



ABN 17 117 227 086

**Half-Year Financial Report
30 June 2016**

Corporate Directory

Directors

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

Company Secretary

Neil Hackett

Registered Office – Perth Australia

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Email: ir@azpetro.com
Website: 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
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Securities Exchange Listing

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

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

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

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AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Directors' Report

Your Directors submit their report for the half-year ended 30 June 2016.

Directors

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

Glenn Whiddon
Neil Hackett
Rob Downey

Review and Results of Operations

Results

The net loss for the half year ended 30 June 2016 was \$1,181,375 (2015: \$35,333,471). The net loss for the six months to 30 June 2015 includes an impairment of the investment in the Vioco Petroleum Limited ("Vioco") joint venture of \$31,075,108. The impairment is a consequence of the sale of the final 35% of the Group's holding to Vitol E&P Limited ("Vitol") completed on 21 August 2015, resulting in the joint venture being classified as a non-current asset held for sale and remeasured to fair value less cost of disposal.

Operations

The Company still holds significant drilling inventory in the Abi djan, Ivory Coast. The inventory includes casing and tubulars, cementing and casing accessories and drilling tools with an original cost of approximately US\$1.1 million. The Company is considering the sale of the oil field equipment or its deployment into the field. 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 continues to close its UK operations and transition activities back to Australia. The CFO has been retrenched as of June 30, 2016 and the UK subsidiary is in the final stages of liquidation including the removal of Azonto from UK reporting requirements. Management and directors are now all based in Australia. Azonto Petroleum (Ghana) Limited and other subsidiaries were liquidated in the period.

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 income for the six month period to 30 June 2016 was \$3,314 (2015: \$4,419) and other revenue was \$20,066 (2015: \$1,094,691). Other revenue in 2015 principally comprises income receivable from Vioco for services provided by Azonto to the CI-202 joint venture. The Group's total revenue for the six month period to 30 June 2016 was \$23,380 (2015: \$1,099,110).

As at 30 June 2015 the Group's joint-venture in Vioco was reclassified as a non-current asset held for sale which resulted in a write down of \$31,075,108 to remeasure to the lower of carrying amount and fair value less cost to sell.

During the six month period to 30 June 2015 there was an impairment of property, plant and equipment of \$196,771. The impairment was a consequence of the sale of Vioco and a reduction in activity.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

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 the six months to 2016 compared to 2015. Administrative expenses for the six months to 30 June 2016 were \$1,054,495 (2015: \$5,398,349) net of expenses recovered from partners or capitalised of nil (2015: \$1,620,455). Within the gross expenses total employee and director compensation expense, excluding share-based payments, was \$351,046 (2015: \$2,749,222), and other general administrative costs were \$610,689 (2015: \$3,193,453). The 2016 expense also includes \$391,312 of additional costs associated with the Clifport transaction.

In the six month period to 30 June 2016 share based payments were \$92,760 (2015: \$951,967). The lower share based expense is due to the timing of share option awards and performance rights granted to employees. The expense is also higher in both periods due to the impact of the redundancy programme which accelerated the timing of the expense but does not affect the Company's cash flow.

The gain on settlement of liabilities for the six month period to 30 June 2016 was nil (2015: \$345,658). The gain in 2015 principally related to the settlement of outstanding liabilities from the disposal of 65% of Vioco in November 2013 at amounts lower than originally provided.

The foreign currency loss for the six months ended 30 June 2016 was \$148,686 (2015: gain \$243,699). The movement is due to the strengthening of the Australian dollar during the period affecting the cash balances held in US dollars.

The net loss before tax was \$1,179,801 (2015: \$35,318,728) and the net loss after tax was \$1,181,375 (2015: \$35,333,471).

Cash and cash equivalents at 30 June 2016 were \$6,613,487 (31 December 2015: \$7,631,769). Net cash used in operations was \$848,040 (2015: \$3,705,078).

Corporate

Director and Senior Management Appointments and Resignations

There were no director or senior management changes in the period.

Equity Issues

There were no equity issues during the period.

Changes in State of Affairs

During the half year ended 30 June 2016 there was no significant change in the entity's state of affairs other than that referred to in this Directors' report, the half year financial statements or notes thereto.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, BDO, which is included on page 3.

Signed in accordance with a resolution of the Directors.



Glenn Whiddon
Executive Chairman

24 August 2016



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Australia

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

As lead auditor for the review of Azonto Petroleum Limited for the half-year ended 30 June 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 24 August 2016

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 30 June 2016

	Notes	For the half year ended 30 June 2016 \$	For the half year ended 30 June 2015 \$
Interest revenue		3,314	4,419
Other revenue		20,066	1,094,691
		<u>23,380</u>	<u>1,099,110</u>
Impairment of joint venture classified as a non-current asset held for sale		-	(31,075,108)
Impairment of property, plant and equipment		-	(196,771)
General and administrative expenses	4	(1,054,495)	(5,398,349)
Gain on settlement of liabilities		-	345,658
Share of loss of a joint venture		-	(336,967)
Foreign exchange gain/(loss)		(148,686)	243,699
Loss before income tax		<u>(1,179,801)</u>	<u>(35,318,728)</u>
Income tax expense		(1,574)	(14,743)
Net loss for the period		<u>(1,181,375)</u>	<u>(35,333,471)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation:			
Arising during the half year		(7,346)	56,694
Share of joint venture reserves		-	1,780,536
Other comprehensive income/(loss) for the period, net of tax		<u>(7,346)</u>	<u>1,837,230</u>
Total comprehensive loss for the period		<u>(1,188,721)</u>	<u>(33,496,241)</u>
Loss for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		(1,181,375)	(35,333,471)
		<u>(1,181,375)</u>	<u>(35,333,471)</u>
Other comprehensive loss for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		(7,346)	1,837,230
		<u>(7,346)</u>	<u>1,837,230</u>
Loss per share for the half year attributable to members of Azonto Petroleum Limited		Cents per share	Cents per share
- basic loss per share attributable to owners of the parent		(0.10)	(3.05)
- diluted loss per share attributable to owners of the parent		(0.10)	(3.05)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 \$	31 December 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	6,613,487	7,631,769
Trade and other receivables		36,941	-
Other current assets		73,007	92,492
Non-current asset held for sale		-	9,527
Total current assets		6,723,435	7,733,788
TOTAL ASSETS		6,723,435	7,733,788
LIABILITIES			
Current liabilities			
Trade and other payables		296,181	210,573
Total current liabilities		296,181	210,573
TOTAL LIABILITIES		296,181	210,573
NET ASSETS		6,427,254	7,523,215
EQUITY			
Issued capital	7	232,780,470	232,780,470
Performance shares	7	9,994,250	9,994,250
Reserves		12,738,978	12,653,564
Accumulated losses		(249,086,444)	(247,905,069)
TOTAL EQUITY		6,427,254	7,523,215

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Consolidated Statement of Cash Flows For the half year ended 30 June 2016

	Notes	30 June 2016 \$	30 June 2015 \$
Cash flows from operating activities			
Receipts from customers		19,375	2,482,346
Payments to suppliers and employees		(870,729)	(6,169,309)
Interest received		3,314	4,419
Income tax paid		-	(22,534)
Net cash flows used in operating activities		(848,040)	(3,705,078)
Cash flows from investing activities			
Purchase of property, plant & equipment		-	-
(Payments)/proceeds from disposal of subsidiary		-	-
Payments to Joint Venture		-	-
Payment for exploration expenditure		-	-
Net cash flows (used in)/from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Payments for capital raising		-	-
Lease repayments		-	-
Net cash flows from/(used in) financing activities		-	-
Net decrease in cash and cash equivalents		(848,040)	(3,705,078)
Net foreign exchange differences		(170,242)	274,123
Cash and cash equivalents at beginning of the period		7,631,769	7,020,698
Cash and cash equivalents at end of the period	5	6,613,487	3,589,743

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Consolidated Statement of Changes in Equity For the half-year ended 30 June 2016

	Share capital	Performance share	Employee equity benefits reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
At 1 January 2016	232,780,470	9,994,250	15,081,130	(2,427,566)	-	(247,905,069)	7,523,215
Loss for period	-	-	-	-	-	(1,181,375)	(1,181,375)
Other comprehensive gain	-	-	-	-	(7,346)	-	(7,346)
Total comprehensive loss for the period	-	-	-	-	(7,346)	(1,181,375)	(1,188,721)
Transactions with owners in their capacity as owners							
Share based payments	-	-	92,760	-	-	-	92,760
At 30 June 2016	232,780,470	9,994,250	15,173,890	(2,427,566)	(7,346)	(249,086,444)	6,427,254

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

**Consolidated Statement of Changes in Equity (continued)
For the half-year ended 30 June 2015**

	Share capital	Performance share	Employee equity benefits reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
At 1 January 2015	232,780,470	9,994,250	13,590,581	(2,427,566)	6,468,282	(220,746,012)	39,660,005
Loss for period	-	-	-	-	-	(35,333,471)	(35,333,471)
Other comprehensive income	-	-	-	-	1,837,230	-	1,837,230
Total comprehensive loss for the year	-	-	-	-	1,837,230	(35,333,471)	(33,496,241)
Transactions with owners in their capacity as owners							
Share based payments	-	-	951,967	-	-	-	951,967
At 30 June 2015	232,780,470	9,994,250	14,542,548	(2,427,566)	8,305,512	(255,079,483)	7,115,731

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements

1. Corporate Information

The half year financial report of the Group for the six months ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 24 August 2016.

Azonto Petroleum Limited is a for profit company incorporated and domiciled in Australia. It is listed on the Australian Securities Exchange.

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

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

This half-year financial report for the period ended 30 June 2016 is a general purpose condensed financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2015 and considered together with any public announcements made by Azonto Petroleum Limited during the half-year ended 30 June 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 31 December 2015. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

3. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 31 December 2015.

Fair value of financial assets and liabilities

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

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

3. Financial Risk Management (continued)

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the group as at 30 June 2016:

	Loans and receivables	
	30 June 2016	31 December 2015
Financial assets:	\$	\$
Cash and cash equivalents	6,613,487	7,631,769
Trade and other receivables	36,941	-
	<u>6,650,428</u>	<u>7,631,769</u>
Financial liabilities:		
Trade and other payables	296,181	210,573
	<u>296,181</u>	<u>210,573</u>

4. Expenses from Continuing Operations

	For the half year ended 30 June 2016	For the half year ended 30 June 2015
	\$	\$
General and administrative expenses		
Employee benefit and director compensation expense	351,046	2,749,222
Share based payments	92,760	951,967
	<u>443,806</u>	<u>3,701,189</u>
Depreciation of property, plant & equipment	-	124,162
Other	610,689	3,193,453
Expenses recovered from partners	-	(1,620,455)
	<u>1,054,495</u>	<u>5,398,349</u>

5. Cash and Cash Equivalents

For the purposes of the half-year statement of cash flow, cash and cash equivalents are comprised of the following:

	30 June 2015	31 December 2015
Cash and cash equivalents	\$	\$
Cash at bank and on hand	6,613,487	7,631,769
	<u>6,613,487</u>	<u>7,631,769</u>

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

6. Commitments

The Company has no commitments as at 30 June 2016.

7. Contributed Equity

	30 June 2016	31 December 2015
	\$	\$
(a) Share capital		
Ordinary shares fully paid	232,780,470	232,780,470
	Number	\$
(b) Movements in ordinary shares on issue		
Balance at 1 January 2016 and 30 June 2016	1,159,375,100	232,780,470
	Number	\$
(c) Movements in performance shares on issue		
Balance at 1 January and 30 June 2016 (a)	-	9,994,250

8. Share Based Payments

No performance rights or options were granted during the half years ended 30 June 2016 and 2015.

9. Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 30 June 2016 and 30 June 2015 as well as balances with related parties as at 30 June 2016 and 31 December 2015:

		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	2,635,510	-	980,296	-
Key management personnel of the group:					
MIMO Trust	2016	-	7,406	-	1,155
	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: \$1,026,951) and partly in general and administrative expenses as expenses recovered from partners - nil (2015: \$1,608,559).

Glenn Whiddon's wife is a director and owner of MIMO Trust.

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

10. Segment Reporting

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

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

11. Contingency

There are no contingent assets or liabilities as at 30 June 2016.

12. Events after the reporting date

- There have been no events after the reporting date

AZONTO PETROLEUM LIMITED – HALF YEAR REPORT

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at 30 June 2016 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Glenn Whiddon
Executive Chairman

24 August 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azonto Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Azonto Petroleum Limited, which comprises the consolidated statement of financial position as at 30 June 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's 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 consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Azonto Petroleum 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 have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Azonto Petroleum Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

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, 24 August 2016