Grant Thornton

An instinct for growth™

**Grant Thornton Australia Limited**

**ABN 41 127 556 389 ACN 127 556 389**

| | | | |
|---|---|---|---|
| **To** | Market Announcements | **From** | A S R Hewitt |
| **Company** | Australian Securities Exchange | **On behalf of** | |
| **Fax** | 1300 135 638 | **Telephone** | +61 3 8320 2222 |
| **Pages including this page** | 19 | **Fax** | +61 3 8320 2200 |

**Subject** AED OIL LIMITED
ACN 110 393 292
(SUBJECT TO A DEED OF COMPANY ARRANGEMENT)

**PRIVATE AND CONFIDENTIAL**



14 March 2014

Dear Sir/Madam

Please find enclosed the Condensed Financial Report Half Year Ended 31 December 2013- AED Oil Limited (Subject to Deed of Company Arrangement) for immediate release to the market.

Yours faithfully

Andrew Hewitt
Joint and Several Deed Administrator

# AED Oil Limited (Subject to Deed of Company Arrangement)

Condensed Financial Report
Half Year ended 31 December 2013

# Directors' Report

**AED OIL LIMITED (Subject to Deed of Company Arrangement)**
ABN 61 110 393 292

**Directors**

Tim Baldwin
David Van Oppen
Mark Licciardo
Philip Anthon

**Company Secretary**

Trevor Slater

**Registered Office and Postal Address**

C/o Grant Thornton
The Rialto, Level 30
525 Collins Street
MELBOURNE VIC 3000

**Share Registry**

Link Market Services Limited
Level 1
333 Collins Street
MELBOURNE VIC 3000
Postal Address:
PO Box 1736P
MELBOURNE VIC 3001
Australia: Ph: 1300 554 474 or (02) 8280 7111
Overseas: Ph: + 61 (2) 8280 7111
Email: registrars@linkmarketservices.com.au

AED Oil Limited shares are listed on the Australian Securities Exchange ("ASX") (currently suspended)

**Home Stock Exchange (shares suspended)**

ASX Limited
Rialto Towers, Level 4, 525 Collins Street
MELBOURNE VIC 3000

**Auditors**

RSM Bird Cameron Partners
Level 21, 55 Collins St
MELBOURNE VIC 3000

**Deed Administrators**

Grant Thornton
The Rialto, Level 30
525 Collins Street
MELBOURNE VIC 3000

**Solicitors**

Maddocks Lawyers
140 William Street
MELBOURNE VIC 3000

# Directors' Report

Your directors present their report on the results of AED Oil Limited (Subject to Deed of Company Arrangement) ("Group", "Company" or "AED") for the half year ended 31 December 2013.

As described in previous Company Reports, on 12 August 2011, AED's directors resolved to place the Company into Voluntary Administration at which time the powers of the Directors passed to the appointed Administrators.

This report is being distributed on 14 March 2014, and it is recommended that the Company's previous half and annual reports are read in conjunction with this.

Subsequent to the appointment of the administrator KPMG on 12 August 2011, the company was controlled by the following parties from the dates outlined below:

- PPB Advisory - 24 August 2011
- KordaMentha - 16 September 2011
- PPB Advisory - 8 March 2012
- Grant Thornton - 29 November 2012, onwards

At a meeting of creditors held on 8 November 2012, it was proposed that AED execute a Deed of Company Arrangement ("DOCA"). The proposal was put forward by ARF Amber Pte Ltd ("ARF"), AED's largest creditor. The creditors of the Company resolved (among other things) that the DOCA should be executed.

The DOCA was formally executed on 29 November 2012 and Andrew Hewitt and Matthew Donnelly of Grant Thornton were appointed Deed Administrators. As a result, Messrs Bryant and Carson of PPB Advisory resigned from their role as the Company's administrators.

The key activities to be undertaken by the Company upon the execution of the DOCA include:

- Preparation of outstanding accounts and financial reports;
- Work with Sinopec as JV partner on asset licensing issues; and
- Progress the preparation of a possible plan of development for the Joint Venture assets.

The Deed Administrators advised creditors that it was the intention to declare a payment on 18 July 2013 in accordance with the DOCA approved on 29 November 2012. The payment was contingent upon receiving a further contribution from ARF, the funding creditor, on or before 30 June 2013. ARF exercised its option not to contribute the further contribution on 29 June 2013. As a consequence no payment has yet been paid to creditors.

On 29 June 2013, ARF provided a proposal to the Deed Administrators to vary the terms and conditions of the DOCA (the "Amended DOCA"). This proposal was put to Creditors for their consideration at a meeting convened on 11 December 2013. The Creditors voted to accept the terms of the proposal to vary the DOCA, rather than to put AED into liquidation whereby the affairs of the Company would be wound-up. Since that meeting the Administrator prepared the legal documents required under an Amended DOCA, and on the 25 February 2014, this was formally executed. The full terms of the Amended DOCA will be disclosed in the Annual Report for the Company, 30 June 2014.

**DIRECTORS**

The names of the Company's Directors in office during the half year and until the date of this report are as below.

**Directors in Office at the date of this report:**

Tim Baldwin (appointed 16 April 2010)
David Van Oppen (appointed 28 November 2012)
Mark Licciardo (appointed 28 November 2012)
Philip Anthon (appointed 28 November 2012)

**COMPANY BACKGROUND**

In previous reports the Company has provided a summary of events taking place since the Company was placed into Administration. The key events (amongst others) described in previous reports include:

- The Arbitration Decision;
- Administration and Receivership;
- Notice of Default and it's implications; and
- the Deed of Company Arrangement.

SUBSEQUENT EVENTS

**1. Amended Deed of Company Arrangement**

On 29 June 2013, ARF provided a proposal to the Deed Administrators to vary the terms and conditions of the DOCA (the "Amended DOCA"). This proposal was put to Creditors for their consideration at a meeting convened on 11 December 2013. The Creditors voted to accept the terms of the proposal to vary the DOCA, rather than to put AED into liquidation whereby the affairs of the Company would be wound-up. Since that meeting the Administrator prepared the legal documents required under an Amended DOCA, and on the 25 February 2014, this was formally executed.

**2. Lapse of Exploration Locations**

On 7 January 2014, the Company was advised that the Joint Venture ("JV") had determined to allow the two nominated exploration locations for drilling within the license AC/P22 to lapse in light of the findings of viability of the sites.

The JV advised that there is no foreseeable direct or immediate adverse impact upon Exploration Licence 22, as the JV continues to maintain control over the area which is subject to the Exploration Licence. It was however determined that the two parcels (339 & 412) were not commercially viable sites for exploitation in light of the obligations associated with their continued exploration at this time. The exploration license AC/P22 contains a number of exploration prospects and a commitment to drill a well in 2014. This license is valid until May 2015.

By way of background, in order to drill a well, an exploration prospect must be nominated as a "Location". When the JV partners Sinopec and AED drilled exploration wells back in 2009, they nominated two locations called Great Auk and Puffin SW Extension. Upon drilling, neither of these wells discovered any significant quantities of oil or gas. The government grants oil companies 2 years to consider the results of the well to decide how to proceed and in this case the government granted a further 2 year extension to the JV.

The JV recommended that the Locations be allowed to lapse the effect of which being that the two locations form part of the larger P22 License area, rather than being a specifically carved out exploration prospect.

**3. Change of Company Auditor**

On 25 February 2014 the Company held an Extraordinary General Meeting of Shareholders to propose the change in Company Auditors from Ernst and Young, to RSM Bird Cameron. The Shareholders approved the proposal, and the Company executed the relevant documentation to facilitate this change for the reporting periods from 1 July 2013.

OVERVIEW OF OPERATIONS, RESULTS AND ACCOUNTING BASIS ADOPTED

**Operations**

During the financial period, AED remained in Administration. The Puffin Joint Venture continued with its oil and gas operational activities on the Puffin Field and other blocks held in the Timor Sea in Australia. As such, the operating loss of $6,249,000 (2012: Loss $1,292,680) is related to the following activities:

- Corporate costs and fees associated with the ongoing operations and Administration of the Company;
- Exploration and development planning for the Puffin Field and other blocks held in the Timor Sea in Australia; and
- Re-measurement of financial liabilities for foreign exchange losses.

**Accounting Basis Adopted**

As a result of AED's Voluntary Administration, as at the date of this report there is significant uncertainty as to the going concern status of the Company. The financial accounts have therefore been prepared on a non-going concern basis to reflect this.

Under the non-going concern basis of preparation, assets have been measured at their subsequent realisable value. The subsequent realisable value is their value based on the proceeds subsequently received on sale, disposal or realisation as detailed in the accounting policies noted below. Liabilities have generally been measured at their contractual amounts payable including default circumstances where relevant.

## AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditor's, RSM Bird Cameron.

RSM Bird Cameron Partners

RSM Bird Cameron Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 3 9286 8000 F +61 3 9286 8199
www.rsmi.com.au

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of AED Oil Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

J S CROALL
Partner

Dated: 14 March 2014
Melbourne, VIC



Signed in accordance with a resolution of the Directors:

Tim Baldwin
Director

14 March 2014

# Statement of Comprehensive Income

**For the Half Year Ended 31 December 2013**

| | Note | CONSOLIDATED 2013 $ | 2012 $ |
|---|---|---|---|
| Revenue | | - | - |
| Other revenue | 4(a) | 21 | 3,994 |
| Administrative and other expenses | | (1,172,931) | (818,500) |
| Employee benefits payments | | - | (3,741) |
| Puffin field joint venture costs | 4(d) | (3,636,680) | 309,809 |
| Remeasurement and foreign exchange change on financial instruments | 4(b) | (1,555,826) | 655,521 |
| Finance costs | 4(c) | (567,036) | (596,320) |
| Exploration and evaluation costs expensed | | - | - |
| Loss on disposal of subsidiaries | | - | - |
| Receivers and Administrators fees | | (145,283) | (843,443) |
| **Loss before income tax** | | **(7,077,735)** | **(1,292,680)** |
| Income tax benefit/(expense) | | 828,735 | - |
| **Net loss for the period** | | **(6,249,000)** | **(1,292,680)** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation (non-cash) | | - | - |
| Other comprehensive income for the period, net of tax | | - | - |
| **Total comprehensive loss for the period** | | (6,249,000) | (1,292,680) |
| Loss per share (cents per share) | | (2.61) | (0.5) |

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

# Statement of Financial Position

**As At 31 December 2013**

| | Note | CONSOLIDATED As at 31 Dec 2013 $ | CONSOLIDATED As at 30 June 2013 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 6 | 599,314 | 148,717 |
| Other financial assets | | 260,000 | 75,000 |
| Trade and other receivables | | 384,828 | 295,234 |
| Deferred exploration and evaluation | 7 | - | - |
| **TOTAL ASSETS** | | 1,244,142 | 518,951 |
| **LIABILITIES** | | | |
| Trade and other payables | 8 | 57,962,345 | 52,411,530 |
| Provisions | 12 | 46,887,271 | 45,463,895 |
| **TOTAL LIABILITIES** | | 104,849,616 | 97,875,425 |
| **NET ASSETS/(LIABILITIES)** | | (103,605,474) | (97,356,474) |
| **EQUITY** | | | |
| Contributed equity | | 123,703,556 | 123,703,556 |
| Retained earnings | | (227,309,030) | (221,060,030) |
| Reserves | | | - |
| **TOTAL EQUITY** | | (103,605,474) | (97,356,474) |

The above Statement of Financial Position should be read in conjunction with the accompanying notes. The financial statements, including the comparative statement of financial position, have been prepared on a non-going concern basis. In light of the factors above, current / non-current presentation of assets and liabilities in the Statement of Financial Position is not considered to provide useful information to users of the financial statements. As such, assets and liabilities have been presented in order of liquidity. Refer note 2(a).

# Statement of Changes in Equity

**For The Half Year Ended 31 December 2013**

| | Contributed Equity $ | Retained Earnings $ | Total $ |
|---|---|---|---|
| **At 1 July 2013** | 123,703,556 | (221,060,030) | (97,356,474) |
| Loss for the period | - | (6,249,000) | (6,249,000) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the half year | - | (6,249,000) | (6,249,000) |
| **Transactions with owners in their capacity as owners** | | | |
| **At 31 December 2013** | 123,703,556 | (227,309,030) | (103,605,474) |
| | | | |
| **At 1 July 2012** | 123,703,556 | (210,215,517) | (86,511,961) |
| Loss for the period | - | (1,292,680) | (1,292,680) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the half year | - | (1,292,680) | (1,292,680) |
| **Transactions with owners in their capacity as owners** | - | - | - |
| **At 31 December 2012** | **123,703,556** | **(206,041,205)** | **(87,804,641)** |

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

# Statement of Cash Flows

**For The Half Year Ended 31 December 2013**

| | Note | CONSOLIDATED 2013 $ | 2012 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (293,140) | (1,646,632) |
| Interest received | | 21 | 3,994 |
| Interest paid | | (3,071) | - |
| Tax Received | | 931,787 | - |
| **Net cash from/(used) in operating activities** | | **635,597** | **(1,642,638)** |
| **Cash flows from investing activities** | | | |
| Payments of other financial assets | | (185,000) | - |
| **Net cash from/(used in) investing activities** | | **(185,000)** | **-** |
| **Cash flows from financing activities** | | | |
| Funding received from indemnifying creditor | 8 | - | 984,559 |
| **Net cash from financing activities** | | **-** | **984,559** |
| Net increase/(decrease) in cash and cash equivalents | | 450,597 | (658,079) |
| Cash and cash equivalents at beginning of period | | 148,717 | 737,370 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 6 | 599,314 | 79,291 |

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

# Notes to the Financial Statement

**For The Half Year Ended 31 December 2013**

## 1. CORPORATE INFORMATION

The financial report of AED Oil Limited (the Group) for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors.

AED Oil Limited (Subject to Deed of Company Arrangement) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. As a result of the company entering Voluntary Administration the shares of AED are currently suspended.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The interim consolidated financial statements for the six months ended 31 December 2013 have been prepared in accordance with AASB 134 Interim Financial Reporting. This half-year financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as they apply on a non-going concern basis.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2013, and any public announcements made by AED during the interim period in accordance with the continuous disclosure requirement of the Corporations Act 2001.

Financial statements are normally prepared on a going concern basis where there is neither the intention nor the need to materially curtail the scale of the entity's operations. If such an intention or need exists, the financial statements cannot be prepared on a going concern basis.

Given the arbitration decision of August 2011 and the subsequent period of Administration (and Receivership) of AED, the financial statements have not been prepared on a going concern basis; rather these accounts have been prepared on a non-going concern basis. Adjustments were first recognised to reflect the non-going concern basis of preparation for the 30 June 2011 financial statements. Accordingly all comparatives are also on a non-going concern basis.

### (b) Going Concern

As outlined in the Directors Report and throughout these accounts, as a result of the then Administration (and Receivership) of AED, a number of relevant events occurred prior to the period and subsequent to the balance date of these accounts, including but not limited to:

- Deed of Company Arrangement; and
- Amended Deed of Company Arrangement

Given the above circumstances, the Directors have concluded that the going concern assumption is not appropriate for the preparation of these accounts. This is largely due to the:

- material curtailment of operations;
- uncertainty regarding the completion of the Amended DOCA;
- uncertainty around the ability to raise funds and the future recapitalisation of AED to ensure that AED has the necessary financial resources to appropriately continue with oil and gas exploration, development and production activities into the foreseeable future; and
- the Joint Venture Notice of Default.

Based on the above circumstances, the Directors have applied the requirements of paragraph 25 of AASB 101 Presentation of Financial Statements which states that "When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern."

**Deed of Company Arrangement**

At the meeting of creditors held on 8 November 2012, it was proposed that AED execute a Deed of Company Arrangement ("DOCA"). The proposal was put forward by ARF, AED's largest creditor. The creditors of the Company resolved (among other things) that the DOCA should be executed.

The DOCA was subsequently prepared in compliance with the Administrators' obligations under section 444A(3) of the Act to reflect the terms of the Arrangement as agreed to by the creditors of the Company at the creditors meeting.

The DOCA was formally executed on 29 November 2012 and Andrew Hewitt and Matthew Donnelly of Grant Thornton were appointed Deed Administrators. As a result, Messrs Bryant and Carson of PPB Advisory resigned from their role as the Company's administrators.

Amongst other things, the key activities to be undertaken upon the execution of the DOCA include:

- Preparation of outstanding accounts and financial reports;
- To engage with Sinopec as JV partner and any other regulatory bodies to address asset licensing issues; and
- Progress the preparation of a possible plan of development for the Joint Venture assets.

The Deed Administrators advised creditors that it was the intention to declare a payment on 18 July 2013 in accordance with the DOCA approved on 29 November 2012. The payment was contingent upon receiving a further contribution from ARF, the funding creditor, on or before 30 June 2013. ARF exercised its option not to contribute the further contribution on 29 June 2013. As a consequence no payment has yet been paid to creditors.

On 29 June 2013, ARF proposed a variation to the terms and conditions of the DOCA (the "Amended DOCA"). This proposal was put to Creditors for their consideration at a meeting convened on 11 December 2013. The Creditors voted in favour of the proposal to vary the DOCA, rather than to put AED into liquidation. Following the meeting of creditors, the Administrator has worked with ARF to document the variation and prepare all ancillary documents as required. The Amended DOCA was executed on 25 February 2014. The full terms of the Amended DOCA will be disclosed in the Annual Report for the Company, 30 June 2014.

**(c) Impact of adopting the non-going concern basis of preparation on measurement, classification of assets and liabilities, and disclosures in the financial report**

Under the non-going concern basis of preparation, assets / liabilities have been written down to the lower of their carrying amounts and their net realisable values. Net Realisable Value is the estimated selling price the Group expects to obtain under the circumstances, less the estimated costs necessary to make the sale.

The recognition and derecognition requirements of Australian Accounting Standards have continued to be applied on the preparation of the financial report.

Any gains or losses resulting from measuring assets and liabilities under the non-going concern basis are recognised in the Income Statement.

In light of the factors above, current / non-current presentation of assets and liabilities in the balance sheet is not considered to provide useful information to users of the financial statements. As such, assets and liabilities have been presented in order of liquidity.

**(d) Adoption of New Accounting Standards**

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013:

- AASB 10 Consolidated Financial Statements (2011)
- AASB 13 Fair Value Measurement
- AASX 119 Employee Benefits (2011)

The nature and effect of the changes have had no significant impact on the assets, liabilities and comprehensive income of the Company.

In light of the non-going concern basis of preparation the Group has not determined the impact of standards issued not yet effective.

**3. SEGMENT INFORMATION**

The Directors and Administrators do not currently receive segment Statement of Financial Position and Statement of Comprehensive Income information. From June 2012, the Group only holds an interest in one portfolio of assets in the Timor Sea, with a common working interest, partnership group and operator.

**4. REVENUE, INCOME AND EXPENSES**

| | CONSOLIDATED | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| **a) Other revenue** | | |
| Interest | 21 | 3,994 |
| | **21** | **3,994** |
| **b) Remeasurement change on financial instruments** | | |
| Foreign exchange (loss) / gain on convertible notes | (1,555,826) | 655,521 |
| | **(1,555,826)** | **655,521** |
| **c) Finance costs** | | |
| Unwind of discount on restoration provisions (non-cash) | (567,036) | (596,320) |
| | **(567,036)** | **(596,320)** |
| **d) Puffin joint venture costs** | | |
| Exploration field cost | (2,780,341) | (169,898) |
| Restoration provision – foreign exchange and change in discount rate | (856,339) | 479,707 |
| | **(3,636,680)** | **309,809** |

**5. DIVIDENDS PAID AND PROPOSED**

No dividends were paid or proposed to members in respect of the half year ended 31 December 2013 (2012: Nil).

**6. CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS**

For the purpose of the half year Statement of Cash Flows, cash and cash equivalents are comprised of the following:

| | CONSOLIDATED | | |
|---|---|---|---|
| | As at 31 Dec 2013 | As at 30 June 2013 | As at 31 Dec 2012 |
| | $ | $ | $ |
| Cash at bank and in hand | 599,314 | 148,717 | 79,291 |
| Total cash and cash equivalents | **599,314** | **148,717** | **79,291** |

**7. DEFERRED EXPLORATION AND EVALUATION**

| | CONSOLIDATED | |
|---|---|---|
| | As at 31 Dec 2013 | As at 30 June 2013 |
| | $ | $ |
| Puffin and Talbot Fields | - | - |
| | - | - |

Exploration and evaluation costs carried forward in relation to the Puffin and Talbot Fields were impaired at 30 June 2011, as at the time the company entered Administration it was not probable that such amounts would be able to be recouped through successful development or by sale. Costs incurred in the half years ended 31 December 2013 and 31 December 2012 have been immediately expensed (refer to note 4(d)).

## 8. TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|---|---|---|
| | As at 31 Dec 2013 $ | As at 30 June 2013 $ |
| Trade creditors (a) | 101,830 | 101,830 |
| Accruals and other payables (a) | 243,124 | 430,808 |
| Indemnifying creditor (b) | 1,976,824 | 1,976,824 |
| Indemnifying creditor – ARF (c) | 3,459,582 | 2,345,808 |
| Priority Employee Creditors (d) | 537,751 | 537,751 |
| Unsecured participating creditors (e) | 2,821,117 | 2,821,117 |
| Non Participating secured creditor – Sinopec (f) and (h) | 7,581,485 | 4,512,586 |
| Excluded creditors – La Jolla Cove (f) and (g) | 932,569 | 932,569 |
| Excluded creditors – ARF (f) and (i) | 40,308,063 | 38,752,237 |
| **Total creditors** | **57,962,345** | **52,411,530** |

**2013 Terms and conditions of creditor payments in accordance with the DOCA**

Whilst no distribution has been made in accordance with the DOCA approved by creditors on 8 November 2012 and executed on 29 November 2012, the DOCA has not been terminated and creditors remain bound by its terms. The Directors have elected to continue to disclose Trade and Other payables in accordance with the terms and conditions of the DOCA, in the absence of the approval of any proposal to vary the DOCA. It should be noted that rights may be varied depending upon the Terms and Conditions of any variation of the DOCA to be presented for creditor approval. Please refer to Subsequent Events.

a) This includes creditors of AED subsidiaries and the Puffin joint venture which did not enter administration.

b) Indemnifying Creditor (excluding ARF) is the party who have provided funding to AED for the cost and expenses of the administration of the Company during the course of the Company's Administration and Receivership periods. At the meeting of creditors held on 8 November 2012, creditors resolved to vote in favour of the DOCA which was executed on 29 November 2012.

   On completion of the terms and conditions of the DOCA (prior to any variation), the indemnifying creditor will have a priority claim and will receive a payment up to a total limit of $850,000 in full satisfaction and complete discharge of all the claims that they have against the Company.

c) Indemnifying Creditor (ARF) has provided funding to AED for the cost and expenses of the administration of the Company during the course of the Company's Administration and Receivership periods.

   On completion of the terms and conditions of the DOCA (prior to any variation), ARF as an indemnifying creditor will receive payments in accordance with the details of the DOCA as described in Note 2(b).

d) Priority Employee Creditors means a creditor with a priority claim, right or entitlement to priority payments in preference to other unsecured creditors.

   On completion of the terms and conditions of the DOCA (prior to any variation), Priority Employee Creditors will receive full payment of their entitlements. Priority creditors are bound by the provisions of the DOCA and the payment they receive in accordance with the DOCA (prior to any variation) will be in full satisfaction and complete discharge of all claims that they have against the Company.

e) Unsecured Participating Creditors will receive the balance of the funds provided by the DOCA (prior to any variation) after the payment and settlement of the Deed Administrators Costs and payments to Indemnifying Creditors and Priority Employee Creditors.

f) Excluded Creditors and Non-Participating Creditors means creditors who are not entitled to any payment from the application of the funds under the DOCA (prior to any variation).

g) As at the date of administration the amount outstanding under the La Jolla Cove US$20 million convertible note facility was $776,000. An event of default was triggered as a result of AED entering voluntary administration.

The event of default accelerates all amounts owing or otherwise outstanding under the LJC Notes as immediately due and payable in cash at a price of one hundred twenty percent (120%) of the Principal Amount, together with all accrued and unpaid interest to the date of payment.

The LJC debt was subordinated to the ARF Amber Pty Ltd convertible note. Accordingly on execution of the DOCA, LJC has agreed to direct payment of any amounts received or recovered by it in respect of its debt to ARF. Therefore LJC will not receive any distribution which may otherwise be payable under the DOCA and subsequent to the DOCA being completed this debt will be extinguished.

h) This represents AED's gross share of cash calls owed to the Puffin joint venture for AED's share of costs related to the Puffin Joint Venture. Sinopec as a secured creditor is not a participant of the DOCA and will not receive any distribution from the execution of the DOCA and will remain a normal trade creditor post the DOCA being completed.

On 31 July 2013, AED received a Notice of Default ("Notice") for failing to pay its Participating Interest share (being 40%) of the joint account expenses.

Pursuant to its rights under the JV arrangements, as a consequence of issuing the Notice, Sinopec's may exercise rights to acquire AED's Participating Interest in the JOA and, if exercised, Sinopec would acquire AED's interest in the asset (for which no value is recognised in the financial statements) and liabilities including cash calls payable and AED's shares of rehabilitation obligations.

At the date of this report, Sinopec has not sought to exercise its option to dilute AED's Participating Interest.

i) On 19 March 2010, the Group issued unsecured convertible notes to ARF Amber Pte Ltd ("ARF") raising US$20 million (AUD $21.703 million) maturing on 19 March 2014.

An event of default was triggered as a result of insolvency when AED entered administration. On 15 August 2011, ARF issued a Notice of Redemption to the Company stating that:

i. An event of default under the transaction documents for the issue of the convertible notes had occurred;
ii. As a result, the convertible notes became immediately due and payable at the Redemption amount as defined in the Deed Poll; and
iii. immediate payment of the redemption amount calculated as $US35,942,700 was demanded.

The accounts have recorded the A$ equivalent of the redemption amount due to ARF as the accounts are prepared on the non-going concern accounts basis.

Following the Notice of Redemption, there are no equity conversion options remaining in relation to these notes.

However ARF, is the proponent of the DOCA, and as such is an excluded creditor and is not entitled to any payment from the application of the funds under the DOCA.

## 9. CONTINGENCIES

There have been no significant changes to contingent liabilities since 30 June 2013.

## 10. PROVISION FOR RESTORATION

There has been an increase in the provision for restoration of $1,423,376 to $46,887,271 (June 2013: $45,463,895). The change reflects changes in foreign exchange rates applicable to foreign denominated restoration obligations, and unwind of the discount on long term restoration provisions. There has been no change in the estimated cash flows required to meet restoration obligations.

The restoration provision represents the present value of the directors' best estimate of the future cost to remove equipment and abandon wells and to meet environmental obligations for the areas under the Group's Permit after production activities have been completed. The estimate of cash flows includes contingency.

## 11. COMMITMENTS

### Puffin Joint Venture

Sinopec Oil and Gas Australia (Puffin) Pty Ltd and AED Oil Limited have entered into an unincorporated joint venture. The commitments disclosed below represent AED Oil Limited's 40% share. AED's rights and involvement in the work program for AC/L6 have been compromised as a result of the Notice of Default issued to AED. In addition AED has restricted access to any data or information relating to the venture's Joint Operations as a result of this Notice of Default.

According to the Notice, AED is in default under article 8.1 of the JOA for failing to pay its Participating Interest share (being 40%), of the joint expenses when due (which include the costs and operating expenses associated with the conduct of the Joint Operations).

### Exploration Expenditure Commitments

The current commitments under Petroleum Exploration Permit AC/P22 are as follows:

| Permit Year Ended | Commitment | Estimated Cost AED 40% Share AUD $ |
|---|---|---|
| 27 May 2014 | Geotechnical studies | 60,000 |
| 27 May 2015 | Drill one well | 4,000,000 |

The Joint Venture has been in compliance with all existing commitments.

Expenditure commitments include obligations arising from farm-in arrangements, and minimum work obligations for the initial 3 year period of exploration permits, and thereafter annually. Minimum work obligations, may, subject to negotiation and approval, be varied.

### Retention Lease Commitments

The current commitments under Retention Lease RL/1 are as follows:

| Permit Year | Commitment | Estimated Cost AED 40% Share AUD $ |
|---|---|---|
| Year 1 – 5 | Report on market conditions, production systems available and progress on discussions with nearby lease holders | 40,000 |

The Directors are not aware of any further commitments.

## 12. RELATED PARTIES

During the period ended 31 December 2013, GEMS Limited rendered fees for the provision of accounting and administrative services to AED Oil Limited from the period started 1 July 2013. Fees during the period, which were in the ordinary course of business, amounted to $60,000 (2012 – $nil). This amount is outstanding as at 31 December 2013.

## 13. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to the Directors Report for disclosure.

# Directors' Declaration

In accordance with a resolution of the Directors of AED Oil Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

(i) give a true and fair view of the financial position as at 31 December 2013 and the performance for the half year ended on that date of the Group; and

(ii) comply with Accounting Standards as they apply on a non-going concern basis and the *Corporations Regulations 2001*.

(b) (i) The ongoing solvency of the Group is dependent on the Amended Deed of Company Arrangement as detailed in note 2(a) of the financial statements, and such a proposal being successfully completed; and

(ii) There are reasonable grounds to believe that the Group will be able to successfully complete the Amended Deed of Company Arrangement with creditors, and therefore will be able to pay its debts:

A. in accordance with any terms set out in a DOCA; and

B. as and when they become payable.

On behalf of the Board,

Tim Baldwin
Director

14 March 2014

RSM Bird Cameron Partners

RSM Bird Cameron Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 3 9286 8000 F +61 3 9286 8199
www.rsmi.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT**

**TO THE MEMBERS OF**

**AED OIL LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of AED Oil Limited which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AED Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

RSM Bird Cameron Partners

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AED Oil Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Basis for Qualified Conclusion*

The Group has a 40% interest in the EPPL – AED Oil Unincorporated Joint Venture ('Puffin Joint Venture'). The Group recognises its interest in the Puffin Joint Venture by recognising its share of assets, liabilities, revenues and expenses in the appropriate items of the Statement of Comprehensive Income and Statement of Financial Position. We were unable to complete our review in relation to the Group's share of assets, liabilities, revenues and expenses as reflected in the Statement of Comprehensive Income and Statement of Financial Position as the Puffin Joint Venture has not been reviewed or audited at 31 December 2013 or at 30 June 2013, nor for any period subsequent. Had we been able to complete our review of the interest in the Puffin Joint Venture, matters might have come to our attention indicating that adjustments might be necessary to the financial report.

*Qualified Conclusion*

Except for the adjustments to the half-year financial report that we might have become aware of had it not been for the situation described above, 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 AED Oil Limited is not in accordance with the *Corporations Act 2001* including:

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

*Emphasis of Matter*

Without further qualifying our conclusion, we draw attention to Notes 2(b) and 2(c) in the financial report which indicate that the company is in Administration and is subject to a Deed of Company Arrangement. The financial report has therefore not been prepared on a going concern basis and there is uncertainty regarding the values at which assets may be realised and liabilities may be extinguished.

RSM Bird Cameron Partners

**RSM BIRD CAMERON PARTNERS**

**J S CROALL**

Partner
Dated: 14 March 2014
Melbourne, Victoria