AO Energy Ltd

ABN 84 010 126 708

Annual Financial Report

for the year ended 31 December 2013

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Corporate Information

This annual report covers AO Energy Ltd (ABN 84 010 126 708) the consolidated group ('Group') comprising AO Energy Ltd and its subsidiaries. The Group's functional and presentation currency is Australian dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 7 to 9. The directors' report is not part of the financial report.

Directors

Mr Simon O'Loughlin (Appointed 31 July 2013)
Mr Graham Ascough (Appointed 31 July 2013)
Mr Donald Stephens (Appointed 31 July 2013)
Mr David McAuliffe (Appointed 16 August 2013, Resigned 22 November 2013)
Dr David Brookes (Appointed 22 November 2013)
Mr Colin Goodall (Resigned 31 July 2013)
Mr Jeremy Jebamoney (Resigned 31 July 2013)
Mr David Bamford (Resigned 19 July 2013)
The Hon Alexander Downer AC (Resigned 19 July 2013)
Mr Neil Young (Resigned 31 July 2013)

Secretaries

Mr Donald Stephens (Appointed 31 July 2013)
Mr Jarek Kopias (Resigned 31 July 2013)
Mr Neil Young (Resigned 31 July 2013)

Registered Office

Ground Floor
15 Bentham Street
Adelaide SA 5000

Principal place of business

Ground Floor
15 Bentham Street
Adelaide SA 5000

Share Register

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Auditors

Ernst & Young
121 King William St
Adelaide SA 5000

Directors' report

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 31 December 2013.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Simon O'Loughlin (Appointed 31 July 2013)
Mr Graham Ascough (Appointed 31 July 2013)
Mr Donald Stephens (Appointed 31 July 2013)
Mr David McAuliffe (Appointed 16 August 2013, Resigned 22 November 2013)
Dr David Brookes (Appointed 22 November 2013)
Mr Colin Goodall (Resigned 31 July 2013)
Mr Jeremy Jebamoney (Resigned 31 July 2013)
Mr David Bamford (Resigned 19 July 2013)
The Hon Alexander Downer AC (Resigned 19 July 2013)
Mr Neil Young (Resigned 31 July 2013)

Names, qualifications, experience and special responsibilities

Simon O'Loughlin, BA (Acc) (Non-Executive Director)

Mr O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. He has obtained extensive experience in the corporate and commercial law fields while practising in Sydney and Adelaide. Mr O'Loughlin also holds accounting qualifications. More recently, he has been focusing on the resources sector. He is currently chairman of Kibaran Resources Ltd and Lawson Gold Ltd, and a non-executive director of Goldminex Ltd, Petratherm Ltd, Chesser Resources Ltd and WCP Resources Ltd. In the last three years he has also been a director of World Titanium Resources Ltd, Bioxyne Ltd, Avenue Resources Ltd, Oncosil Ltd, Aura Energy Ltd and Wolf Petroleum Ltd.

Mr O'Loughlin has extensive experience and involvement with companies in the small industrial and resources sectors. He has also been involved in the listing and back-door listing of numerous companies on the ASX and National Stock Exchanges. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

Graham Ascough, BSc, PGeo (Non-Executive Director)

Mr Ascough is a senior resources executive with more than 24 years of industry experience evaluating mineral projects and resources in Australia and overseas. He has had broad industry involvement ranging from playing a leading role in setting the strategic direction for significant country-wide exploration programmes to working directly with mining and exploration companies.

Mr Ascough is a geophysicist by training and was the Managing Director of Mithril Resources Limited from October 2006 until June 2012. Prior to joining Mithril in 2006, Mr Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Ltd (acquired by Xstrata Plc in 2006).

Mr Ascough is chairman of ASX listed Musgrave Minerals Ltd, Mithril Resources Ltd, Phoenix Copper Ltd and Avalon Minerals Ltd. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada. In the last three years he has also been a director of Aguia Resources Ltd.

Directors' report continued

Donald Stephens, BAcc, FCA (Non-Executive Director and Company Secretary)

Mr Stephens is a Chartered Accountant and corporate adviser with over 25 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a director of Mithril Resources Ltd, AO Energy Ltd, Lawson Gold Ltd and was formerly a director of TW Holdings Ltd (resigned 14 December 2012). Additionally he is Company Secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, Petratherm Ltd and Toro Energy Limited. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.

He is also a member of the Company's Audit committee.

Mr David McAuliffe, LLB (Hons) and B.Parm (Non-Executive Director) – Resigned 22 November 2013

Mr McAuliffe has over sixteen years experience in the international Life Science sector. During this time he has been involved in many capital raisings and technology licensing exercises. He has an Honours Degree in Law (LLB Hons) and a Bachelor of Pharmacy Degree (B.Pharm) and is currently the President of the Dyslexia-Speld Foundation WA (Inc), is a non-executive director of ChemCentre WA and OncoSil Medical Ltd.

Dr David Brookes, MBBS FACRRM FAICD, (Non-Executive Director)

Dr Brookes works as a medical practitioner and biotechnology consultant. His involvement in the biotechnology sector began in the late 1990's as an analyst. He is currently an independent director of ASX listed Atcor Medical Holdings Ltd and is a Fellow of the Australian Institute of Company Directors.

Dr Brookes was formerly an independent director of Living Cell Technologies Ltd (ASX listed) from August 2007 until November 2010 and Chairperson during 2009 and 2010. He was Chairman-Director of Innovance Ltd (NSX listed) from 2006 until 2010.

Dr Brookes graduated from Adelaide University in 1983 and is a Fellow of the Australian College of Rural and Remote Medicine; he also has a Diploma from the Royal Australian College of Obstetricians and Gynaecologists.

Mr Colin Goodall, CA, (Non-Executive Chairman) – Resigned 31 July 2013

Mr Goodall is a qualified chartered accountant and member of the Chartered Institute of Taxation. An upstream oil & gas industry veteran, Mr Goodall joined the BP PLC finance team in 1975, later becoming the first Chief of Staff within the BP Group. From 1995 to 1999 he served as Chief Financial Officer for BP Europe and then as BP's senior representative in Russia. His career has involved assignments in Africa, the Middle East, Europe, Russia and the Americas. He was a Non-Executive director of LSE listed Lamprell PLC until his retirement on 27 May 2013.

Directors' report continued

Mr Jeremy T Jebamoney, BE (Chem), (Non-Executive Director) – Resigned 31 July 2013

Mr Jebamoney holds a Bachelor's Degree in Chemical Engineering, with honours and was subsequently trained as a reservoir engineer at Santos Ltd. Mr Jebamoney's technical expertise lies in reservoir evaluation, exploration and field development planning. He has also worked for private equity investors in oil and gas ventures in various countries on both technical and commercial fronts. He is a member of the Society of Petroleum Engineers and the Australian Institute of Company Directors.

Mr David Bamford, (Non-Executive Director) – Resigned 19 July 2013

Mr Bamford has had over 23 years exploration experience with BP PLC where he was Chief Geophysicist from 1990 to 1995, General Manager for West Africa from 1995 to 1998, and Head of Exploration, directing BP's global exploration programme, from 2000 to 2003. He is a Director or adviser to several small companies, including his own consultancy, and he writes regularly for journals such as OilVoice and GeoExpro. Mr Bamford co-founded Finding Petroleum and OilEdge as vehicles for online communication in the oil and gas industry. He is a directors of LSE listed Tullow Oil PLC.

The Hon. Alexander Downer AC, (Non-Executive Director) – Resigned 19 July 2013

The Hon. Alexander Downer is the ex-leader of the Australian Liberal Party, and his extensive experience includes being Australia's longest serving Foreign Minister, from 1996 to 2007, and the UN envoy to Cyprus. He is a founding partner of Bespoke Approach, and sits on various boards including Huawei Australia, Cappello Capital Corp and Hayluyt & Co, and is a visiting professor at the University of Adelaide. He is a director of ASX listed Lakes Oil NL (ASX: LKO), Sun Resources NL (ASX: SUN) and is an alternate director of Roy Hill Holdings Pty Ltd.

Mr Neil Young, BEcon (Hons), (Non-Executive Director) – Resigned 31 July 2013

Mr Young has an Honours degree in Economics and Politics from the University of Edinburgh and obtained a professional qualification in tax accounting whilst working for the accounting firm Ernst & Young in Aberdeen, Scotland. After moving to Australia in the early 1990s, Mr Young's career focused on business development, commercial and financial roles in the upstream and downstream sectors of the energy industry. Mr Young has worked in senior management roles for various energy companies including Santos Ltd, Adelaide Energy Ltd and Tarong Energy Corporation. He is presently a director of ASX listed Tellus Resources Ltd and Santa Petroleum.

Directors' report continued

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities during the year were the exploration and evaluation of its mineral tenements in New South Wales and Queensland.

On 26 November 2013, the consolidated entity announced that it was entering into an agreement to acquire Reproductive Health Science Pty Ltd (RHS). The acquisition will result in a significant change in the nature of the consolidated entities activities, with AO Energy Ltd to change its name to Reproductive Health Science Limited and change its focus to being a biotechnology company.

OPERATING RESULTS

The loss of the consolidated group after providing for income tax amounted to $1,474,578 (2012: $3,291,616).

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of AO Energy Ltd were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Simon O'Loughlin	3,120,257	-
Mr Graham Ascough	752,978	-
Mr Donald Stephens	501,987	-
Dr David Brookes	1,650,000	-

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

OPERATIONS REVIEW

Corporate

On 12 February 2013, the Company announced a new capital raising by way of a non-renounceable pro rata rights issue at an issue price of $0.06 per share for every two ordinary share held. The offer resulted in the issue of 11,593,313 shares and $695,599 in gross proceeds for the Company.

On 31 July 2013, the Company announced a restructure of the its board, whereby Mr Simon O'Loughlin, Mr Graham Ascough and Mr Donald Stephens were appointed and concurrently Mr Colin Goodall, Mr Neil Young and Mr Jeremy Jebamoney resigned as directors. In addition, on 22 November 2013 Dr David Brookes was appointed as a Non-Executive Director of the Company.

Directors’ report continued

On 23 August 2013, the Company announced that it had executed a Settlement Deed between Messrs Goodall, Young, Jebamoney, Downer and Bamford in relation to various unpaid entitlements. Under the terms of the deed, the previous directors have agreed to forgo any unpaid employee/director entitlements and forfeit all Options and Performance Rights held by them in exchange for 10,380,000 fully paid ordinary shares in the Company.

On 30 August 2013, the Company announced a new capital raising by way of a non-renounceable pro rata rights issue at an issue price of $0.01 per share for every one ordinary share held. The offer resulted in the issue of 69,703,091 shares and $697,029 in gross proceeds for the Company.

On 26 November 2013, the Company announced a proposed significant acquisition, change of business and change of name. The transaction would result in the acquisition of Reproductive Health Science Pty Ltd (‘RHS’), an Adelaide based biotechnology company. Under the terms of the sale and purchase agreement, a total of 200,000,000 shares (pre-consolidation) will be issued to acquire RHS. In addition to this, the Company will undertake a consolidation of shares on a 1 is for 10 basis and conduct a capital raising of $2,400,000 (with the ability to accept oversubscriptions up to a further $600,000) at an issue price of $0.20 (post consolidation).

On 13 March 2014, the Company held an Extraordinary General Meeting of shareholders to approve the acquisition of RHS (and other matters). All resolutions considered at the meeting were passed, resulting in the approval of the shares to be issued under the settlement deed, the shares to be issued to the vendors of RHS, the capital raising to be undertaken and the change of name to Reproductive Health Science Limited.

Connors Arch Joint Venture (40%)
The Connors Arch Joint Venture Project comprises three tenements at Mt Mackenzie situated in the South Connors Arch Province in Queensland. The Company holds a 40% interest in project in joint venture with SmartTrans Holdings Limited (60%) who are the Operator. The project area is considered to be prospective for porphyry-style copper-gold deposits and epithermal gold deposits.

Connors Arch is considered an advanced exploration project with a number of copper and gold occurrences of significant scale that have been the subject of previous exploration by the joint venture and by previous explorers.

Statutory reductions in the area of EPM17515 (Mount Mackenzie West) and EPM 10006 (Mount MacKenzie) were completed during the reporting period as part of the licence renewal process.

Directors' report continued

The Joint Venture is currently seeking interested parties to advance exploration activities on the Connors Arch Project through a farm-in arrangement or sale of the project.

Kiawarra EL 6269 (100%)

EL 6269 is an exploration licence in New South Wales which hosts a number of historic workings and prospects. Exploration efforts in recent years have targeted high grade silver and associated lead, zinc, tin and gold mineralisation.

During the reporting period the company completed a statutory reduction of EL 6269 to four blocks as part of the renewal process.

The Company is currently seeking a partner to advance exploration activities on the Project through a farm-in arrangement.

Oil and Gas Opportunities

AO Energy Ltd was investigating oil and gas exploration and production ventures in the Asia Pacific Region however these investigations have now ceased.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As noted in principal activities, on 26 November 2013 the consolidated entity entered into an agreement to acquire Reproductive Health Science Pty Ltd, a biotechnology company. This will result in a significant change in activities, with the Company no longer pursuing its focus of the exploration of minerals to become a biotechnology Company.

Directors' report continued

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Due to the proposed change noted in the significant change in the state of affairs of the consolidated entity, the Directors have determined that it is best that no disclosure be made in relation to future likely developments, as it is dependent on shareholder approval of the acquisition of Reproductive Health Science Pty Ltd. For further information, please refer to the Company's prospectus dated 7 March 2014 lodged with the ASX.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Group however believes that it has adequate systems in place for the management of any future environmental regulations.

Shares under option

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 Jan 2013	Net Issued/ (Exercised or expired) during year	Balance
28/11/2008	31/12/2013	$2.01	614,792	(614,792)	-
21/09/2012	20/09/2016	$0.201	1,791,045	-	1,791,045
11/02/2013	11/02/2016	$0.225	-	10,550,000	*10,550,000
11/02/2013	11/02/2017	$0.30	-	18,500,000	*18,500,000
			2,405,837	28,435,208	30,841,045

* The options are subject to a settlement deed announced to the ASX on 23 August 2013. The options will be exchanged for 10,380,000 ordinary fully paid shares in the capital of the Company. Shareholder approval was granted under the terms of the deed on 13 March 2014 and the balance of these shares under option were nil at the date of this report.

Shares issued as a result of the exercise of options

No shares were issued during the year as a result of an exercise of options.

New options issued

A total of 29,050,000 unlisted options were issued on 11 February 2013 to the former directors of the Company.

Directors' report continued

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums in respect of a contract insuring all the directors of AO Energy Ltd against legal costs incurred for defending proceedings for conduct other than:

(a) A willful breach of duty

(b) A contravention of sections 182 or 183 of the *Corporations Act 2001,* as permitted by section 199B of the *Corporations Act 2001.*

The total amount of insurance contract premiums paid was $10,557 (excluding GST).

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for directors and executives of AO Energy Ltd.

Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the entity. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial performance.

Key management personnel remuneration and equity holdings

The Board currently determines the nature and amount of remuneration for Board members and senior executives of the Group. The policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives.

The non-executive directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the Group share option scheme. Options are valued using the Binomial valuation methodology.

The Board policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Non-executive directors' fees are determined within an aggregate director's fee pool limit, which is periodically recommended for approval by shareholders. The pool does not include the remuneration payable to the Managing Director. The maximum currently stands at $500,000 per annum.

Directors' report continued

REMUNERATION REPORT CONTINUED- AUDITED

USE OF REMUNERATION CONSULTANTS

During the financial year, there were no remuneration recommendations made in relation to key management personnel for the Company by any remuneration consultants.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2012 ANNUAL GENERAL MEETING

AO Energy Ltd's motion in relation to the approval of 2012 remuneration report passed with a vote total of more than 75%. The Company did not receive any specific feedback at the AGM on its remuneration report.

Table 1: Director remuneration for the year ended 31 December 2013 and 31 December 2012

		Salary and fees	Superannuat -ion	Share based payments	Total
Non-Executive Directors					
Simon O'Loughlin	*2013*	14,583	1,349		**15,932**
	2012	9,589			**9,589**
Graham Ascough	*2013*	11,354	-	-	**11,354**
	2012	-	-	-	**-**
Donald Stephens	*2013*	11,354	-	-	**11,354**
	2012	-	-	-	**-**
David McAuliffe	*2013*	7,823	-		**7,823**
	2012	-	-	-	**-**
David Brookes	*2013*	2,677	248		**2,925**
	2012	-	-	-	**-**
Colin Goodall	*2013*	-	25,000	40,238	**65,238**
	2012	-	25,000	-	**25,000**
Jeremy Jebamoney	*2013*	41,667	8,333	34,490	**84,490**
	2012	62,500	6,250		**68,750**
David Bamford	*2013*	10,000	-	-	**10,000**
	2012	10,000			**10,000**
The Hon Alexander Downer AC	*2013*	9,174	826		**10,000**
	2012	8,177	736		**8,913**
Neil Young	*2013*	54,167	8,333	45,988	**108,489**
	2012	81,250	6,250		**87,500**
Total	*2013*	**162,799**	**44,089**	**120,716**	**327,604**
	2012	**171,516**	**38,236**	**-**	**209,752**

Directors' report continued

REMUNERATION REPORT CONTINUED- AUDITED

No remuneration for Directors for the year ended 31 December 2013 or 31 December 2012 was performance based.

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to $17,700 including GST. (2012: Nil). The amount owing to HLB Mann Judd (SA) Pty Ltd as at 31 December 2013 was $7,686. Mr Donald Stephens, Non-Executive Director and Company Secretary, is a consultant to HLB Mann Judd (SA) Pty Ltd.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	
	Attended	**Eligible**
Mr Simon O'Loughlin	3	3
Mr Graham Ascough	3	3
Mr Donald Stephens	3	3
Mr David McAuliffe	-	-
Dr David Brookes	1	1
Mr Colin Goodall	5	5
Mr Jeremy Jebamoney	5	5
Mr David Bamford	4	5
The Hon Alexander Downer AC	4	5
Mr Neil Young	5	5

In addition to the above, several resolutions were passed by way of circular resolution and a due diligence committee was formed to assist with the preparation of the Company's prospectus in connection with the proposed acquisition of Reproductive Health Science Pty Ltd.

Members acting on the audit committee of the Board are:

Donald Stephens	Non-executive director
Graham Ascough	Non-executive director

Both members of the audit committee attended the meeting held on 30 August 2013.

Directors' report continued

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

NON AUDIT SERVICES

Ernst & Young, in its capacity as auditor for AO Energy Ltd, has not provided any non-audit services throughout the reporting period.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 31 December 2013 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 13.

Signed in accordance with a resolution of the directors.

Mr Donald Stephens
Director

31 March 2014

Building a better working world

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Auditor's Independence Declaration to the Directors of AO Energy Limited

In relation to our audit of the financial report of AO Energy Limited for the financial year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mark Phelps

Mark Phelps
Partner
Adelaide
31 March 2014

Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Consolidated Year ended 31 Dec 2013 $	31 Dec 2012 $
Other Income	4	5,007	7,677
Loss on disposal of subsidiary		-	(24,129)
Foreign exchange gain/(loss)		1,083	-
Employee benefits expense		(461,702)	(279,952)
Depreciation expense	4	(10,472)	(1,481)
Professional fees		(203,130)	(327,777)
Travel costs		(45,057)	(71,267)
Other expenses		(265,162)	(122,286)
Due diligence and transaction costs	5	-	(1,315,467)
Impairment of exploration assets	13	(495,145)	(1,156,934)
Loss before income tax expense		(1,474,578)	(3,291,616)
Income tax benefit/(expense)	6	-	-
Loss from continuing operations		(1,474,578)	(3,291,616)
Loss attributable to members of the parent entity		(1,474,578)	(3,291,616)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,474,578)	(3,291,616)
Loss for the year is attributable to:			
Non-controlling interest		-	-
Owners of AO Energy Ltd		(1,474,578)	(3,291,616)
		(1,474,578)	(3,291,616)
Total comprehensive loss for the year is attributable to:		.	
Non-controlling interest		-	-
Owners of AO Energy Ltd		(1,474,578)	(3,291,616)
		(1,474,578)	(3,291,616)
Loss per share:		*Cents*	*Cents*
Basic earnings per share	7	(1.73)	(8.00)
Diluted earnings per share	7	(1.73)	(8.00)

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

Statement of Financial Position
AS AT 31 DECEMBER 2013

	Note	Consolidated 31 December 2013 $	31 December 2012 $
CURRENT ASSETS			
Cash and cash equivalents	**8**	545,406	160,000
Trade and other receivables	**9**	11,245	150,289
Other current assets	**10**	-	9,167
TOTAL CURRENT ASSETS		556,651	319,456
NON-CURRENT ASSETS			
Property, plant and equipment	**11**	23,349	31,715
Other receivables	**12**	35,000	35,000
Exploration and evaluation assets	**13**	80,000	553,020
TOTAL NON-CURRENT ASSETS		138,349	619,735
TOTAL ASSETS		695,000	939,191
CURRENT LIABILITIES			
Trade and other payables	**14**	65,344	384,326
TOTAL CURRENT LIABILITIES		65,344	384,326
NON-CURRENT LIABILITIES			
Provisions	**15**	172,782	50,000
TOTAL NON-CURRENT LIABILITIES		172,782	50,000
TOTAL LIABILITIES		238,126	434,326
NET ASSETS		456,874	504,865
EQUITY			
Contributed equity	**16**	48,434,602	47,128,731
Share based payments reserve	**17**	558,451	437,735
Accumulated losses		(48,536,179)	(47,061,601)
TOTAL EQUITY		456,874	504,865

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

Statement of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Issued capital ordinary $	Share based payments reserve $	Accumulated losses $	Non-Controlling Interests $	Total equity $
		Consolidated				
Balance at 1 January 2012		45,597,231	376,750	(43,769,985)	(11,052)	2,192,944
Comprehensive income						
Loss for the year		-	-	(3,291,616)	-	(3,291,616)
Disposal of subsidiary		-	-	-	11,052	11,052
Other comprehensive income/(expense)		-	-	-	-	-
Total comprehensive income for the period		-	-	(3,291,616)	-	(3,291,616)
Transactions with owners, in their capacity as owners, and other transfers						
Contributions of equity, net of transaction costs		1,531,500	-	-	-	1,531,500
Share based payments		-	60,985	-	-	60,985
Total transactions with owners and other transfers		1,531,500	60,985	-	-	1,592,485
Balance at 31 December 2012		47,128,731	437,735	(47,061,601)	-	504,865
Balance at 1 January 2013		47,128,731	437,735	(47,061,601)	-	504,865
Comprehensive income						
Loss for the period		-	-	(1,474,578)	-	(1,474,578)
Other comprehensive income/(expense)		-	-	-	-	-
Total comprehensive income for the period		-	-	(1,474,578)	-	(1,474,578)
Transactions with owners, in their capacity as owners, and other transfers						
Contributions of equity, net of transaction costs	16	1,305,871	-	-	-	1,305,871
Share based payments	17	-	120,716	-	-	120,716
Total transactions with owners and other transfers		1,305,871	120,716	-	-	1,426,587
Balance at 31 December 2013		48,434,602	558,451	(48,536,179)	-	456,874

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

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Consolidated	
		Year ended 31 Dec 2013 $	Year ended 31 Dec 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(902,144)	(1,888,507)
Interest received		5,007	7,677
NET CASH (USED IN) OPERATING ACTIVITIES		(897,137)	(1,880,830)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,750	-
Payments for property, plant and equipment		(2,953)	(17,696)
Proceeds from sale of investments		-	1
Refund of tenement bonds		-	80,000
Payments for exploration expenditure capitalised		(22,125)	(61,024)
NET CASH (USED IN) INVESTING ACTIVITIES		(23,328)	1,281
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,392,629	1,677,317
Payment of transaction costs for issue of shares		(86,758)	(145,817)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		1,305,871	1,531,500
Net (decrease) in cash and cash equivalents		385,406	(348,049)
Cash at the beginning of the period		160,000	508,049
CASH AT THE END OF THE PERIOD	**8**	545,406	160,000

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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

1. CORPORATE INFORMATION

The financial report of AO Energy Ltd for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 31 March 2014. AO Energy Ltd is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected Non-current assets, financial assets and financial liabilities.

b. Principles of consolidation

The consolidated financial statements comprise the financial statements of AO Energy Ltd and its subsidiaries as at 31 December each year (the Group). A list of controlled entities is contained in Note 21 to the financial statements. All controlled entities have a December financial year-end.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

c. Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to the combination are expensed as incurred. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of profit or loss and comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

d. Revenue recognition

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

e. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

f. Borrowing costs
Borrowing costs are recognised as an expense when incurred.

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

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of profit or loss and other comprehensive income as an integral part of the total lease expense.

h. Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at bank, cash in hand and short term deposits with an original maturity of 3 months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

i. Trade and other receivables
All receivables are recognised at cost less provision for doubtful debts, which in practice will equal the amounts receivable upon settlement. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect on all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income.

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

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

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

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

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

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

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

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

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

k. Goods and Services Tax (GST)

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

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

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

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

l. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line and diminishing value basis over the estimated useful life of the assets. The useful life of the assets for both 2013 and 2012 is as follows:

Plant and equipment 1 - 4 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

m. Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are expensed against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

n. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the assets (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to the statement of profit or loss and comprehensive income immediately.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a) The amount at which the financial asset or financial liability is measured at initial recognition;
b) Less principal repayments;
c) Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method;* and
d) Less any reduction for impairment.

The *effective interest method* is used to allocated interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flow will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured amortised cost.
Loans and receivables are included in current assets, except those which are not expected to mature within 12 months after the end of the reporting period (All other loans and receivables are classified as non-current assets).

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and comprehensive income.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

o. Impairment of assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

p. Trade and other payables
Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

q. Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

r. Employee benefits

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

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

Share based payment transactions
The Group provides benefits to employees of the Group in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

There is currently one plan in place to provide these benefits, the Employee Share Option Plan which provides benefits to employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Bionomial option pricing model.

The cost of equity-settled transactions is recognised as an expense in the statement of profit or loss and other comprehensive income, together with a corresponding increase in the share option reserve, according to the options' vesting conditions.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.

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

t. Earnings per share
Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

u. Comparative figures
When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

v. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

w. New and amended standards adopted by the Group

AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

These amendments have had no impact on the Group.

AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities - Non-monetary Contributions by Ventures.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

AASB 12 Disclosure of Interests in Other Entities

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

These amendments have had no impact on the Group.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

These amendments have had no impact on the Group.

AASB 119 Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

These amendments have had no impact on the Group.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:

- Repeat application of AASB 1 is permitted (AASB 1)
- Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

AASB 2012-9 Amendments to AASB 1048 arising from the withdrawal of Australian Interpretation 1039

AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

x. Accounting standards issued but not yet effective and not been adopted early by the Group

The Group notes the following Accounting Standards which have been issued but are not yet effective at 31 December 2013. These standards have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 1053 Application of Tiers of Australian Accounting Standards (effective from 1 January 2014)

This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards
(b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The following entities apply Tier 1 requirements in preparing general purpose financial statements:
(a) For-profit entities in the private sector that have public accountability (as defined in this standard)
(b) The Australian Government and State, Territory and Local governments

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:
(a) For-profit private sector entities that do not have public accountability
(b) All not-for-profit private sector entities
(c) Public sector entities other than the Australian Government and State, Territory and Local governments.

When this standard is first adopted for the year ended 31 December 2014, there will be no impact on the transactions and balances recognised in the financial statements.

(ii) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (effective from 1 January 2014)

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

(iii) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When this standard is first adopted for the year ended 31 December 2014, there will be no impact on the transactions and balances recognised in the financial statements.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

(iv) AASB 9 Financial Instruments (effective from 1 January 2017)

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

(a) Financial assets that are debt instruments will be classified based on:

(1) the objective of the entity's business model for managing the financial assets;

(2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

The AASB issued a revised version of AASB 9 during December 2013. The revised standard incorporates three primary changes:

1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and

3. The mandatory effective date moved to 1 January 2017.

(v) AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (effective from 1 January 2014)

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the joint arrangements in place relate to joint operations.

- AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3. SEGMENT INFORMATION

The board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time the Group operates in one segment, namely Mineral Exploration in Australia.

4. REVENUE AND EXPENSES

	Consolidated	
	2013 $	2012 $
REVENUE		
Other income		
Bank interest received or receivable	5,007	7,677
	5,007	7,677
EXPENSES		
Loss before income tax includes the following specific expenses		
Depreciation of non-current assets		
Plant and equipment	10,472	1,481
Total depreciation	10,472	1,481

5. DUE DILLIGENCE AND TRANSACTION COSTS

Costs associated with the Kazakhstan due diligence and associated restructuring activities

Kazakhstan due diligence	-	896,999
Associated professional fees and corporate restructuring expenses	-	418,468
	-	1,315,467

In the second half of 2012, the Company entered into various agreements to acquire operated interests in 2 oil-fields in Kazakhstan. However, due to factors such as market concerns over sovereign risk, those Agreements were terminated prior to 31 December 2012. The associated due diligence costs and restructuring costs related to that transaction have been expensed in the statement of profit or loss and comprehensive income.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

6. INCOME TAX

	Consolidated 2013 $	Consolidated 2012 $
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before income tax	(1,474,578)	(3,291,616)
At the Group's statutory income tax rate of 30% (2012: 30%)	(442,373)	(987,485)
Expenditure not allowable for income tax purposes	36,817	18,613
Tax effect of deferred tax asset not brought to account	405,556	968,872
	-	-

7. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Consolidated 2013 $	Consolidated 2012 $
Net loss attributable to ordinary equity holders of the parent	(1,474,578)	(3,291,616)
	2013	**2012**
Weighted average number of ordinary shares for basic earnings per share	85,327,681	41,159,980
Effect of dilution	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution *	85,327,681	41,159,980

* The weighted average number of shares in the 2012 financial year has been adjusted for the effects of the Company's rights issues conducted during the year.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account. The number of options over ordinary shares at the balance date was 30,841,045.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2013 $	2012 $
Cash at bank and in hand	545,406	160,000
	545,406	160,000

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December:

	2013	2012
Cash at banks and in hand	545,406	160,000
	545,406	160,000

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Consolidated 2013 $	2012 $
Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(1,474,578)	(3,291,616)
Adjustments for non-cash items:		
Depreciation	10,472	1,481
Impairment of non-current assets	495,144	1,156,934
Net disposal of equity investment	-	24,129
Share based payments	120,716	60,985
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	148,211	(136,585)
(Increase)/decrease in prepayments		
(Decrease)/increase in trade and other payables	(319,884)	303,842
(Decrease)/increase in provisions	122,782	-
Net cash from operating activities	(897,137)	(1,880,830)

9. TRADE AND OTHER RECEIVABLES

Refundable cash deposit	-	96,302
Other receivables	11,245	53,987
	11,245	150,289

Other receivables are not impaired and not past due. Due to their short term nature, their carrying amount is assumed to approximate their fair value.

10. OTHER CURRENT ASSETS

Prepayments	-	9,167
	-	9,167

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

11. PROPERTY PLANT AND EQUIPMENT

	Consolidated 2013 $	2012 $
PROPERTY, PLANT AND EQUIPMENT		
Land at cost		
Land at cost	15,500	15,500
	15,500	15,500
Plant and equipment		
Cost		
Balance at 1 July	17,696	17,696
Additions	2,953	-
Disposals	(4,543)	-
Balance at 30 June	16,106	17,696
Accumulated depreciation		
Balance at 1 July	1,481	-
Depreciation for the year	10,472	1,481
Disposals	(3,696)	-
Balance at 30 June	8,257	1,481
Net book value	7,849	16,215
Total carrying amount of plant and equipment	**23,349**	**31,715**

12. OTHER NON-CURRENT ASSETS

Security deposits	35,000	35,000
	35,000	35,000

Other receivables are not impaired and not past due. Due to their nature (being cash deposits), their carrying amount is equivalent to their fair value.

13. EXPLORATION AND EVALUATION ASSETS

Balance 1 January	553,020	1,661,193
Additions	22,125	48,761
Impairment	(495,145)	(1,156,934)
	80,000	553,020

Impairment of exploration and evaluation

During the year an impairment expense of $495,145 (2012: $1,156,934) was recognised against the Group's exploration and evaluation assets. The impairment was recognised as the carrying amount of the assets exceeded their recoverable amounts. The recoverable amounts were determined based on the fair value of the assets, less the costs to sell (being what a willing third party buyer would be prepared to pay for the assets). The Company is in negotiations to dispose of all of its exploration and evaluation assets further to the Company's change of focus to a biotech Company.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

14. TRADE AND OTHER PAYABLES

	Consolidated 2013 $	2012 $
Trade payables	59,711	307,924
Other	5,633	76,402
	65,344	384,326

15. PROVISIONS (NON-CURRENT)

	2013 $	2012 $
Mining restoration (a)	50,000	50,000
Onerous lease provision (b)	122,782	-
	172,782	50,000

	2013 $	2012 $
(a) Mining restoration		
Balance 1 January	50,000	50,000
Increase in provision during year	-	-
Closing balance	50,000	50,000

The mining restoration provision relates to the estimated costs to rehabilitate the exploration licences that the Company owns.

	2013 $	2012 $
(b) Onerous lease provision		
Balance 1 January	-	-
Increase in provision during year	122,782	-
Closing balance	122,782	-

The onerous lease provision relates to the net present value of the total amount payable by the Company in respect of its commercial property lease (refer to note 18 for further details).

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

16. ISSUED CAPITAL

	Consolidated Group	
	31 December 13	31 December 12
	$	$
Fully paid ordinary shares	48,434,602	47,128,731
	48,434,602	47,128,731

	Number	$
Ordinary shares		
Balance at beginning of financial period	58,109,778	47,128,731
Shares issued pursuant to rights issue 12 March 2013	11,593,313	695,599
Shares issued pursuant to rights issue 8 October 2013	69,703,091	697,030
Shares issued to brokers in lieu of fees	2,770,427	27,704
Transaction costs on shares issued	-	(114,462)
Balance at end of the financial period	142,176,609	48,434,602

Ordinary shares

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is actively pursuing additional capital investments in the short term as it continue to pursue new opportunities.

The capital risk policy remains unchanged from the 31 December 2012 financial report.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17. RESERVES

	Consolidated Group	
	2013	2012
	$	$
Share-based payments reserve	558,451	437,735
	558,451	437,735

Nature and purpose of reserves
Share option reserve
This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and to other parties as part of their compensation services.

18. COMMITMENTS FOR EXPENDITURE

	Consolidated Group	
	2013	2012
	$	$
Commitments for expenditure		
Operating leases		
Not longer than 1 year	56,266	45,833
Longer than 1 year and not longer than 5 years	66,516	100,833
	122,782	146,666

Terms of lease arrangements
The Group has a lease on a commercial property for office accommodation. At the year end, the lease had a remaining term of 2.16 years. The Group is in negotiations to attempt to re-let the property to another owner.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the date of signing this report, the Group is not aware of any Contingent Asset or Liability that should be disclosed in accordance with AASB 137.

20. AUDITOR'S REMUNERATION

	Consolidated Group	
	2013	**2012**
	$	**$**
Audit or review of the financial report	23,000	28,555
Other services – project due diligence	-	17,584
	23,000	46,139

No other services have been provided in 2013.

21. SUBSIDIARIES

Name of entity	Country of Incorporation	Ownership Interest 2013 %	Ownership Interest 2012 %
Parent entity			
AO Energy Ltd	Australia		
Subsidiaries			
AO Energy (Singapore) Pte Ltd	Singapore	100	100

22. FINANCIAL RISK MANAGEMENT

The Group holds the following financial instruments:

	Consolidated Group	
	2013	**2012**
	$	**$**
FINANCIAL ASSETS		
Cash and cash equivalents	545,406	160,000
Trade receivables	11,245	150,289
Other receivables (non-current)	35,000	35,000
FINANCIAL LIABILITIES		
Trade payables	59,711	307,924
Other payables	5,633	76,402

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Interest rate sensitivity analysis
The Group's assets and liabilities are not sensitive to interest rate movements as the Company has no interest bearing debt and minimal funds investment in interest earning deposits.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity risk tables
The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Weighted average effective interest rate %	Less than 1 year $	Longer than 1 year and not longer than 5 years $
2013			
Non-interest bearing	0.00%	65,344	-
	Weighted average effective interest rate %	Less than 1 year $	Longer than 1 year and not longer than 5 years $
2012			
Non-interest bearing	0.00%	384,326	-

In all cases of financial assets and liabilities held by the group, the fair value of the instruments are equal to their relevant cost amounts.

23. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION

The following individuals are classified as key management personnel in accordance with AASB 124 'Related Party Disclosures':

Mr Simon O'Loughlin (Appointed 31 July 2013)
Mr Graham Ascough (Appointed 31 July 2013)
Mr Donald Stephens (Appointed 31 July 2013)
Mr David McAuliffe (Appointed 16 August 2013, Resigned 22 November 2013)
Dr David Brookes (Appointed 22 November 2013)
Mr Colin Goodall (Resigned 31 July 2013)
Mr Jeremy Jebamoney (Resigned 31 July 2013)
Mr David Bamford (Resigned 19 July 2013)
The Hon Alexander Downer AC (Resigned 19 July 2013)
Mr Neil Young (Resigned 31 July 2013)

The remuneration details of the above personnel can be found in remuneration report of the director's report. The totals of remuneration paid to KMP of the Group during the year are as follows:

	Consolidated 2013 $	Consolidated 2012 $
Short-term employee benefits	162,799	171,516
Post employment benefits	44,089	38,236
Share-based payments	120,716	-
	327,604	209,752

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Shareholdings of Key Management Personnel

31 December 2013	Balance at 1 Jan 13	Additions	Disposals/ Other changes	Balance 31 Dec 13
Directors				
Simon O'Loughlin	-	3,120,257	-	3,120,257
Graham Ascough	-	752,978	-	752,978
Donald Stephens	-	501,987	-	501,987
David McAuliffe*	-	1,254,963	(1,254,963)	-
David Brookes	-	1,650,000	-	1,650,000
Colin Goodall *	1,055,579	527,791	(1,583,370)	-
Jeremy Jebamoney *	733,976	366,989	(1,100,965)	-
David Bamford *	44,777		(44,777)	-
The Hon Alexander Downer AC *	14,926	-	(14,926)	-
Neil Young *	877,966	438,984	(1,316,950)	-

31 December 2012	Balance at 1 Jan 12	Additions	Disposals /Other changes	Balance 31 Dec 12
Directors				
Colin Goodall	-	1,055,579	-	1,055,579
Jeremy Jebamoney	-	733,976	-	733,976
David Bamford	-	44,777	-	44,777
The Hon Alexander Downer AC	-	14,926	-	14,926
Neil Young	-	877,966	-	877,966

* The other changes in shares represent the resignation of the directors from the board of AO Energy Ltd.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Option and performance rights holdings of Key Management Personnel

31 December 2013	Balance at 1 Jan 13	Additions	Disposals/Other changes	Balance 31 Dec 13
Directors				
Simon O'Loughlin	-	-	-	-
Graham Ascough	-	-	-	-
Donald Stephens	-	-	-	-
David McAuliffe	-	-	-	-
David Brookes	-	-	-	-
Colin Goodall *	-	9,300,000	(9,300,000)	-
Jeremy Jebamoney *	-	6,750,000	(6,750,000)	-
David Bamford *	-	3,000,000	(3,000,000)	-
The Hon Alexander Downer AC *	-	3,000,000	(3,000,000)	-
Neil Young *	-	10,600,000	(10,600,000)	-

No options or performance rights were held by key management personnel in the 2012 financial year.

* The other changes in options and performance rights represent the resignation of the directors from the board of AO Energy Ltd.

Wholly owned group transactions

Loans
The wholly owned Group consists of those entities listed in note 21. Transactions between AO Energy Ltd and other entities in the wholly owned Group during the year consisted of loans advanced by AO Energy Ltd to fund research and development activities.

Director related entities
The following transactions with related parties occurred during the financial year. All of the transactions were undertaken on an arm's length basis and at applicable commercial rates.

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to $17,700 including GST. (2012: Nil). The amount owing to HLB Mann Judd (SA) Pty Ltd as at 31 December 2013 was $7,686. Mr Donald Stephens, Non-Executive Director and Company Secretary, is a consultant to HLB Mann Judd (SA) Pty Ltd.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

24. PARENT ENTITY INFORMATION
Set out below is the supplementary information about the parent entity.

	31 Dec 2013 $	31 Dec 2012 $
Financial Position		
Assets		
Current Assets	556,651	319,456
Non-current Assets	138,349	619,735
	695,000	939,191
Liabilities		
Current liabilities	65,344	384,326
Non-current Liabilities	172,782	50,000
	238,126	434,326
Equity		
Issued Capital	48,434,602	47,128,731
Reserves	558,451	437,735
Retained Earnings	(48,536,179)	(47,061,601)
	456,874	504,865
Financial Performance		
(Loss) for the year	(1,470,428)	(3,324,922)
Other comprehensive income	-	-
	(1,470,428)	(3,324,922)

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2013 and 31 December 2012.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 31 December 2013 and 31 December 2012.

25. GOING CONCERN
The financial report has been prepared on the basis of a going concern.

The consolidated entity incurred a net loss before tax of $1,474,578 during the period ended 31 December 2013, and had a net cash outflow of $897,137 from operating activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and the provision of working capital. The directors note that as announced to the ASX on 26 November 2013, the Company has sought to raise $2,400,000 by way of the issue of 12,000,000 fully paid ordinary shares in the capital of the Company (with an option to raise a further $600,000).

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

If additional capital is not obtained, there is material uncertainty whether the Group will continue as a going concern and whether it will realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the financial report.

No adjustments for such circumstances have been made to the amount and classification of the assets and liabilities in the financial report.

26. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 31 January 2014, the Group announced that it had completed its due diligence on Reproductive Health Science Pty Ltd ('RHS') and provided an update on the timing of the proposed acquisition and associated consolidation of the Company's fully paid shares on a one is for ten basis. Based on this announcement, the completion of the acquisition (subject to shareholder approval) is to be completed by mid April 2014.

On 13 March 2014, the Company held an Extraordinary General Meeting of shareholders to obtain shareholder for the acquisition of RHS and other matters. The result of the meeting included the approval of the shares to be issued under the settlement deed, approval for the acquisition of RHS, approval of shares to be issued under the Company's prospectus dated 7 March 2014 and the change of Company name to Reproductive Health Science Ltd. Refer to the Notice of Extraordinary General Meeting lodged with the ASX on 6 February 2014 for further information.

Directors' Declaration

In accordance with a resolution of the directors of AO Energy Limited, I state that:

1. In the opinion of the directors:

   a. the financial statements and notes AO Energy Limited for the financial year ended 31 December 2013 are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance of the year ended on that date; and

      ii. complying with Accounting Standards and the *Corporations Regulations 2001*;

   b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
   c. subject to the matters disclosed in Note 25, there are reasonable grounds to believe that the Company will be able to pay its debt and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the CEO and CFO in accordance with section 295A of the *Corporations Act 2001* for the year ended 31 December 2013.

On behalf of the board

Mr Donald Stephens
Director

31 March 2014

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Independent auditor's report to the members of AO Energy Limited

Report on the financial report

We have audited the accompanying financial report of AO Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

Opinion

In our opinion:

a. the financial report of AO Energy Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 25 Going Concern paragraph which outlines the consolidated entity's reliance on additional funding required to continue operating and which raises doubt about the entity's ability to continue as a going concern. As a result of these matters, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AO Energy Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Mark Phelps

Mark Phelps
Partner
Adelaide
31 March 2014