	(487,139)
Ordinary fully paid shares at end of period	**298,848,295**	**20,988,525**	168,099,767	17,485,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

11. Share Capital (cont)

a) Movements in ordinary share capital

DETAILS	DATE	NO OF SHARES	ISSUE PRICE	$
Balance	**1 July 2013**	**44,380,555**		**7,374,031**
Issue of shares – placement	23 August 2013	20,736,953	$0.10	2,073,695
Issue of shares – placement	23 August 2013	7,721,414	$0.055	424,678
Issue of shares – PNC Aust Pty Ltd	23 August 2013	40,000,000	$0.10	4,000,000
Issue of Shares – 50% PEL 105	16 October 2013	19,776,020	$0.089	1,750,000
Issue of Shares – placement	24 December 2013	11,719,348	$0.07	820,355
Issue of Shares – placement	6 January 2014	585,715	$0.07	41,000
Issue of Shares – placement	29 January 2014	1,982,142	$0.07	138,749
Issue of Shares – placement	6 March 2014	7,864,288	$0.07	550,500
Issue of Shares – placement	17 April 2014	13,333,332	$0.06	800,000
Share issue transaction costs, net of tax		-	-	(487,139)
Balance	**30 June 2014**	**168,099,767**		**17,485,869**

	DATE	NO OF SHARES	ISSUE PRICE	$
Issue of shares – placement	6 July 2014	2,000,000	$0.05	100,000
Issue of shares – placement	15 July 2014	2,248,528	$0.05	112,426
Issue of shares – placement	22 August 2014	22,000,000	$0.03	660,000
Issue of Shares – CRJ*	3 October 2014	79,000,000	$0.03	2,370,000
Issue of Shares – placement	8 October 2014	4,500,000	$0.035	157,500
Issue of Shares – CRJ*	29 October 2014	6,000,000	$0.028	168,000
Issue of Shares – placement	30 December 2014	15,000,000	$0.002	30,000
Share issue transaction costs, net of tax		-	-	(95,270)
Balance	**31 December 2014**	**298,848,295**		**20,988,525**

*Shares Issued as consideration for the acquisition of Block 3114, Madagascar.

b) Capital Management

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, working capital requirements, distributions to shareholders and share issues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

12. Reserves

Option Reserve

The reserve is used to recognise the value of options and rights granted for services rendered by consultants and employees of the Company.

a) Movement in Reserves

Movements in each class of reserve during the current half year and previous financial year are set out below:

OPTION RESERVE	TOTAL $
Total Balance at 1 July 2013	371,725
Fair value of Performance Rights (Options) issued as part of the acquisition of PNC (Aust) Pty Ltd	764,400
Fair value of Options issued during the reporting period	454,812
Fair value of Performance Rights vested	41,798
Balance at 30 June 2014	**1,632,735**
Fair value of Performance Rights vested	9,486
Balance at 31 December 2014	**1,642,221**

13. Earnings per share

	31 DEC 2014 CENTS PER SHARE	31 DEC 2013 CENTSPER SHARE
Basic earnings/(loss) per share	(2.8)	(5.2)
Diluted earnings/(loss) per share	(2.8)	(5.2)

The following reflects the income and share data used in the calculations of the basic and diluted earnings per share:

	31 DEC 2014 $	31 DEC 2013 $
Earnings reconciliation		
Net loss for the period	(6,493,310)	(7,488,373)
Earnings used in calculating basic and diluted earnings per share	(6,493,310)	(7,488,373)
Weighted average number of ordinary shares used as the denominator in calculating basic and dilutive earnings per share	230,164,991	144,334,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

14. Commitments for expenditure

The Company has minimum expenditure commitments to meet the conditions under which certain tenements were granted. These minimum expenditure commitments total $465,000. These minimum commitments may vary from time to time, subject to approval by the grantor of titles or by variation of contractual agreements. The expenditure represents potential expenditure which may be reduced by entering into sale, joint venture or relinquishment of the interests and may vary depending upon the results of exploration. Should expenditure not reach the required level in respect of each area of interest, the Company's interest could be either reduced or forfeited.

In addition to the above and after execution of the Trans Western Petroleum Letter Agreement dated 13 March 2015, Crestal has agreed to pay TWP $400,000 USD toward Crestal acquiring a ten percent (10%) Working Interest ("WI") in the AGT #1-34 Well and to pay USD$50,000 toward TWP's attorney fees and costs of arbitration.

15. Subsequent events

The Company was in dispute with the operator of the CMJV over various matters. An arbitration process has recently been resolved and a commercial resolution recognised as follows;

d. Crestal Petroleum Ltd ("Crestal") paid TWP the sum of USD $450,000 on 12 March 2015 by wire transfer. The USD $450,000 will be apportioned in the following manner:

   i. USD $400,000 applied toward Crestal acquiring a ten percent (10%) Working Interest ("WI") in the AGT #1-34 Well - the second well of the farmin; (note that Crestal must pay 12% of the costs of AGT#1-34 to get this WI);
   ii. USD $50,000 will be applied toward the $560,855 USD previously invoiced on the USG #1 Well ("Well 1 Costs"). Crestal also agrees to pay thirty percent (30%) of any additional expenses received by TWP on the USG #1 up to a maximum of $13,000 ("Well 1 Additional Costs").

e. Crestal agrees to pay USD$50,000 toward TWP's attorney fees and costs of arbitration;

f. Crestal agreed to pay the Well 1 Costs, Well 1 Additional Costs (if any) and the TWP Costs ("Total Well 1 Costs") within sixty (60) days of the Agreement. Both Parties agreed that the Total Well Costs will be a minimum of USD$560,855 (assuming no Well 1 Additional Costs) and a maximum of USD $573,855.

On the 19th of December 2014, the Company announced a partially underwritten 3 for 2 renounceable pro-rata rights issue at an issue price of $0.002 per new share to raise approximately $897,000 before costs. Subsequent to the end of the reporting period, the rights issue was amended to be fully underwritten by Wentworth Global Capital Finance Pty Limited. The rights issue was completed on 13th February 2015. Funds raised will be used to maintain all of the Company's assets in good standing and for general working capital purposes.

As resolved at the AGM, the Company's name was to be changed to Crestal Petroleum Limited. This occurred formally on the 16th February 2015 at the conclusion of the rights issue.

On the 16th February 2015, the Company announced the sale of part of its hard rock tenement portfolio in Queensland for consideration of up to $250,000. This sale remains subject to Ministerial approval.

The Company agreed to issue a convertible note to its Managing Director, Mr Carl Dorsch to provide short term funding to the Company. The funds will be used to pay a proportion of the second CMJV well costs and for working capital. The convertible note is for an amount of $300,000. Subject to Shareholder approval at the next General Meeting, the convertible note will be converted to ordinary shares at $0.003 per share. If conversion is not approved by shareholders, interest will be charged monthly at 15% per annum commencing 30 days following receipt of funds, and will be repaid 12 months after issue.

There are no additional events that have occurred between the reporting date and the date of these financial statements.

16. Contingent Liabilities

There are no changes in contingent liabilities from those reported in the June 2014 Annual financial report

17. Going Concern

The financial report has been prepared on the basis of going concern.

The consolidated entity incurred a net loss before tax of $6,452,480 during the period ending 31 December 2014, had a net cash outflow of $722,972 from operating and investing activities, and its planned expenditure exceeds its current cash held. The Group continues to be reliant on the completion of a capital raising for continued operations and the provision of working capital.

If the additional capital is not obtained, the going concern basis may not be appropriate with the result that the Company and consolidated entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business in amounts different from those stated in the financial report.

18. Fair Value Measurements of Assets and Liabilities

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

All financial instruments were valued using level 1 valuation techniques. There were no changes in valuation techniques for financial instruments in the period.

The carrying value of trade receivables, trade payables and borrowings are assumed to approximate their fair values due to their short term nature. There are no other amounts that are measured on a fair value basis in the financial statements.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Crestal Petroleum Ltd:

    a the consolidated financial statements and notes set out in pages 5 to 19, of Crestal Petroleum Limited are in accordance with the Corporations Act 2001, including

    i. giving a true and fair view of its financial position as at 31 December 2014 and of its performance for the half year ended on that date; and

    ii. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting; and

    b there are reasonable grounds to believe that Crestal Petroleum will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Carl Dorsch
Managing Director

Adelaide, 16th of March 2015

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF CRESTAL PETROLEUM LIMITED

We have reviewed the accompanying half-year financial report of Crestal Petroleum Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Crestal Petroleum Limited 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 controls 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 consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Crestal Petroleum Limited consolidated entity'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 Crestal Petroleum Limited, 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 complied with the independence requirements of the Corporations Act 2001.

Basis for Disclaimer of Conclusion

The half-year financial report has been prepared on a going concern basis, however the directors have not been able to provide sufficient evidence to support their assessment of the consolidated entity's ability to pay their debts as and when they fall due. The director's assessment includes the requirement for capital raising either through the issue of equity instruments and/or a debt facility.

The consolidated entity has reported a loss before tax of $6,493,310 (including an impairment charge of $5,286,656) for the half-year ended 31 December 2014 and has a current asset deficiency of $1,351,360.

We have been unable to obtain sufficient evidence as to whether the consolidated entity may be able to raise additional equity or realise exploration assets through sales. As a result there is material uncertainty about the ability to continue as a going concern for a period of 12 months from the date of this review report.

Disclaimer of Conclusion

Based on our review, which is not an audit, due to the significance of the matter described in the basis of disclaimer conclusion, we have been unable to determine if any matter makes us believe that the half-year financial report of Crestal Petroleum Limited is not in accordance with the Corporations Act 2001. Accordingly, we do not express a review opinion.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 16 March 2015