



AND CONTROLLED ENTITIES
ABN 22 009 171 046

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2013**

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CORPORATE DIRECTORY

Directors	John Simpson Anthony Milewski Gregory Lee Jeff Mitchell	Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director
Chief Operating Officer	Ken Bull	
Company Secretary	Jonathan Whyte	
Registered and Principal Office	Unit 17, Level 2, 100 Railway Road Subiaco WA 6008 PO Box 8129 Subiaco East WA 6008 Telephone: +61 8 9380 9920 Facsimile: +61 8 9381 5064 Website: www.qpn.com.au	
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth WA 6000	
Auditors	PKF Mack & Co 4th Floor 35 Havelock Street West Perth WA 6005	
Stock Exchange	Quest Petroleum NL is a public company listed on the Australian Securities Exchange and incorporated in Western Australia.	
ASX Codes	QPN – Ordinary Fully Paid Shares QPNO – Listed Options	

DIRECTORS REPORT

Your Directors submit the financial report of Quest Petroleum NL ('the Company' or 'Quest') and controlled entities (the consolidated entity) for the half-year ended 31 December 2013.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the half-year are as follows. Directors were in office for this entire period unless otherwise stated.

John Simpson	Non-Executive Chairman
Anthony Milewski	Managing Director
Gregory Lee	Non-Executive Director
Jeff Mitchell	Non-Executive Director
Mochamad Thamrin	Deputy Chairman (resigned 1 November 2013)

REVIEW AND RESULTS OF OPERATIONS

The net loss of the consolidated entity for the half year ended 31 December 2013 was \$31,915 (2012: \$599,476).

Ranau PSC

During the half year the Indonesian Energy Regulator SKKMigas approved the 2014 work program and budget. As part of the work program submission Quest conducted a detailed review of the existing gravity data and also acquired further existing seismic data for the Ranau block.

Quest commenced the advanced reprocessing and interpretation of 62km of 1993 vintage 2D seismic data. These seismic lines were shot in the north-west section of the Ranau PSC and cover a gravity high identified in the gravity survey performed by Quest in 2012.

The original data was of good quality, with sufficient charge and recording spread to enable the modern reprocessing technology to produce a vastly improved seismic imaging of the subsurface. The reprocessed data shows a much clearer image of the subsurface and has also uncovered previously undefined leads and potential prospects.

Quest engaged PT Tesla Indonesia (PT Tesla), a firm very familiar with the regional geophysics and geology, to reprocess the existing seismic data using the latest state of the art Promax R5000 software for seismic processing in the time domain. PT Tesla used Paradigm GeoDepth software to create advanced imaging products issuing the Common Reflection Angle Migration (CRAM) to further improve image quality and create clear and accurate imaging of the subsurface in depth.

PT Tesla then conducted a detailed geological and geophysical study using the latest data to identify, qualify and quantify the prospects and leads over the area of the block that the reprocessed seismic lines covered. This work was conducted by an internationally recognized and licensed geophysical consulting expert.

The results of all the work performed indicate the presence of a structural high, known as Lead A, that coincides with the gravity high previously identified by Quest. At the primary reservoir horizon, the Lead is significant in size, covering more than 12 square kilometres in areal extent and exhibiting 250 feet of structural closure. Seal integrity, source and maturity definition require further investigation and review, whereupon, a decision will be made whether to conduct more seismic over the block or work the structural high into a drillable target.

Expanded Production Strategy and Strategic Partnership

The Company continues to receive and review proposals to participate in projects that could compliment the Company's ambition to become a significant hydrocarbon producer.

DIRECTORS REPORT

SUBSEQUENT EVENTS

There are not any matters or circumstances that have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Company which have not been disclosed in Company announcements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 of this report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in cursive script, appearing to read "Anthony Milewski".

Anthony Milewski
Managing Director

13 March 2014

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF QUEST PETROLEUM NL

In relation to our review of the financial report of Quest Petroleum NL for the half 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.

PKF Mack & Co.

PKF MACK & CO



SHANE CROSS
PARTNER

13 MARCH 2014
WEST PERTH,
WESTERN AUSTRALIA

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CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Notes	31 Dec 13 \$	31 Dec 12 \$
Revenue		-	3,007
Cost of sales		-	(7,665)
Gross Loss		-	(4,658)
Other income		65,917	66,771
Gain on sale of Bullseye Project		-	64,145
Professional services		(38,107)	(57,289)
Depreciation/amortisation expense		(4,124)	-
Corporate costs		(350,010)	(649,361)
Share-based payments	6	(75,417)	-
Property and lease expense		(49,168)	(11,064)
Travel expenses		(68,381)	-
Unrealised foreign exchange gains/(losses)		487,375	(8,020)
Loss Before Income Tax		(31,915)	(599,476)
Income tax expense		-	-
Loss From Continuing Operations		(31,915)	(599,476)
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign controlled entities		(498,162)	6,896
Total Comprehensive Loss for the Year		(530,077)	(592,580)
Loss Attributable to:			
Members of Quest Petroleum NL		(28,955)	(598,537)
Non-controlling interest		(2,960)	(939)
		(31,915)	(599,476)
Total Comprehensive Loss Attributable to:			
Members of Quest Petroleum NL		(527,117)	(591,641)
Non-controlling interest		(2,960)	(939)
		(530,077)	(592,580)
Basic loss per share (cents per share)		(0.001)	(0.026)
Diluted loss per share (cents per share)		(0.001)	(0.026)

The accompanying notes form part of these financial statements

**CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER
2013**

	Notes	31 Dec 13 \$	30 Jun 13 \$
CURRENT ASSETS			
Cash and cash equivalents		1,727,066	2,583,203
Trade and other receivables		13,406	8,405
TOTAL CURRENT ASSETS		1,740,472	2,591,608
NON-CURRENT ASSETS			
Trade and other receivables		1,858,200	1,821,085
Plant and equipment		76,017	80,142
Mineral exploration and evaluation	4	7,461,981	7,057,515
TOTAL NON-CURRENT ASSETS		9,396,198	8,958,742
TOTAL ASSETS		11,136,670	11,550,350
CURRENT LIABILITIES			
Trade and other payables		147,550	106,570
Other liabilities		17,868	17,868
TOTAL CURRENT LIABILITIES		165,418	124,438
TOTAL LIABILITIES		165,418	124,438
NET ASSETS		10,971,252	11,425,912
EQUITY			
Issued capital	5	132,519,046	132,519,046
Reserves		1,573,107	1,995,852
Accumulated losses		(123,087,541)	(123,058,586)
Total parent entity interest		11,004,612	11,456,312
Non-controlling interest		(33,360)	(30,400)
TOTAL EQUITY		10,971,252	11,425,912

The accompanying notes form part of these financial statements.

**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED
31 DECEMBER 2013**

Notes	Share Capital Ordinary \$	Accumulated Losses \$	Option & SBP Reserve \$	Foreign Currency Translation Reserve \$	Total \$	Non- controlling interest \$	Total Equity \$
Balance at 1 July 2012	127,696,729	(121,278,249)	1,009,200	290,677	7,718,357	(28,786)	7,689,571
Loss for the year	-	(598,537)	-	-	(598,537)	(939)	(599,476)
Foreign currency translation	-	-	-	6,896	6,896	-	6,896
Total comprehensive loss for the half year	-	(598,537)	-	6,896	(591,641)	(939)	(592,580)
Transactions with owners in their capacity as owners:							
Shares issued	4,699,013	-	-	-	4,699,013	-	4,699,013
Transaction costs	(98,469)	-	-	-	(98,469)	-	(98,469)
Balance at 31 December 2012	132,297,273	(121,876,786)	1,009,200	297,573	11,727,260	(29,725)	11,697,535
Balance at 1 July 2013	132,519,046	(123,058,586)	1,087,200	908,652	11,456,312	(30,400)	11,425,912
Loss for the year	-	(28,955)	-	-	(28,955)	(2,960)	(31,915)
Foreign currency translation	-	-	-	(498,162)	(498,162)	-	(498,162)
Total comprehensive loss for the half year	-	(28,955)	-	(498,162)	(527,117)	(2,960)	(530,077)
Transactions with owners in their capacity as owners:							
Share based payments	6	-	75,417	-	75,417	-	75,417
Balance at 31 December 2013	132,519,046	(123,087,541)	1,162,617	410,490	11,004,612	(33,360)	10,971,252

The accompanying notes form part of these financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Notes	31 Dec 13 \$	31 Dec 12 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of oil & gas	-	3,007
Cost of sales	-	(7,665)
Payments to suppliers and employees	(577,147)	(760,064)
Interest received	65,917	66,771
Net cash (used in) operating activities	(511,230)	(697,951)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for mineral exploration and evaluation	(380,993)	(480,936)
Payments for mineral exploration performance bonds	(37,115)	-
Proceeds from sale of Bullseye Project	-	77,053
Net cash (used in) investing activities	(418,108)	(403,883)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	4,684,027
Transaction costs	-	(98,469)
Net cash provided by financing activities	-	4,585,558
Net (decrease)/increase in cash and cash equivalents held	(929,338)	3,483,724
Cash and cash equivalents at 1 July	2,583,203	272,271
Effects of exchange rate fluctuations on cash and cash equivalents held in foreign currencies	73,201	6,896
Cash and cash equivalents at 31 December	1,727,066	3,762,891

The accompanying notes form part of these financial statements.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

a) Basis of preparation

This general purpose interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* as appropriate for “for-profit” orientated entities. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34, ‘Interim Financial Reporting’.

The half-year report has been prepared on an accruals and historical cost basis.

This interim report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and operating and financing activities of the consolidated entity as the full financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Quest Petroleum NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report was approved by the Board of Directors on 13 March 2014.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been adopted early.

b) Going concern

The half year financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The consolidated entity incurred a loss of \$31,915 for the period ended 31 December 2013 (2012: \$599,476) and negative operating cash outflows of \$511,230 (2012: \$697,951).

The ability of the consolidated entity to continue to pay its debts as and when they fall due is dependent upon the consolidated entity successfully raising additional share capital and ultimately developing its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- The Directors have an appropriate plan to raise additional funds as and when it is required. In light of the consolidated entity’s current exploration projects, the Directors believe that the additional capital required can be raised in the market; and
- The Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

The accounts have been prepared on the basis that the consolidated entity can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

c) Impairment of exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the assets carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The key areas of judgement and estimation include:

- Recent exploration and evaluation results;
- Environmental issues that may impact on the underlying tenements; and
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

d) Estimates

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

In preparing these interim financial statements, significant judgment made by management in applying the consolidated entity's accounting policies and key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2013.

NOTE 2: OPERATING SEGMENTS

The consolidated entity has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Segments are identified on the basis of area of interest. Financial information about each segment is provided to the chief operating decision makers on at least a monthly basis.

The consolidated entity's exploration projects consist of:

- Oil
- Gas

Basis of accounting for purposes of reporting by operating segments

(i) Accounting policies adopted

Unless otherwise stated, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated entity.

(ii) Inter-segment transactions

Corporate charges are allocated to reporting segments based on an estimation of the likely consumption of certain head office expenditure that should be used in assessing segment performance.

(iii) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority asset economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(iv) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of that segment. Borrowings and tax liabilities are generally considered to relate to the consolidated entity as a whole and are not allocated. Segment liabilities include trade and other payables.

(v) Unallocated items

Items of revenue, expenditure, assets and liabilities are not allocated to operating segments if they are not considered part of the core operations of any segment.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment Performance

	Ranau Indonesia \$	Australia \$	Total \$
31 December 2013			
Revenue			
Interest revenue	453	65,464	65,917
Total Segment Revenue	453	65,464	65,917

Expenses

Unallocated

Professional services			(38,107)
Depreciation			(4,124)
Corporate costs			(350,010)
Share based payments			(75,417)
Property and lease expense			(49,168)
Travel expenses			(68,381)
Foreign exchange gains			487,375
Loss before and after income tax			(31,915)

Segment assets

Exploration	7,461,981	-	7,461,981
Plant and equipment	73,980	2,037	76,017
Cash	51,689	1,675,377	1,727,066
Trade and other receivables	10,000	1,861,606	1,871,606
Total assets	7,597,650	3,539,020	11,136,670

	Bullseye Louisiana, USA \$	Ranau Indonesia \$	Australia \$	Total \$
31 December 2012				
Revenue				
External sales	3,007	-	-	3,007
Interest revenue	-	-	66,771	66,771
Total Segment Revenue	3,007	-	66,771	69,778

Expenses

Cost of sales	(7,665)	-	-	(7,665)
Gain on sale of Bullseye Project	64,145	-	-	64,145

Unallocated

Professional services				(57,289)
Corporate costs				(649,361)
Property and lease expense				(11,064)
Foreign exchange losses				(8,020)
Loss before and after income tax				(599,476)

30 June 2013

Segment assets

Segment operating assets	-	7,137,657	-	7,137,657
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Unallocated assets

Cash				2,583,203
Trade and other receivables				1,829,490
Total assets				11,550,350

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 4: MINERAL EXPLORATION AND EVALUATION

	31 Dec 13 \$	30 Jun 13 \$
Opening net book value	7,057,515	6,073,886
Exploration and evaluation costs incurred	404,466	983,629
Closing Net Book Value	7,461,981	7,057,515

The recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the oil and gas assets.

NOTE 5: ISSUED CAPITAL

	Note	31 Dec 13 No of Shares	30 Jun 13 No of Shares	31 Dec 13 \$	30 Jun 13 \$
Ordinary shares - fully paid	(a)	2,898,392,325	2,898,392,325	134,227,531	134,227,531
Ordinary shares - partly paid to 2 cent		92,822	92,822	20,420	20,420
Ordinary shares - partly paid to 0.1 cents		582,963	582,963	6,413	6,413
Share issue costs				(1,735,318)	(1,735,318)
				132,519,046	132,519,046

(a) Movement in ordinary shares - fully paid

	Date	No of shares	Share value \$	\$
For the six months ended 31 December 2013				
Opening balance	01-Jul-13	2,898,392,325		134,227,531
Closing balance		2,898,392,325		134,227,531
For the year ended 30 June 2013				
Opening balance	01-Jul-12	2,045,058,084		129,114,740
Share Placement – Tranche 1	27-Jul-12	199,752,475	0.006	1,198,515
Share Placement – Tranche 2	20-Sep-12	105,333,766	0.006	632,003
Share Placement – Tranche 2	28-Sep-12	69,918,502	0.006	419,511
Share Placement – Tranche 2	26-Oct-12	41,661,955	0.006	249,972
Rights Issue – partial allotment	11-Dec-12	146,758,260	0.006	880,549
Rights Issue – partial allotment	24-Dec-12	219,743,931	0.006	1,318,463
Rights Issue – partial allotment	22-Jan-13	43,786,512	0.006	262,719
Share-based payment	09-Apr-13	4,173,030	0.005	20,865
Share-based payment	07-Jun-13	22,192,856	0.006	130,000
Options exercised	Various	12,954	0.015	194
Closing balance		2,898,392,325		134,227,531

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Movement in share options reserve

			Option Value	
			\$	\$
For the six months ended 31 December 2013				
Opening balance	01-Jul-13	783,864,904		1,077,200
Closing balance		783,864,904		1,077,200
For the year ended 30 June 2013				
Opening balance	01-Jul-12	336,400,000		1,009,200
Share Placement – Tranche 1 free attaching	27-Jul-12	99,876,238	-	-
Share Placement – Tranche 2 free attaching	14-Nov-12	108,457,112	-	-
Rights Issue – partial allotment free attaching	24-Dec-12	183,253,552	-	-
Rights Issue – partial allotment free attaching	22-Jan-13	21,890,956	-	-
Share-based payment	13-Feb-13	30,000,000	0.002	60,000
Share-based payment	01-May-13	4,000,000	0.002	8,000
Options exercised	Various	(12,954)	-	-
Closing balance		783,864,904		1,077,200

(c) Movement in share based payment reserve

		Date	\$
For the six months ended 31 December 2013			
Opening balance		01-Jul-13	10,000
Performance Rights brought to account for the period		31-Dec-13	75,417
Closing balance			85,417
Total option and share based payment reserves			1,162,617
For the year ended 30 June 2013			
Opening balance		01-Jul-12	-
Performance Rights brought to account for the period		30-Jun-13	10,000
Closing balance			10,000
Total option and share based payment reserves			1,087,200

(d) Movement in Performance Rights

During the year to 30 June 2013, 197,500,000 Class A, B, C, D, E and F Performance Rights were issued to key management personnel. The Performance Rights are convertible into ordinary shares upon the satisfaction of various criteria which are set out in the Notice of Meeting released to the ASX on 29 November 2012. The fair value of the Performance Rights is being brought to account over their vesting periods.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Performance Rights on issue are as follows:

Grant Date	Class	Granted	Vested as at 31 December 2013	Converted to Ordinary Shares to 31 December 2013	Lapsed to 31 December 2013(i)	Balance at 31 December 2013
21 March 2013	A	5,000,000	-	-	-	5,000,000
21 March 2013	B	5,000,000	-	-	-	5,000,000
21 March 2013	C	5,000,000	-	-	-	5,000,000
21 March 2013	D	5,000,000	-	-	-	5,000,000
21 March 2013	E	10,000,000	-	-	-	10,000,000
21 March 2013	F	10,000,000	-	-	-	10,000,000
10 June 2013	A	22,500,000	-	-	(2,000,000)	20,500,000
10 June 2013	B	22,500,000	-	-	(2,000,000)	20,500,000
10 June 2013	C	22,500,000	-	-	(2,000,000)	20,500,000
10 June 2013	D	22,500,000	-	-	(2,000,000)	20,500,000
10 June 2013	E	27,500,000	-	-	(2,000,000)	25,500,000
10 June 2013	F	40,000,000	-	-	(4,000,000)	36,000,000
Total		197,500,000	-	-	(14,000,000)	183,500,000

(i) 14,000,000 Performance Rights lapsed upon the resignation of Mochamad Thamrin on 1 November 2013.

NOTE 6: SHARE-BASED PAYMENTS

Share-based payment expenses for the half year to 31 December 2013 comprised:

Performance Rights granted (i)	\$ 75,417
Total	75,417

(i) During the year to 30 June 2013, 197,500,000 Class A, B, C, D, E and F Performance Rights were issued. The Performance Rights are convertible into ordinary shares upon the satisfaction of various criteria which are set out in the Notice of Meeting released to the ASX on 29 November 2012. The fair value of the Performance Rights is being brought to account over their vesting periods.

NOTE 7: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	31 Dec 13 \$	30 Jun 13 \$
a) Exploration commitments (i)		
Within 1 year	3,144,500	1,881,000
Between 1-5 years	8,176,000	7,775,000
	<u>11,320,500</u>	<u>9,656,000</u>

(i) PrabuEnergy Pty Ltd, an 80% controlled subsidiary of the consolidated entity, was awarded the Ranau Production Sharing Contract (PSC) in November 2011. The Company submitted its 2014 work program for Ranau during the half year reporting period and it was approved by the Indonesian regulator SKKMigas on 25 October 2013.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2013 which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes, as set out on pages 7 to 16, are in accordance with the *Corporations Act 2001*, including
 - (a) complying with Australian Accounting Standard AASB134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Anthony Milewski
Managing Director

13 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF QUEST PETROLEUM NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Quest Petroleum NL (the company) and controlled entities (the consolidated entity) which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2013 or during the half year.

Director's Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of Quest Petroleum NL and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors of the company a written Auditor's Independence Declaration.

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1(b) in the financial report in which indicates that the consolidated entity incurred a net loss of \$31,915 during the half year ended 31 December 2013 (31 December 2012: \$(599,476)) and had negative operating cash flow of \$511,230 (31 December 2012: \$(697,951)). These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

PKF Mack & Co.

PKF MACK & CO



SHANE CROSS
PARTNER

13 March 2014
West Perth,
Western Australia