Quest Petroleum NL

AND CONTROLLED ENTITIES

ABN 22 009 171 046

ANNUAL FINANCIAL REPORT

30 JUNE 2013

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Directors	John Simpson	Non-Executive Chairman
	Mochamad Thamrin	Deputy Chairman
	Anthony Milewski	Managing Director
	Gregory Lee	Non-Executive Director
	Jeff Mitchell	Non-Executive Director

Chief Operating Officer Ken Bull

Company Secretary Jonathan Whyte

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Share Registry

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Level 2, Reserve Bank Building
45 St Georges Terrace
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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

Your Directors present their report, together with the financial statements of the consolidated group (or "Quest"), being Quest Petroleum NL ("the Company") and its controlled entities, for the financial year ended 30 June 2013.

DIRECTORS AND COMPANY SECRETARY

The names of the directors in office at any time during, or since the end of, the financial year are:

- John Simpson
- Mochamad Thamrin
- Anthony Milewski (appointed 20 August 2012)
- Gregory Lee
- Jeff Mitchell (appointed 21 March 2013)
- Brett Mitchell (resigned 5 June 2013)
- Saxon Palmer (resigned 11 September 2012)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THE NATURE OF ACTIVITIES

The principal activities of the consolidated group during the financial year consisted of the exploration for and the development of onshore oil and gas exploration assets. There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

The consolidated loss of the consolidated group after providing for income tax for the year ended 30 June 2013 amounted to $1,781,951 (2012: $1,011,682).

REVIEW OF OPERATIONS 2013

Seismic Data Acquisition and Re-Processing

Quest has recently been preparing the work program for 2013-2014 for submission to the Indonesian energy regulator. As part of the work program submission, Quest has conducted extensive research and review of the existing gravity data and has been attempting to identify and acquire any existing seismic data for the Ranau block.

As part of the ongoing analysis and research, Quest has located several vintage 1993 seismic lines covering approximately 60 line kilometres in the northwest corner of the Ranua Block. QPN is in the process of purchasing the seismic and will then reprocess the data. The reprocessing will be performed using new refraction statics, noise attenuation and pre-stack migration techniques. The cost of the data is minimal and can be re-processed and interpreted within 1-2 months.

Preliminary review of the raw data indicates that several of the seismic lines cover a previously identified structural and gravity high. This reprocessing and re-interpretation should allow clearer definition of the gravity-defined structure and give further confidence on the other three gravity defined features currently identified on the block. Importantly, this area of the Block has less volcanic cover than the initial Prabu-1 drill target, which could facilitate seismic resolution of potential targets and decrease the risk profile for drilling. In addition, the new data can potentially be used to tie to the offset well Imus-1, which is located to the west just outside the boundary of the Ranau block, and further improve the analysis of the potential prospect.

The Prabu-1 lead has been mapped exclusively from residual gravity anomalies and while the overall quality of the gravity data is good, it is unconstrained by magnetics and has no seismic data to further define the lead. Recent technical review of the target, the gravity and surrounding geology indicates that accumulation of volcanics in the region may interfere with the existing data upon which the drill target was based. Therefore, from a risk perspective it is prudent that the Company assess the potential new drill target in the northwest.

Depending on the results of the re-processing and re-interpretation, Quest may elect to acquire further seismic across the other three leads on the block to further define the structure sizes and potential of all drill targets and reduce the risk.

Additional seismic acquisition will be planned to tie in the potential northwest structure with the existing Prabu-1 prospect. Quest staff have been in contact with other operators in the region a seismic program is currently being prepared for commencement on the block adjacent to Ranau. If Quest elects to acquire further seismic, potentially integrating into this survey would expedite mobilisation and provide cost synergies.

Gravity is correctly characterized as a 'low-resolution' geophysical exploration tool. Without constraining information, a gravity model can be modified in an infinite number of ways, in order to match the observed gravity signal. Seismic, well log, and other geologic data provide critical constraining information for gravity models, limiting the degrees of freedom of our modifications and enabling us to produce a meaningful, constrained earth model that is consistent with both gravity and seismic datasets.

Drilling of Prabu-1

The company prudently believe the planned activity will de-risk the drilling of all the leads. Subject to the review of the reprocessed and interpreted seismic lines the company may elect to shoot seismic over the current leads.

Land Purchase Agreement Signed For Prabu-1 – Ranua PSC

On 6 June 2013 the Company executed a formal land purchase agreement to acquire the land which is the site for the planned first well to be drilled at Quest's Ranau PSC in South Sumatra, Indonesia.

The land purchase agreement was executed by the Indonesian regulator SKKMigas with the owner of land situated at Way Kanan, which is in the south east portion of the Ranau PSC, approximately 140 kilometres north-west of the South Sumatran capital, Lampung and follows the completion of extensive legal due diligence to confirm tenure of the site.

Importantly, Quest has successfully negotiated to purchase the land outright rather than entering into a land access or use agreement. Title is held in the name of SKKMigas, as required under Indonesian law. The agreement enables Quest to use the land for multiple purposes including exploration and future production wells and infrastructure.

The proposed Prabu-1 drill site (formerly Kayumanis-1), is situated on well drained, elevated land adjacent to a paved asphalt road which allows good access for drilling and completion operations. The drill site is situated on the edge of an identified structural high proximate to three significant sub-basins with clear potential for hydrocarbon generation.

The Prabu-1 prospect target reservoirs are in the Baturaja Limestone and TalangAkar Sandstone Formations which are the most prolific oil and gas reservoirs in the South Sumatra Basin.

The acquisition of the land followed approval from the then Indonesian Energy Regulator, BPMIGAS, of Quest's Authorisation for Expenditure (AFE) for the Prabu-1 Well, together with Quest's 2012 Work Plan and Budget.

Ranau Projects – Background

The Ranau PSC covers 2,191km² of the South Sumatra Basin. Sumatra is the 6th largest island in the world and has a well-established oil and gas industry with some 450 oil and gas fields containing reserves of more than 45 billion barrels of oil equivalent. Recent exploration at the Ranau PSC has identified four sub-basins and 16 highly prospective leads within these.

There is extensive infrastructure and multiple hydrocarbon markets located within close proximity to these projects and Sumatra.

The Company is optimistic about the exploration potential of the Ranau PSC as it contains extensions of proven Sub-Basins of the prolific onshore South Sumatra Basin. These Sub-Basins contain several large scale structures within the Ranau PSC which were identified by gravity data during the joint study.

The Ranau PSC covers a largely unexplored area in an established oil and gas region.

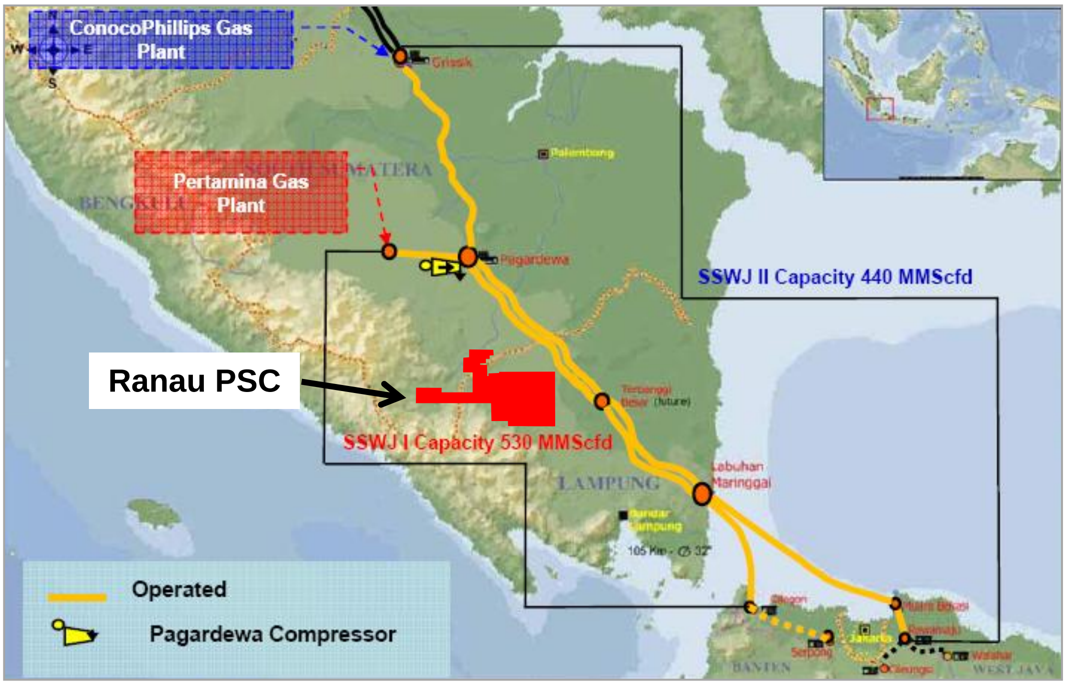

Figure 1: Ranau PSC Location Map

Gas discovered on the Ranau PSC can be commercialised through the nearby South Sumatra – West Java (SSWJ) gas transmission pipelines and processing infrastructure. The SSWJ pipelines supply large markets in Sumatra, West Java and Singapore. Domestic gas markets are growing rapidly as distribution networks are built.

Discovered oil may be commercialised through facilities located within a short distance of the Ranau PSC. These facilities process and transport oil from the large, Pertamina-operated fields to the north of the Ranau PSC.

Strategic Partnership and Project Reviews

During the year Quest entered into a strategic partnership with Moyes & Co to facilitate the Company's plans to evaluate and if found suitable acquire producing oil and gas assets that will complement its existing development strategy.

Moyes & Co is an oil and gas focused advisory firm with a strong international reputation. The Moyes team will utilize its deep technical skills to provide a range of services including evaluation, independent third party assessment of selected assets, technical and legal due diligence on acquisitions and assistance with acquisition and production funding at the asset level.

The Company has reviewed and continues to review numerous proposals to participate in projects that could complement the Company's ambition to become a significant hydrocarbon producer.

CORPORATE

Board Appointments

On 20 August 2012 the Company appointed Anthony D. Milewski as the Managing Director and Chief Executive Officer. Mr Milewski has extensive experience in the energy & resource industries and an active involvement in global capital markets. He has held board positions with several public energy and resource companies in emerging markets and immediately prior to joining Quest he held positions at SkaddenArps, Renaissance Capital and Firebird Management.

Mr Milewski has spent a significant part of his career living and working in emerging markets, including Africa, Russia and Asia. Mr Milewski is a lawyer and a member of the New York State Bar, holds an M.A. in International Studies and a Juris Doctorate from the University of Washington. He was a Fulbright scholar to Russia and holds an LLM in Russian law from the Russian Academy of Sciences.

On 22 March 2013 Quest announced the appointment of Mr Jeffrey Mitchell to the Board as a Non-Executive Director. Mr Mitchell is a highly experienced petroleum executive who has worked within the international oil and gas industry for a career spanning more than 35 years. In addition to his executive and board experience Mr Mitchell has an exceptional success record in acreage evaluation, acquisition, block management, exploration and drilling operations leading to petroleum discoveries.

Mr Mitchell most recently worked for Vanco Energy Company (now PanAtlantic Exploration Company) from 2003 to 2013 where he was both Chief Operating Officer and a Director, overseeing their various operations in West Africa, Ukraine and South America. This role included the evaluation and acquisition of numerous offshore licenses.

Prior to joining Vanco, Mr Mitchell was General Manager International for Denver-based Barrett Resources Corporation where he led the international exploration and production team in the successful identification and acquisition of several licenses in Peru, resulting in the discovery of significant recoverable oil reserves.

From 1991 to 1995 Mr Mitchell held senior executive positions at BHP Petroleum which included General Manager of New Ventures for the Asia Pacific division. In that role he managed the acquisition and operation of new venture projects throughout Asia, including Malaysia, Indonesia, China and Vietnam. This included successful drilling programs and significant discoveries in Malaysia and Papua New Guinea. Mr Mitchell was subsequently appointed General Manager of BHP's Australia division where he was responsible for leading the Exploration Department in operating BHP's properties in Australia, overseeing successful drilling programs and multiple discoveries.

Mr Mitchell began his career as a geologist for Phillips Petroleum Company, with several international assignments, including Colombia, Iran, Indonesia and London, and management appointments including Europe Exploration Manager and Vice President Europe-Africa-Middle East Exploration. Throughout his career, he has worked in operations throughout Africa, the Middle East, Asia, Australia, Europe, North and South America. Mr Mitchell has an MS in Geology from Emory University in the United States.

Chief Operating Officer Appointment

On 11 September 2012 the Company appointed Mr Ken Bull as Chief Operating Officer. Mr Bull has over 30 years international experience in the oil and gas sector, primarily in the management and operation of onshore and offshore drilling, well completion and production operations. Mr Bull also has extensive experience in the Indonesian oil and gas industry and will manage all aspects of the Company's operations in Indonesia. With the near term commencement of drilling, a full time technical and operational team has been assembled in Indonesia, led by Mr Bull. Mr Bull is based in Jakarta and speaks fluent Indonesian.

Mr Bull joined Quest from Entek Energy where he was responsible for all drilling, workover, completion and safety at their operations in the USA. He has previously managed drilling programs for Indonesian based Kufpec and Kalrez Petroleum where he managed the drilling and production operations of the Seram Island Oil and Gas Project.

He has also had a combined five years of direct operating experience in South Sumatra working with Stanvac, Asameria Petroleum and ARCO conducting workovers, completions and well testing in and around the South Sumatran Basin. Ken has also worked for PDO (Shell) Oman, BSP (Shell) Brunei, Santos Petroleum and New Guinea Energy.

Capital Raising Completed to Raise $5,000,000

On 26 July 2012 the Company announced a $5m capital raising comprising a $2.5m placement to investors including international and domestic institutions (Placement) and a $2.5m entitlement issue to existing shareholders (Entitlement Issue).

The Company completed the Placement in October 2012 through the issue of approximately 417 million fully paid ordinary shares at 0.6 cents per share, together with one (1) free attaching option exercisable at 1.5 cents on or before 30 June 2016 for every two (2) new shares subscribed to raise $2.5m.

The Company completed the Entitlement Issue in January 2013, raising a further $2.46m through the issue of approximately 410 million fully paid ordinary shares at 0.6 cents per share, together with attaching options on the same terms as the Placement. The Entitlement Issue was fully underwritten by Canaccord Wealth Management and Etchell Capital Pty Ltd.

The funds raised from the Placement and Entitlement Issue are planned to be used on the Ranau Projects.

FINANCIAL POSITION

The net assets of the consolidated group have increased by $3,736,341 from 30 June 2012 to $11,425,912 in 2013. The consolidated group's working capital, being current assets less current liabilities, has increased to a surplus of $2,467,170 in 2013 from $1,607,197 in 2012.

The Directors believe the consolidated group is in a strong and stable financial position to meet its stated objectives.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the financial year.

DIVIDENDS PAID OR RECOMMENDED

The Directors of the Company do not recommend the payment of a dividend in respect of the current financial year ended 30 June 2013.

AFTER REPORTING DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely future developments in the operations of the consolidated group are referred to in the Annual Report. Other than as referred to in this report, further information as to likely developments in the operations of the consolidated group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the consolidated group and its shareholders.

ENVIRONMENTAL ISSUES

The consolidated group's operations are subject to significant environmental regulation under international legislation in relation to its conduct of exploration and evaluation of uranium deposits. The Directors are of the opinion that sufficient procedures and reporting processes have been established to enable the consolidated group to meet its responsibilities and that the consolidated group's other business segment operations are not subject to any significant environmental regulations under Australian Law and International Legislation where applicable.

INFORMATION ON DIRECTORS

The names and details of the Directors of Quest in office as at the date of this report are:

Mr John Simpson B.Sc, B.A
Non-Executive Chairman

Mr Simpson brings an extensive range of corporate and commercial expertise to the Company. He is currently Executive Chairman of Peninsula Energy Limited, a Wyoming focused energy developer and he has over 25 years experience in the management of companies with international operations. Mr Simpson has the following interest in shares and options in the Company as at the date of this report – 72,709,199 ordinary shares, 7,266,268 listed options exercisable at 1.5 cents on or before 30 June 2016, 2,500,000 Class A Performance Rights, 2,500,000 Class B Performance Rights, 2,500,000 Class C Performance Rights, 2,500,000 Class D Performance Rights, 2,500,000 Class E Performance Rights and 5,000,000 Class F Performance Rights.

Mr Mochamad Thamrin Graduate Geology of ITB Bandung
Deputy Chairman & Senior Technical Advisor

Mr Thamrin is a leading industry professional with a deep knowledge of South Sumatra's petroleum geology. Mr Thamrin has over 45 years experience in the Indonesian oil and gas industry, including senior geological positions at PT Shell Indonesia and as a production geologist with Indonesian government owned Pertamina, one of the largest oil and gas companies in the world. From 1976 to 1987 Mr Thamrin was Head of Geological Evaluation in the R&D Division at Pertamina. Mr Thamrin was also Chairman of the Geology Department and Dean of the Mineral Technology Faculty at the University of Trisakti Jakarta from 1980 to 1994 and 1999 to 2011 respectively. Triskati conducted the Ranau Joint Study with PrabuEnergy and BPMIGAS. Mr Thamrin is widely regarded as a leading expert in the Indonesian oil and gas field and has authored over 30 publications and text books on geology and related topics within this area. Mr Thamrin has the following interest in shares and options in the Company as at the date of this report – 2,000,000 Class A Performance Rights, 2,000,000 Class B Performance Rights, 2,000,000 Class C Performance Rights, 2,000,000 Class D Performance Rights, 2,000,000 Class E Performance Rights and 4,000,000 Class F Performance Rights.

Mr Anthony Milewski B.A History (Minor Russian Studies), LLM Russian Securities and Finance, Juris Doctor and M.A in Russian and Central Asian Studies
Managing Director

Mr Milewski has extensive experience in the energy & resource industries and an active involvement in global capital markets. He has held board positions with several public energy and resource companies in emerging markets and immediately prior to joining Quest he has held positions at Skadden Arps, Renaissance Capital and Firebird Management. Mr Milewski has spent a significant part of his career living and working in emerging markets, including Africa, Russia and Asia. Mr Milewski is a lawyer and a member of the New York State Bar, holds an M.A. in International Studies and a Juris Doctorate from the University of Washington. He was a Fulbright scholar to Russia and holds an LLM in Russian law from the Russian Academy of Sciences. Mr Milewski has the following interest in shares and options in the Company as at the date of this report – 7,233,334 ordinary shares, 516,667 listed options exercisable at 1.5 cents on or before 30 June 2016, 10,000,000 Class A Performance Rights, 10,000,000 Class B Performance Rights, 10,000,000 Class C Performance Rights, 10,000,000 Class D Performance Rights, 10,000,000 Class E Performance Rights and 15,000,000 Class F Performance Rights.

Mr Gregory Lee CPEng, MIE Aust
Non-Executive Director

Mr Lee is a highly experienced petroleum engineer with 29 years of experience in oil and gas field development and management, petroleum/production engineering and drilling operations. Mr Lee operates as an independent consultant petroleum engineer to major oil and gas companies. Mr Lee has the following interest in shares and options in the Company as at the date of this report – 7,766,888 ordinary shares, 6,945,238 listed options exercisable at 1.5 cents on or before 30 June 2016, 1,500,000 Class A Performance Rights, 1,500,000 Class B Performance Rights, 1,500,000 Class C Performance Rights, 1,500,000 Class D Performance Rights, 1,500,000 Class E Performance Rights and 3,000,000 Class F Performance Rights.

Mr Jeff Mitchell M.S Geology, B.A History
Non-Executive Director

Mr Mitchell is a highly experienced petroleum executive who has worked within the international oil and gas industry for a career spanning more than 35 years. In addition to his executive and board experience Mr Mitchell has an exceptional success record in acreage evaluation, acquisition, block management, exploration and drilling operations leading to petroleum discoveries. Mr Mitchell has the following interest in shares and options in the Company as at the date of this report – 5,000,000 Class A Performance Rights, 5,000,000 Class B Performance Rights, 5,000,000 Class C Performance Rights, 5,000,000 Class D Performance Rights, 5,000,000 Class E Performance Rights and 10,000,000 Class F Performance Rights.

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Jonathan Whyte B.Com, CA

Mr Whyte is a Chartered Accountant with experience in corporate accounting and investment banking sectors, having worked for Credit Suisse and Barclays Capital Plc in London over a period of 6 years. Previously Mr Whyte worked in the advisory services division of Deloitte in Perth over a period of 4 years. Mr Whyte was previously Company Secretary of ASX listed Lefroy Resources Limited and is Company Secretary of ASX listed Peninsula Energy Limited and several unlisted resource based companies. Mr Whyte has the following interest in shares and options in the Company as at the date of this report – 30,280,383 listed options exercisable at 1.5 cents on or before 30 June 2016, 1,500,000 Class A Performance Rights, 1,500,000 Class B Performance Rights, 1,500,000 Class C Performance Rights, 1,500,000 Class D Performance Rights, 1,500,000 Class E Performance Rights and 3,000,000 Class F Performance Rights.

Meetings of Directors

During the financial year four meetings of Directors were held. Attendances by each Director during the year were as follows:

	Directors Meetings	
	Number Eligible to Attend	Number Attended
John Simpson	4	4
Mochamad Thamrin	4	1
Anthony Milewski	2	2
Brett Mitchell	3	2
Gregory Lee	4	4
Jeff Mitchell	2	2
Saxon Palmer	2	2

Options

At the date of this report, the unissued ordinary shares of Quest under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
Various	30/06/2016	$0.015	783,864,904

Option holders do not have any rights to participate in any issue of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the consolidated group during or since reporting date.

For details of options issued to Directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2013, the following ordinary shares of Quest were issued on the exercise of options granted:

Grant Date	Date of Expiry	Exercise Price	Number of Shares Issued
Various	30/06/2016	$0.015	12,954

No amounts are unpaid on any of the shares. No person entitled to exercise the options had or has any rights by virtue of the option to participate in any share issue of any other body corporate.

Performance Rights

At 30 June 2013 there were 197,500,000 Performance Rights on issue as follows:

Grant Date	Date of Expiry	Number on Issue
Class A	30/06/2016	27,500,000
Class B	30/06/2016	27,500,000
Class C	30/06/2016	27,500,000
Class D	30/06/2016	27,500,000
Class E	30/06/2016	37,500,000
Class F	30/06/2016	50,000,000
Total		**197,500,000**

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. The purpose of the Performance Rights is to link part of the consideration paid to the key personnel of the Company to certain significant performance criteria.

Indemnifying Directors and Officers

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has entered into an agreement to indemnify all the Directors and Officers against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each Director against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $14,100 to insure the Directors and Officers of the Company.

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

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees for non-audit services paid to the external auditors during the year ended 30 June 2013.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 15 of the Annual Report.

ASIC Class Order 98/100 Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest dollar.

REMUNERATION REPORT - AUDITED

Remuneration Policy

The Remuneration Policy of Quest has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Quest believes the Remuneration Policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The Remuneration Policy, setting the terms and conditions for the key management personnel, was developed by the Remuneration Committee in conjunction with the Board after seeking professional advice from independent external consultants where necessary;
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits where applicable, options and performance incentives;
- Incentives paid in the form of options or performance rights are intended to align the interests of the directors and Company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- The Board reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The consolidated group did not employ the services of any key management remuneration consultants during the financial year ended 30 June 2013.

The performance of key management personnel is measured against criteria agreed with each executive and is based predominantly on shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may however, exercise its discretion in relation to the approval of incentives, bonuses and options, and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel receive a superannuation guarantee contribution where applicable, which is currently 9.25% and do not receive any other retirement benefits.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to Non-Executive Directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Key management personnel are also entitled and encouraged to participate in the employee share and option arrangements to align Directors' interests with shareholder interests.

Key management personnel who are subject to the arrangement are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, ie put options, on unvested shares and options which form part of their remuneration package. Terms of employment signed by such personnel contain details of such restrictions.

Relationship Between Remuneration Policy and Company Performance

The Remuneration Policy has been tailored to increase goal congruence between Directors, executives and shareholders. The Board have issued options and performance rights to all of the directors and executives to encourage the alignment of personal and shareholder interests.

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options, shares or performance rights for the year ended 30 June 2013.

Group Key Management Personnel	Position held at 30 June 2013	Proportions of Elements of Remuneration Related to Performance			Proportions of Elements of Remuneration not Related to Performance	
		Non-Salary Cash Based Incentives %	Shares/ Rights %	Options %	Fixed Salary/Fees %	Total %
John Simpson	Chairman (Non-Executive)	-	-	-	100.00	100.00
Mochamad Thamrin	Deputy Chairman	-	-	-	100.00	100.00
Anthony Milewski	Managing Director	-	-	-	100.00	100.00
Brett Mitchell	N/A	-	-	-	100.00	100.00
Greg Lee	Director (Non-Executive)	-	-	-	100.00	100.00
Jeff Mitchell	Director (Non-Executive)	-	16.55	-	83.45	100.00
Saxon Palmer	N/A	-	-	-	100.00	100.00
Ken Bull	Chief Operating Officer	-	-	-	100.00	100.00
Jonathan Whyte	Company Secretary	-	-	50.00	50.00	100.00

The employment terms and conditions of key management personnel are formalised in contracts of employment. Terms of employment require that the relevant group entity provide an executive contracted person with a minimum one month notice prior to termination of contract. Key Contracts are for an average duration of one to three years, to a maximum of three years. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least one month's notice. Termination payments are not payable on resignation or under circumstances of unsatisfactory performance.

Table of Benefits and Payments for the Year Ended 30 June 2013

Group Key Management Personnel		Short-term Benefits		Post-Employment Benefits	Equity Settled Share-based Payments			
		Salary & Fees $	Other $	Super-annuation $	Shares/ Rights (viii) $	Options (ix) $	Termination Benefits $	Total $
John Simpson	2013	123,196	-	-	-	-	-	123,196
	2012	29,722	-	-	-	-	-	29,722
Mochamad Thamrin	2013	83,212	-	-	-	-	-	83,212
	2012	33,527	-	-	-	-	-	33,527

Group Key Management Personnel		Short-term Benefits		Post-Employment Benefits	Equity Settled Share-based Payments			
		Salary & Fees $	Other $	Super-annuation $	Shares/ Rights (viii) $	Options (ix) $	Termination Benefits $	Total $
Anthony Milewski (i)	2013	298,444	-	-	-	-	-	298,444
	2012	N/A	-	-	-	-	-	-
Brett Mitchell (ii)	2013	33,500	-	-	-	-	-	33,500
	2012	86,000	-	-	-	45,000	-	131,000
Gregory Lee	2013	36,000	-	-	-	-	-	36,000
	2012	36,000	-	-	-	15,000	-	51,000
Jeff Mitchell (iii)	2013	50,435	-	-	10,000	-	-	60,435
	2012	N/A	-	-	-	-	-	-
Saxon Palmer (iv)	2013	7,100	-	-	-	-	-	7,100
	2012	21,000	-	-	-	-	-	21,000
Mark Freeman (v)	2013	N/A	-	-	-	-	-	N/A
	2012	25,000	-	-	-	45,000	-	70,000
James Malone (vi)	2013	N/A	-	-	-	-	-	N/A
	2012	15,000	-	-	-	15,000	-	30,000
Ken Bull (vii)	2013	252,763	-	-	-	-	-	252,763
	2012	N/A	-	-	-	-	-	-
Jonathan Whyte	2013	60,000	-	-	-	60,000	-	120,000
	2012	45,000	-	-	-	-	-	45,000
Total	**2013**	**944,650**	**-**	**-**	**10,000**	**60,000**	**-**	**1,014,650**
	2012	**291,249**	**-**	**-**	**-**	**120,000**	**-**	**411,249**

(i) Mr Anthony Milewski was appointed effective 20 August 2012.

(ii) Mr Brett Mitchell resigned from the group effective 5 June 2013.

(iii) Mr Jeff Mitchell was appointed effective 21 March 2013.

(iv) Mr Saxon Palmer resigned from the group effective 11 September 2012.

(v) Mr Mark Freeman resigned from the group effective 24 November 2011.

(vi) Mr James Malone resigned from the group effective 24 November 2011.

(vii) Mr Ken Bull was appointed effective 11 September 2012.

(viii) During the year, 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. Performance Rights issued 10 June 2013 have been expensed from 1 July 2013, while $10,000 has been brought to account at 30 June 2013 for Performance Rights issued to Jeff Mitchell 21 March 2013.

(ix) On 13 February 2013 30,000,000 listed options were granted to Jonathan Whyte. The options are exercisable at 1.5 cents per option and expire on 30 June 2016.

Securities Received That Are Not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Performance Rights Granted

	Grant Details (i)			For the Financial Year Ended 30 June 2013			Overall		
Group Key Management Personnel	Date	Number	Value $	Converted No.	Converted $	Expensed in period $	Vested %	Unvested %	Lapsed %
John Simpson	10/06/2013	17,500,000	37,500	-	-	-	-	100.00	-
Mochamad Thamrin	10/06/2013	14,000,000	30,000	-	-	-	-	100.00	-
Anthony Milewski	10/06/2013	65,000,000	145,000	-	-	-	-	100.00	-
Greg Lee	10/06/2013	10,500,000	22,500	-	-	-	-	100.00	-
Jeff Mitchell	21/03/2013	40,000,000	120,000	-	-	10,000	-	100.00	-
Ken Bull	10/06/2013	40,000,000	85,000	-	-	-	-	100.00	-
Jonathan Whyte	10/06/2013	10,500,000	22,500	-	-	-	-	100.00	-
Total		**197,500,000**	**462,500**	**-**	**-**	**10,000**	**-**	**100.00**	**-**

(i) During the year, 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. Performance Rights issued 10 June 2013 have been expensed from 1 July 2013, while $10,000 has been brought to account at 30 June 2013 for Performance Rights issued to Jeff Mitchell 21 March 2013.

Service Contracts

Several key management personnel provide their services to the company via service companies on normal terms and conditions.

End of Audited Section

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Anthony Milewski (Managing Director)
Dated this 27th day of September 2013

PKF MACK & CO

Chartered Accountants & Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF QUEST PETROLEUM NL

In relation to our audit of the financial report of Quest Petroleum NL for the year ended 30 June 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

27 SEPTEMBER 2013
WEST PERTH,
WESTERN AUSTRALIA

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
Revenue	2	3,411	78,296
Cost of Sales		(8,658)	(65,832)
Gross Profit/(Loss)		**(5,247)**	**12,464**
Other income	2	213,404	75,349
Gain on fair valuing previously held investment on acquisition		-	684,967
Professional services		(118,351)	(91,885)
Depreciation/amortisation expense	8	(4,271)	(99,555)
Impairment expense		-	(332,713)
Loss on deconsolidation	7	(2,259,682)	-
Exploration & development expense	9	-	(353,854)
Corporate costs	3	(939,969)	(646,908)
Share-based payment expense	19	(98,865)	(182,000)
Property and lease expense		(12,152)	(46,969)
Other operating expenses		(185,221)	(28,287)
Unrealised foreign exchange gains/(losses)		1,628,403	(2,291)
Loss Before Income Tax		**(1,781,951)**	**(1,011,682)**
Income tax expense	4	-	-
Loss From Continuing Operations		**(1,781,951)**	**(1,011,682)**
Other Comprehensive Income:			
Exchange differences on translation of foreign controlled entities		617,975	57,388
Total Comprehensive Income/(Loss) for the Year		**(1,163,976)**	**(954,294)**
Loss Attributable to:			
Members of Quest Petroleum NL		(1,780,337)	(982,896)
Non-controlling interest		(1,614)	(28,786)
		(1,781,951)	**(1,011,682)**
Total Comprehensive Loss Attributable to:			
Members of Quest Petroleum NL		(1,133,576)	(925,508)
Non-controlling interest		(30,400)	(28,786)
		(1,163,976)	**(954,294)**
Basic loss per share (cents per share)	20	(0.07)	(0.06)
Diluted loss per share (cents per share)	20	(0.07)	(0.06)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	5	2,583,203	272,271
Trade and other receivables	6	8,405	1,724,306
TOTAL CURRENT ASSETS		**2,591,608**	**1,996,577**
NON-CURRENT ASSETS			
Trade and other receivables	6	1,821,085	26,079
Plant and equipment	8	80,142	-
Mineral exploration and evaluation	9	7,057,515	6,073,886
TOTAL NON-CURRENT ASSETS		**8,958,742**	**6,099,965**
TOTAL ASSETS		**11,550,350**	**8,096,542**
CURRENT LIABILITIES			
Trade and other payables	11	106,570	163,807
Other liabilities	12	17,868	17,868
Share placement - funds held in trust	12	-	207,705
TOTAL CURRENT LIABILITIES		**124,438**	**389,380**
NON-CURRENT LIABILITIES			
Restoration provision	13	-	17,591
TOTAL NON-CURRENT LIABILITIES		**-**	**17,591**
TOTAL LIABILITIES		**124,438**	**406,971**
NET ASSETS		**11,425,912**	**7,689,571**
EQUITY			
Issued capital	14	132,519,046	127,696,729
Reserves	15	1,995,852	1,299,877
Accumulated losses		(123,058,586)	(121,278,249)
Total parent entity interest		**11,456,312**	**7,718,357**
Non-controlling interest		(30,400)	(28,786)
TOTAL EQUITY		**11,425,912**	**7,689,571**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2013

	Notes	Share Capital Ordinary $	Accumulated Losses $	Option & SBP Reserve $	Foreign Currency Translation Reserve $	Total $	Non-controlling interest $	Total Equity $
Balance at 1 July 2011		**123,781,529**	**(120,759,018)**	**463,665**	**233,289**	**3,719,465**	**-**	**3,719,465**
Shares issued	14	3,853,200	-	-	-	3,853,200	-	3,853,200
Share-based payment expense	19	62,000	-	120,000	-	182,000	-	182,000
Options issued	14	-	-	889,200	-	889,200	-	889,200
Write off expired options	14	-	463,665	(463,665)	-	-	-	-
Foreign currency translation		-	-	-	57,388	57,388	-	57,388
Loss for the year		-	(982,896)	-	-	(982,896)	(28,786)	(1,011,682)
Balance at 30 June 2012		**127,696,729**	**(121,278,249)**	**1,009,200**	**290,677**	**7,718,357**	**(28,786)**	**7,689,571**
Shares issued	14	4,961,732	-	-	-	4,961,732	-	4,961,732
Share-based payment expense	19	150,865	-	78,000	-	228,865	-	228,865
Options exercised	14	194	-	-	-	194	-	194
Transaction costs	14	(290,474)	-	-	-	(290,474)	-	(290,474)
Foreign currency translation		-	-	-	617,975	617,975	-	617,975
Loss for the year		-	(1,780,337)	-	-	(1,780,337)	(1,614)	(1,781,951)
Balance at 30 June 2013		**132,519,046**	**(123,058,586)**	**1,087,200**	**908,652**	**11,456,312**	**(30,400)**	**11,425,912**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of Oil & Gas		3,411	83,424
Cost of sales		(8,658)	(45,543)
Payments to suppliers and employees		(1,418,114)	(784,264)
Interest received		140,649	76,704
Net cash (used in) operating activities	27	(1,282,712)	(669,679)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for mineral exploration and evaluation		(983,629)	(61,103)
Payments for acquisition of equity investments		-	(341,999)
Payments for mineral exploration performance bonds		(100,148)	(1,684,840)
Payments for plant and equipment		(84,412)	-
Proceeds from sale of Bullseye Project		77,053	-
Payments for leasehold improvements		-	(5,090)
Acquisition of Merric Capital Pty Ltd		-	1,260,323
Net cash (used in) investing activities		(1,091,136)	(832,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,982,892	207,705
Proceeds from application to exercise options		194	-
Transaction costs		(290,474)	-
Net cash provided by financing activities		4,692,612	207,705
Net (decrease)/increase in cash and cash equivalents held		2,318,764	(1,294,683)
Cash and cash equivalents at the beginning of financial year		272,271	1,571,377
Effects of exchange rate fluctuations on cash held		(7,832)	(4,423)
Cash and cash equivalents at the end of financial year	5	**2,583,203**	**272,271**

The accompanying notes form part of these financial statements.

1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Quest Petroleum NL (the Company) and controlled entities (consolidated group).

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for for-profit orientated entities.

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. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

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

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies of, so as to obtain benefits from the Company's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights is considered.

Where controlled entities have entered or left the consolidated group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 7 of the Notes to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(b) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(c) Going Concern

The accounts 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 group incurred a loss of $1,781,951 for the year ended 30 June 2013 (2012: $1,011,682) and negative operating cash outflows of $1,282,712 (2012: $669,679). The net working capital surplus of the consolidated group at 30 June 2013 was $2,467,170 (2012: $1,607,197) and the net increase in cash held during the year was $2,310,932 (2012: a decrease of $1,299,106).

The ability of the Company and the consolidated group to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing one of 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 group'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.

In the event that the consolidated group is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in its financial report.

(d) 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 reporting date.

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probably 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 reporting 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.

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

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.

(e) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on a cost basis.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and Equipment	3-6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Mineral Exploration, Evaluation and Development

Mineral exploration and evaluation costs incurred are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest is demonstrable, exploration and evaluation assets attributed to that area of interest are first tested for impairment and then reclassified from exploration and evaluation to development.

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings, plant and equipment is capitalised as development. Development includes previously capitalised exploration and evaluation costs, pre-production development costs, development studies and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant, and equipment.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration, evaluation and development assets in relation to an area may still be written off if it is considered appropriate to do so.

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of the mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

(g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(h) Financial Instruments

Recognition and Initial 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 consolidated group commits itself to either the purchase or sale of the asset (ie, trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through the profit or loss', in which case transaction costs are expensed to profit and loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of 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 consolidated group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit and loss*
Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in the profit and loss.

(ii) *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 at amortised cost. Loans and receivables are included in current

assets, except for 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.)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (all other investments are classified as current assets.) If during the period the consolidated group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets include non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(vi) *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.

(vii) *Impairment*

At each reporting date, the consolidated group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or 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 comprehensive income.

(viii) *Financial guarantees*

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

(ix) *De-recognition*

Financial assets are de-recognised 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 de-recognised 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.

(i) Impairment of Non-Financial Assets

At the end of each reporting period, the consolidated group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including, where applicable, dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisitions profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(j) Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of jointly controlled assets have been included in the appropriate line items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 10.

(k) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the consolidated group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the consolidated group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in Other Comprehensive Income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

(l) Employee Benefits

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(m) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(n) Earnings Per Share

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Equity-Settled Compensation

The consolidated group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity in which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares or performance rights is ascertained as the market bid price. The fair value of options is ascertained independently using a Binomial Model and cross checked using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(p) Provisions

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(q) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(r) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

(s) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the consolidated group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(t) Share Based Payment Transactions

Under AASB 2 Share Based Payments, the consolidated group must recognise the fair value of options granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

The consolidated group provides benefits to employees (including directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”). The cost of these equity-settled transactions with employees (including directors) is measured by reference to fair value at the date they are granted. The fair value is determined using the Black Scholes option pricing model.

(u) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

(w) 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 consolidated group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(x) Rounding of Amounts

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors’ report have been rounded off to the nearest dollar.

(y) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements 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 consolidated group.

Key Estimates

(i) *Impairment*
The consolidated group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the consolidated group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgements

(i) *Exploration, Evaluation and Development*
The consolidated group capitalises expenditure relating to exploration and evaluation costs where they are considered to be likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

The future recoverability of capitalised exploration and evaluation costs are dependent on a number of factors, including whether the consolidated group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Development activities commence after commercial viability and technical feasibility of the project is established. Judgement is applied in determining when a project is commercially viable and technically feasible. In exercising this judgement, management is required to make certain estimates and assumptions as to the future events. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to profit and loss.

(z) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group’s assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability of the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20

This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The adoption of the interpretation and the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

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

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

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

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

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

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB136 - Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the consolidated entity given that they are largely of the nature of clarification of existing requirements.

Interpretation 21 Levies

Interpretation 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

Interpretation 21 is an interpretation of AASB 137 Provisions, Contingent Liabilities and Contingent Assets. AASB 137 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in the previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time 1 January 2014, there will be no significant impact on the financial statements as the consolidate entity is no subject to any levies addressed by this interpretation.

2. REVENUE AND OTHER INCOME

	2013 $	2012 $
Revenue from continuing operations		
Gross revenue (i)	3,411	78,296
Total revenue from continuing operations	**3,411**	**78,296**

(i) Revenue relates to oil and gas sales from the Bullseye Project (Jumonville Wells #1 and #2). On 31 August 2012 the working interest partners in the Bullseye Project announced the sale of the project and the Jumonville Wells. For further details refer Note 10.

	2013 $	2012 $
Other income		
Interest received	140,649	75,349
Gain on fair valuing previously held investment on acquisition	-	684,967
Gain on sale of Bullseye Project (i)	72,755	-
Total other income	**213,404**	**760,316**

(i) On 31 August 2012 the working interest partners in the Bullseye Project announced the sale of the project and the Jumonville Wells. For further details refer Note 10.

3. CORPORATE COSTS

	2013 $	2012 $
ASX listing fees and share registry costs	(141,442)	(73,576)
Corporate services	(710,501)	(436,359)
Insurance	(15,351)	(1,255)
Annual report	(11,991)	(7,586)
Accounting fees	(7,714)	(15,439)
Investor relations	-	(12,000)
Facility fees on Performance Bond	(30,014)	(76,317)
Office administration	(15,874)	(3,775)
Other costs	(7,082)	(20,601)
Total corporate costs	(939,969)	(646,908)

4. INCOME TAX

	2013 $	2012 $
The components of tax expense comprise:		
Income Statement		
Current tax	-	-
Deferred tax	-	-

The prima facie income tax expense/(benefit) on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:	2013 $	2012 $
Accounting loss before income tax	(1,781,951)	(1,011,682)
At the group's statutory income tax rate of 30%	(534,585)	(303,505)

	2013 $	2012 $
Add/(less) tax effect of:		
Capital raising costs	(36,773)	(19,345)
Provisions and accruals	-	(3,000)
Non-assessable discount on acquisition	-	(205,491)
Non-deductible loss on deconsolidation	677,905	-
Non-assessable gain on sale	(21,827)	-
Unrealised foreign exchanged differences	(488,521)	-
Other non-allowable items	29,660	54,614
	(374,141)	(476,727)
Benefit of tax losses not brought to account as an asset	374,141	476,727
Income tax (benefit)/expense	**-**	**-**

The following deferred tax balances have not been recognised:

Deferred Tax Assets at 30%:		
Carry forward revenue losses	3,771,900	3,394,097
Carry forward capital losses	219,399	219,399
Capital raising costs	96,732	46,362
Provisions and accruals	3,000	7,500
	4,091,031	3,667,358

The tax benefits of the above Deferred Tax Assets will only be obtained if:

a) The company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
b) the company complies with the conditions for deductibility imposed by law; and
c) no changes in income tax legislation adversely affect the company in utilising the benefits.

5. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank and on hand	2,583,203	272,271
	2,583,203	**272,271**

6. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
CURRENT		
Trade debtors	-	10,201
Prepayments	8,405	3,369
Other receivables (i)	-	1,710,736
	8,405	**1,724,306**
NON-CURRENT		
Other receivables (i)	1,821,085	-
Plug and abandon escrow (ii)	-	26,079
	1,821,085	**26,079**

(i) A US$1,500,000 (AUD$1,640,085) performance bond was put in place for the Ranau work program as a key condition for the grant of the Ranau PSC, which will be reduced in tranches upon completion of certain exploration work program activities, with the moneys refunded to the Company.

(ii) The plug and abandon escrow was extinguished with the sale of the Bullseye Project on 31 August 2012. Refer Note 10 for further details.

No receivables are past due or impaired.

7. CONTROLLED ENTITIES

a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Ownership (%) 2013	2012
Parent Entity			
Quest Petroleum NL	Australia		
Subsidiaries of Quest Petroleum NL			
Nuenco LLC	USA	100%	100%
Anzoil (Asia) Pte Ltd	Singapore	100%	100%
Maxin Investments Pty Ltd	Australia	100%	100%
Enercal Ltd	Guernsey	100%	100%
Coalinga LLC (i)	USA	-	100%
Merric Capital Pty Ltd	Australia	100%	100%
PrabuEnergy Pty Ltd	Australia	80%	80%

b) Acquisition and Disposal of Controlled Entities

(i) Coalinga LLC was deregistered on 22 August 2012 and removed from the consolidated group. This resulted in a loss on deconsolidation of $2,259,682.

8. PLANT & EQUIPMENT

	Consolidated Group 2013 $	2012 $
Plant and Equipment		
- At cost	84,413	-
- Accumulated depreciation	(4,271)	-
Total Plant and Equipment	**80,142**	**-**

Movement in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Plant & Equipment $
Balance at the beginning of the year	-
Additions	84,413
Disposals	-
Depreciation expense	(4,271)
Carrying Amount at the End of the Year	**80,142**

9. MINERAL EXPLORATION AND EVALUATION

	2013 $	2012 $
Opening net book value	6,073,886	137,369
Acquisitions	-	5,076,935
Exploration and evaluation costs incurred (i)	983,629	1,162,420
Exploration expenditure written off	-	(353,854)
Foreign exchange translation	-	51,016
Closing Net Book Value	**7,057,515**	**6,073,886**

(i) On 6 June 2013 the Company executed a formal land purchase agreement to acquire the land which is the site for the planned first well to be drilled at Quest's Ranau PSC in South Sumatra, Indonesia. The AUD$65,200 purchase price is included in exploration costs above.

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

10. JOINT VENTURES

On 31 August 2012 the working interest partners in the Bullseye Project announced the sale of the project and the Jumonville Wells. 100% of the project was sold for US$1,500,000. Quest's net proceeds of its 5% share after costs associated with the sale amounted to approximately US$81,000.

11. TRADE AND OTHER PAYABLES

	2013 $	2012 $
CURRENT		
Trade payables	91,570	150,578
Accruals	15,000	13,229
Total Trade and Other Payables	**106,570**	**163,807**

Trade and other payables are non-interest bearing and generally settled on 30 day terms. Due to their short-term nature, their carrying amount is assumed to approximate their fair value.

12. OTHER LIABILITIES

	2013 $	2012 $
CURRENT		
Funds held in Trust – Placement applicants (i)	-	207,705
Unclaimed funds from unmarketable parcel buy back	17,868	17,868
Total Other Liabilities	**17,868**	**225,573**

(i) Balance related to funds from Tranche 1 Placement applicants banked prior to 30 June 2012 which were held by the Company in trust for these applicants pending the allotment and issue of the related securities. The related Placement securities were issued in July 2012. Please refer to the Directors' Report for further details of the Placement.

13. PROVISIONS

	2013 $	2012 $
Restoration provision	-	17,591
Total Provisions	**-**	**17,591**

A provision for restoration is recognised in relation to the exploration and production activities for costs associated with the restoration of various sites. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. This provision was extinguished with the sale of the Bullseye Project on 31 August 2012. Refer Note 10 for further details.

14. ISSUED CAPITAL

	Note	2013 No of Shares	2012 No of Shares	2013 $	2012 $
Ordinary shares - fully paid	*(a)*	2,898,392,325	2,045,058,084	134,227,531	129,114,740
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)	(1,444,844)
				132,519,046	**127,696,729**

(a) Movement in ordinary shares - fully paid

For the year ended 30 June 2013	Date	No of shares	Share value $	$
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**

For the year ended 30 June 2012	Date	No of shares	Share value $	$
Opening balance	01-Jul-11	1,075,558,084		125,199,540
Issue of shares for Merric Capital acquisition	24-Nov-11	963,300,000	0.004	3,853,200
Share-based payment	17-Apr-12	6,200,000	0.010	62,000
Closing balance		**2,045,058,084**		**129,114,740**

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. The Company is not subject to any externally imposed capital requirements. 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.

(b) Movement in share options

For the year ended 30 June 2013	Date	No of options	Option Value $	$
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)	-	-
		783,864,904		**1,077,200**

For the year ended 30 June 2012	Date	No of options	Option Value $	$
Opening balance	01-Jul-11	21,000,000		210,545
Options expired	30-Sep-11	(5,000,000)	0.010	(50,130)
Options issued	10-Aug-11	40,000,000	0.003	120,000
Options issued	24-Nov-11	296,400,000	0.003	889,200
Options expired	31-Dec-11	(16,000,000)	0.010	(160,415)
		336,400,000		**1,009,200**

On 26 July 2012 the Company announced a $5m capital raising comprising a $2.5m placement to investors including international and domestic institutions (Placement) and a $2.5m entitlement issue to existing shareholders (Entitlement Issue).

The Company completed the Placement in October 2012 through the issue of approximately 417 million fully paid ordinary shares at 0.6 cents per share, together with one (1) free attaching option exercisable at 1.5 cents on or before 30 June 2016 for every two (2) new shares subscribed to raise $2.5m.

The Company completed the Entitlement Issue in January 2013, raising a further $2.46m through the issue of approximately 410 million fully paid ordinary shares at 0.6 cents per share, together with attaching options on the same terms as the Placement. The Entitlement Issue was fully underwritten by Canaccord Wealth Management and Etchell Capital Pty Ltd.

15. RESERVES

	2013 $	2012 $
- Foreign currency translation reserve (a)	908,652	290,677
- Share-based payments reserve (b)	198,000	120,000
- Option reserve (c)	889,200	889,200
Total Reserves	**1,995,852**	**1,299,877**

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign operations.

(b) Share-Based Payments Reserve

The share-based payments reserve records items recognised as expenses on valuation of employee share options.

(c) Option Reserve

The option premium reserve is used to record premiums received on options issued to investors in the Company.

Refer to the Statement of Changes in Equity for a reconciliation of movements in reserves during the year.

16. AUDITORS' REMUNERATION

	2013 $	2012 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial report	46,400	44,000
- Taxation services	-	3,000
Total Auditors' Remuneration	**46,400**	**47,000**

17. KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of consolidated group and Company key management personnel in office at any time during the financial year are:

Key Management	***Position***
John Simpson	Non-Executive Chairman
Mochamad Thamrin	Deputy Chairman
Anthony Milewski	Managing Director (appointed 20 August 2012)
Gregory Lee	Non-Executive Director
Jeff Mitchell	Non-Executive Director (appointed 21 March 2013)
Ken Bull	Chief Operating Officer (appointed 11 September 2012)
Jonathan Whyte	Company Secretary
Saxon Palmer	Non-Executive Director (resigned 11 September 2012)
Brett Mitchell	Non-Executive Director (resigned 5 June 2013)

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the consolidated group's key management personnel for the year ended 30 June 2013.

The totals of remuneration paid to key management personnel of the Company and the consolidated group during the year are as follows:

	2013 $	2012 $
Short-term employee benefits	944,650	291,249
Share-based payments	70,000	120,000
	1,014,650	**411,249**

(a) Shareholdings

Number of Shares Held by Key Management Personnel 30 June 2013

	Balance at 1 July 2012	On-Market Trades(vi)	Options Exercised	Net Change Other	Balance at 30 June 2013
John Simpson	70,294,864	2,414,335	-	-	72,709,199
Mochamad Thamrin	-	-	-	-	-
Anthony Milewski (i)	6,200,000	1,033,334	-	-	7,233,344
Brett Mitchell (ii)	5,685,507	947,585	-	(6,633,092)	N/A
Gregory Lee	3,876,411	3,890,477	-	-	7,766,888
Jeff Mitchell (iii)	N/A	-	-	-	-
Saxon Palmer (iv)	104,140,540	-	-	(104,140,540)	N/A
Ken Bull (v)	N/A	6,666,667	-	-	6,666,667
Jonathan Whyte	-	-	-	-	-
Total	**190,197,322**	**14,952,398**	**-**	**(110,773,632)**	**94,376,098**

(i) Mr Anthony Milewski was appointed effective 20 August 2012.
(ii) Mr Brett Mitchell resigned from the group effective 5 June 2013.
(iii) Mr Jeff Mitchell was appointed effective 21 March 2013.
(iv) Mr Saxon Palmer resigned from the group effective 11 September 2012.
(v) Mr Ken Bull was appointed effective 11 September 2012.
(vi) All trades relate to subscriptions to the T2 share issue and Entitlement issue. Refer to Note 14 for further details.

Number of Shares Held by Key Management Personnel 30 June 2012

	Balance at 1 July 2011	On-Market Trades	Options Exercised	Net Change Other (iii)	Balance at 30 June 2012
John Simpson	-	-	-	70,294,864	70,294,864
Mochamad Thamrin	-	-	-	-	-
Mark Freeman (i)	7,723,398	-	-	(7,723,398)	N/A
Brett Mitchell	5,685,507	-	-	-	5,685,507
Gregory Lee	3,876,411	-	-	-	3,876,411
James Malone (ii)	912,180	-	-	(912,180)	N/A
Saxon Palmer	-	-	-	104,140,540	104,140,540
Jonathan Whyte	-	-	-	-	-
Total	**18,197,496**	**-**	**-**	**165,799,826**	**183,997,322**

(i) Mr Mark Freeman resigned from the group effective 24 November 2011.
(ii) Mr James Malone resigned from the group effective 24 November 2011.
(iii) Movement in options held by Mr Saxon Palmer and Mr John Simpson relate to options granted to Merric vendors as part of the purchase consideration on 24 November 2011.

(b) Options and Rights Holdings

Number of Options Held by Key Management Personnel 30 June 2013

	Balance at 1 July 2012	Granted as Remuneration(i)	Options Exercised	Net Other Changes (ii)	Expired during the year	Balance at 30 June 2013
John Simpson	-	-	-	7,266,268	-	7,266,268
Mochamad Thamrin	-	-	-	-	-	-
Anthony Milewski	N/A	-	-	516,667	-	516,667
Brett Mitchell	15,000,000	-	-	(15,000,000)	-	N/A
Gregory Lee	5,000,000	-	-	1,945,238	-	6,945,238
Jeff Mitchell	N/A	-	-	-	-	-
Saxon Palmer	32,043,242	-	-	(32,043,242)	-	N/A
Ken Bull	N/A	-	-	3,333,333	-	3,333,333
Jonathan Whyte	280,383	30,000,000	-	-	-	30,280,383
Total	**52,323,625**	**30,000,000**	**-**	**(33,981,736)**	**-**	**48,341,889**

(i) On 13 February 2013 30,000,000 listed options were granted to Jonathan Whyte. The options are exercisable at 1.5 cents per option and expire on 30 June 2016.

(ii) Free-attaching options relating to subscriptions to the T2 share issue and Entitlement issue. Refer to Note 14 for further details.

Number of Options Held by Key Management Personnel 30 June 2012

	Balance at 1 July 2011	Granted as Remuneration	Options Exercised	Net Other Changes (i)	Expired during the year (ii)	Balance at 30 June 2012
John Simpson	-	-	-	-	-	-
Mochamad Thamrin	N/A	-	-	-	-	-
Mark Freeman	10,000,000	15,000,000	-	(15,000,000)	(10,000,000)	N/A
Brett Mitchell	2,000,000	15,000,000	-	-	(2,000,000)	15,000,000
Gregory Lee	2,500,000	5,000,000	-	-	(2,500,000)	5,000,000
James Malone	1,500,000	5,000,000	-	(5,000,000)	(1,500,000)	N/A
Saxon Palmer	-	-	-	32,043,242	-	32,043,242
Jonathan Whyte	-	-	-	280,383	-	280,383
Total	**16,000,000**	**40,000,000**	**-**	**12,323,625**	**16,000,000**	**52,323,625**

(i) Movement in options held by Mr Saxon Palmer and Mr Jonathan Whyte relate to options granted to Merric vendors as part of the purchase consideration on 24 November 2011.

(ii) 16,000,000 unlisted options held by key management personnel expired during the period. The options were exercisable at 3.3 cents and expired on 31 December 2011.

Other Key Management Personnel Transactions

The following share-based payment arrangements existed at 30 June 2013:

Ordinary Shares
There were no ordinary shares granted as compensation to key management personnel as during the year ended 30 June 2013.

Options
On 13 February 2013 30,000,000 listed options were granted to Jonathan Whyte. The options are exercisable at 1.5 cents per option and expire on 30 June 2016. Using the market price at the time of issue, the fair value of the listed options was determined to be $0.002 each, giving the share-based payment a value of $60,000.

Options Granted as Compensation

2013

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
10/08/2011	30/06/2016	$0.015	40,000,000	-	-	-	40,000,000
13/02/2013	30/06/2016	$0.015	-	30,000,000	-	-	30,000,000
Weighted average exercise price			$0.015	$0.015	-	$0.015	$0.015

2012

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
28/11/2008	31/12/2011	$0.033	16,000,000	-	-	(16,000,000)	-
10/08/2011	30/06/2016	$0.015	-	40,000,000	-	-	40,000,000
Weighted average exercise price			$0.033	$0.015	-	$0.033	$0.015

Performance Rights
During the year, 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.

Performance Rights Granted to Key Management Personnel are as Follows:

Grant Date	Class	Granted	Vested as at 30 June 2013	Converted to Ordinary Shares to 30 June 2013	Lapsed to 30 June 2013	Balance at 30 June 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	-	-	-	22,500,000
10 June 2013	B	22,500,000	-	-	-	22,500,000
10 June 2013	C	22,500,000	-	-	-	22,500,000
10 June 2013	D	22,500,000	-	-	-	22,500,000
10 June 2013	E	27,500,000	-	-	-	27,500,000
10 June 2013	F	40,000,000	-	-	-	40,000,000
Total		**197,500,000**	**-**	**-**	**-**	**197,500,000**

Refer to the Remuneration Report contained in the Report of the Directors for details of Performance Rights held by each member of the consolidated group's key management personnel for the year ended 30 June 2013.

All options and Performance Rights granted to key management personnel are convertible into ordinary shares in Quest Petroleum NL, which confer a right of one ordinary share for every option or Performance Right held.

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

18. EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

19. SHARE-BASED PAYMENTS

Share-based payment expenses for the year to 30 June 2013 totalled $228,865 (2012: $182,000) and comprised:

	$
Employee incentive options issued (i)	68,000
Performance Rights granted (ii)	10,000
Shares issued for services (iii)	20,865
Total expensed in statement profit or loss and other comprehensive income	**98,865**

	$
Shares issued under consulting agreement (iv)	130,000
Total capitalised in mineral exploration & evaluation expenditure	**130,000**

(i) 34,000,000 listed options were issued to employees under existing contracts during the period.

(ii) During the year, 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.

(iii) 4,173,030 shares were issued for investor relations and promotional services provided to the Company.

(iv) 22,192,856 shares were issued to Add Energy under a consulting agreement to provide services to the Company in relation to the Ranau PSC.

20. LOSS PER SHARE

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

a) Reconciliation of earnings to loss	**2013** **$**	**2012** **$**
Loss	(1,781,951)	(1,011,682)
Earnings used to calculate basic and dilutive EPS	(1,781,951)	(1,011,682)

b) Weighted average number of ordinary shares outstanding during the year	**2013** **No.**	**2012** **No.**
Weighted average number of ordinary shares used in calculating basic and dilutive EPS	2,610,329,865	1,656,182,547

All options on issue (Note 14) are considered anti-dilutive and thus have not been included in the calculation of diluted loss per share. These options could potentially dilute earnings per share in the future.

21. CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2013 **$**	**2012** **$**
a) Exploration commitments (i)		
Within 1 year	1,881,000	1,677,284
Between 1-5 years	7,775,000	4,916,186
	9,656,000	6,593,470

(i) PrabuEnergy Pty Ltd, an 80% controlled subsidiary of the Group, was awarded the Ranau Production Sharing Contract (PSC) in November 2011. The Company is currently preparing the work program for 2013-2014 for submission to the Indonesian energy regulator which will provide for a planned seismic and drill program. Note that, as a condition of the PSC, a bond has been set aside in the amount of USD$1,500,000 as disclosed in Note 6. The value of this bond shall be reduced annually by deducting the amount included in the work program. The above figures reflect management's planned expenditure over the next 5 years.

22. FINANCIAL RISK MANAGEMENT

The consolidated group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments and accounts receivable and payable, loans to subsidiaries, bills and leases.

Financial Risk Management Policies

The consolidated group manages its exposure to a variety of financial risks, market risk (including currency risk, commodity price risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk in accordance with the Risk and Audit Committee Charter and specific approved group policies. These policies are developed in accordance with the consolidated groups operational requirements. The consolidated group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of prevailing and forecast interest rate and foreign exchange rates. The consolidated group manages credit risk by only dealing with recognised, creditworthy third parties and liquidity risk is managed through the budgeting and forecasting process.

Specific Financial Risk Exposures and Management

The main risks the consolidated group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk.

a) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the consolidated group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for approval, granting and removal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from invoice date.

Risk is also minimised by investing surplus funds in financial institutions that maintain a high credit rating.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at reporting date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The consolidated group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the consolidated group has significant credit risk exposures to the Indonesia and Australia given the substantial operations in those regions. Details with respect to credit risk of Trade and Other Receivables are provided in Note 6. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 6.

Credit risk related to balances with banks and other financial institutions are managed in accordance with approved Board policy. The consolidated group's current investment policy is aimed at maximising the return on surplus cash with the aim of outperforming the benchmark, within acceptable levels of risk return exposure and to mitigate the credit and liquidity risks that the consolidated group is exposed to through investment activities.

The carrying amount of the consolidated group's financial assets represents the maximum credit exposure. The consolidated group's maximum exposure to credit risk at the reporting date was:

	Note	2013 $	2012 $
Trade and other receivables	6	1,829,490	1,724,306
Cash and cash equivalents	5	2,583,203	272,271
		4,412,693	1,996,577

b) Liquidity Risk

Liquidity risk arises from the possibility that the consolidated group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The consolidated group manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments.

The consolidated group's liquidity needs can be met through a variety of sources, including the issue of equity instruments and short or long term borrowings.

Alternative sources of funding in the future could include project debt financing and equity raisings, and future operating cash flow. These alternatives will be evaluated to determine the optimal mix of capital resources.

The following table details the consolidated group's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Financial Liability Maturity Analysis

	Within 1 Year		1-5 Years		Over 5 Years		Totals	
Financial Liabilities	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**
Trade and other payables	106,570	163,807	-	-	-	-	106,570	163,807
Deposits held	17,868	17,868	-	-	-	-	17,868	17,868
Other financial liabilities	-	207,705	-	-	-	-	-	207,705
Total Financial Liabilities	**124,438**	**389,380**	**-**	**-**	**-**	**-**	**124,438**	**389,380**

c) Market Risk

(i) *Interest Rate Risk*
Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The consolidated group does not use derivatives to mitigate these exposures.

At reporting date, the details of outstanding contracts are as follows:

	2013	2012
Maturity of Amounts	**$**	**$**
Less than 1 year	2,583,203	1,993,445
1 to 2 years	1,821,085	-
2 to 5 years	-	-
Total Interest Bearing Financial Assets	**4,404,288**	**1,993,445**

	2013	2012
Maturity of Amounts	**$**	**$**
Less than 1 year	-	-
1 to 2 years	-	-
2 to 5 years	-	-
Total Interest Bearing Financial Liabilities	**-**	**-**

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss		Equity	
30 June 2013	**100bp increase $**	**100bp decrease $**	**100bp increase $**	**100bp decrease $**
Variable rate instruments	44,043	(44,043)	-	-
Cash flow sensitivity (net)	44,043	(44,043)	-	-
30 June 2012				
Variable rate instruments	19,934	(19,934)	-	-
Cash flow sensitivity (net)	19,934	(19,934)	-	-

(ii) Foreign Exchange Risk

The consolidated group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the consolidated group's measurement currency. The consolidated group has no hedging contracts in place as at the date of this report.

A 10.00% strengthening of the AUD against the following currencies at 30 June 2013 would have decreased equity and loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Equity	Profit or loss
	$	$
2013		
USD	968	-
IDR	1,161	-
2012		
USD	981	-
IDR	1,640	-

A 10.00% weakening of AUD against the above currencies at 30 June 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair Value

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- Cash and short-term investments – the carrying amount approximates fair value because of their short term to maturity;
- Trade receivables and trade creditors – the carrying amount approximates fair value;
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

23. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions With Related Parties:

Ultimate Parent Entity

Quest Petroleum NL is the ultimate parent entity. The parent entity has related party transactions with its subsidiaries whereby the parent funds and pays for the exploration and evaluation expenses, and general and administrative expenses incurred by its subsidiaries. These expenses are charged to the subsidiaries through inter-company loans. The loans outstanding between the parent entity and its subsidiaries have no fixed date of repayment and are non-interest bearing. As at 30 June 2013, the recoverable amount of such loans to subsidiaries totalled $1,416,838 (2012: $1,428,502).

Key Management Personnel

Mr John Simpson and Mr Anthony Milewski provided capital raising underwriting services to Quest Petroleum during the year ended 30 June 2013. Mr Simpson received an underwriting fee of $35,135 in relation to the Placement and $61,563 in relation to the Entitlement Issue. Mr Milewski received an underwriting fee of $35,515 in relation to the Placement. For further details on the capital raisings completed during the year, refer to the Directors Report.

24. OPERATING SEGMENTS

The consolidated group 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 Group's exploration projects consist of:

- Oil
- Gas

Basis of accounting for purposes of reporting by operating segments

a) 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 group.

b) 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.

c) 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.

d) 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 group as a whole and are not allocated. Segment liabilities include trade and other payables.

e) 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.

Segment Performance

30 June 2013	Bullseye Louisiana, USA $	Ranau Indonesia $	Australia $	Total $
Revenue				
External sales	3,411	-	-	3,411
Interest revenue	-	874	139,775	140,649
Gain on sale of Bullseye	72,755	-	-	72,755
Total Segment Revenue	**76,166**	**874**	**139,775**	**216,815**
Expenses				
Cost of sales	(8,658)	-	-	(8,658)
Unallocated				
Professional services				(118,351)
Depreciation				(4,271)
Corporate costs				(939,969)
Share-based payment expense				(98,865)
Property and lease expense				(12,152)
Loss on deconsolidation				(2,259,682)
Other operating expenses				(185,221)
Foreign exchange gains				1,628,403
Loss before and after income tax				**(1,781,951)**

Segment assets				
Exploration	-	6,073,415	984,100	7,057,515
Plant and equipment	-	77,830	2,312	80,142
Cash	7,893	38,149	2,537,161	2,583,203
Trade and other receivables	36	10,000	1,819,454	1,829,490
Total assets	**7,929**	**6,199,394**	**5,343,027**	**11,550,350**

30 June 2012	Bullseye Louisiana, USA $	Ranau Indonesia $	Australia $	Total $
Revenue				
External sales	78,296	-	-	78,296
Interest revenue	-	9	75,340	75,349
Total Segment Revenue	**78,296**	**9**	**75,340**	**153,645**
Expenses				
Cost of sales	(65,832)	-	-	(65,832)
Amortisation	(99,555)	-	-	(99,555)
Unallocated				
Gain on fair valuing previously held investment on acquisition				684,967
Professional services				(91,885)
Impairment expense				(332,713)
Exploration & development expense				(353,854)
Corporate costs				(646,908)
Share-based payment expense				(182,000)
Property and lease expense				(46,969)
Other operating expenses				(28,287)
Foreign exchange losses				(2,291)
Loss before and after income tax				**(1,011,682)**
Segment assets				
Segment operating assets	38,798	7,813,104	-	7,851,902
Unallocated assets				
Cash				233,984
Trade and other receivables				10,656
Total assets				**8,096,542**

25. PARENT ENTITY INFORMATION

	2013 $	2012 $
Current Assets	2,537,653	1,711,018
Total Assets	**11,778,446**	**8,259,757**
Current Liabilities	97,768	274,240
Total Liabilities	**115,636**	**292,109**
Issued Capital	132,519,046	127,696,729
Reserves	1,087,200	1,009,200
Accumulated Losses	(121,943,436)	(120,738,281)
Total Equity	**11,662,810**	**7,967,648**
Loss of Parent Entity	**(2,192)**	**(1,286,917)**
Other Comprehensive Income	-	-
Total Comprehensive Loss of the Parent Entity	**(2,192)**	**(1,286,917)**

26. CONTINGENT LIABILITIES

The Board is not aware of any circumstances or information which leads them to believe there are any material contingent liabilities outstanding as at 30 June 2013.

27. CASH FLOW INFORMATION

a) Reconciliation of Cash Flow From Operations With Profit After Income Tax	2013 $	2012 $
Loss after income tax	(1,781,951)	(1,011,682)
Non-cash flows in profit:		
Exploration and evaluation expense	-	353,854
Impairment expense	-	332,713
Gain on fair valuing previously held investment	-	(684,967)
Gain on sale of Bullseye Project	(72,755)	-
Loss on deconsolidation	2,259,682	-
Depreciation/amortisation	4,271	99,555
Share-based payments	98,865	182,000
Unrealised foreign exchange (gain)/loss	(1,628,403)	2,291
Change in assets and liabilities		
Decrease/(increase) in trade and other receivables	(105,184)	55,208
(Decrease)/increase in trade and other payables	(57,237)	1,349
Cash Flow from Operations	**(1,282,712)**	**(669,679)**

DIRECTORS DECLARATION FOR THE YEAR ENDED 30 JUNE 2013

In accordance with a resolution of the Board of Directors, I state that:

In the opinion of the Directors:

(1) (a) the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated group's financial position at 30 June 2013 and of its performance for the year ended on that date: and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out in the Remuneration Report of the Directors' Report for the year ended 30 June 2013 comply with section 300A of the *Corporations Act 2001*.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2013.

(3) The consolidated group has included in the notes to the financial statements and explicit and unreserved statement of compliance with International Financial Reporting Standards.

On behalf of the Board

Anthony Milewski
Managing Director

Perth, 27 September 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

QUEST PETROLEUM NL

Report on the Financial Report

We have audited the accompanying consolidated financial report of Quest Petroleum NL (the company), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 judgement, 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 control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. 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.

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PO Box 609 | West Perth | Western Australia 6872 | Australia

PKF MACK & CO

Chartered Accountants & Business Advisers

Opinion

In our opinion:

(a) the financial report of Quest Petroleum NL 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 30 June 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 30 June 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 Quest Petroleum NL for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

PKF Mack & Co.

PKF MACK & CO

SHANE CROSS
PARTNER

27 SEPTEMBER 2013
WEST PERTH,
WESTERN AUSTRALIA

a) Distribution of Shareholders (as at 26 September 2013)

Spread of Holdings	Number of Ordinary Shareholders	Number of Shares
1 - 1,000	290	64,654
1,001 - 5,000	243	757,279
5,001 - 10,000	291	2,265,613
10,001 - 100,000	1,014	43,897,791
100,001 - and over	1,390	2,851,406,988
TOTAL	**3,228**	**2,898,392,325**

b) Top Twenty Shareholders (as at 26 September 2013)

Name	Number of Ordinary Shares held	%
AVIEMORE CAPITAL PTY LTD	115,260,483	3.98
LEXTON HOLDINGS PTY LTD <SIMPSON ACCOUNT>	101,062,547	3.49
ZERO NOMINEES PTY LTD	98,616,943	3.40
MR RAYMOND JEPP	97,915,311	3.38
ALBA CAPITAL PTY LTD	83,105,405	2.87
MS LISA ARCHARD <ARCHARD PALMER FAMILY A/C>	50,551,715	1.74
CITICORP NOMINEES PTY LIMITED	43,124,712	1.49
ARREDO PTY LTD	42,050,000	1.45
MR JOHN ANDREW SIMPSON	39,953,919	1.38
MR OLOF MAXWELL PETTERSON	37,000,000	1.28
HEMDIN PTY LTD	36,341,006	1.25
MR STANLEY ALLAN MACDONALD	36,048,648	1.24
ETCHELL CAPITAL PTY LTD	32,755,280	1.13
MR DAVID WAYNE AUSTIN + MRS CHRISTINA YIT LING AUSTIN <AUSTIN SUPER	31,000,000	1.07
WESTMINSTER CORPORATION PTY LTD	24,368,475	0.84
BAGNAR PTY LTD	23,333,334	0.81
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,255,165	0.77
ADD IPS PTY LTD	22,192,856	0.77
BONTOWN PTY LTD	21,000,000	0.72
MR KIRIL RUVINSKY	21,000,000	0.72
Total Top 20	978,935,799	33.78
Other Shareholders	1,919,456,526	66.22
Total Ordinary Shares on Issue	**2,898,392,325**	**100.00**

The number of shareholders holding less than a marketable parcel of shares is 2,216, totalling 108,394,513 shares.

c) Distribution of QPNO Option Holders (as at 26 September 2013)

Spread of Holdings	Number of Ordinary Shareholders	Number of Options
1 - 1,000	69	27,168
1,001 - 5,000	93	264,197
5,001 - 10,000	67	499,766
10,001 - 100,000	193	6,657,745
100,001 - and over	205	776,416,028
TOTAL	**627**	**783,864,904**

d) Top Twenty QPNO Option Holders (as at 26 September 2013)

Name	Number of Ordinary Shares held	%
ZERO NOMINEES PTY LTD	64,556,396	8.24
LEXTON HOLDINGS PTY LTD <SIMPSON ACCOUNT>	35,511,003	4.53
MS LISA ARCHARD <ARCHARD PALMER FAMILY A/C>	35,188,480	4.49
MR COLIN IKIN	32,043,242	4.09
KEYPORT INVESTMENTS PTY LTD <KEYPORT INVESTMENTS A/C>	30,280,383	3.86
MR RAYMOND JEPP	28,500,630	3.64
MR WALLY MICHAEL YURYEVICH	26,500,000	3.38
ALBA CAPITAL PTY LTD	24,032,432	3.07
L'MIGLIORE PTY LTD <L'MIGLIORE A/C>	21,100,000	2.69
MR KIRIL RUVINSKY	20,763,856	2.65
FINANCE ASSOCIATES PTY LTD <SUPER FUND A/C>	20,000,000	2.55
HEMDIN PTY LTD	18,170,503	2.32
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,974,100	2.29
MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	15,473,793	1.97
MR MARK FREEMAN <MARK FREEMAN FAMILY A/C>	15,000,000	1.91
BAGNAR PTY LTD	14,677,478	1.87
MR PAUL JAMES WATSON + MRS MICHELLE MAREE WATSON <WATSON FAMILY	13,696,167	1.75
KOBIA HOLDINGS PTY LTD <THE KOBIA A/C>	13,000,000	1.66
WESTMINSTER CORPORATION PTY LTD	12,177,481	1.55
WRAITH PTY LTD <DOBIE SUPER FUND A/C>	11,912,500	1.52
Total Top 20	470,558,444	60.03
Other QPNO Option holders	313,306,460	39.97
Total QPNO Options on Issue	**783,864,904**	**100.00**

At 26 September 2013 there were 3,228 holders of 2,898,392,325 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

(a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

(b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

INTERESTS IN MINING TENEMENTS AS AT 19 SEPTEMBER 2013

Project	Percentage Interest	Area covered	Principal Activity
Ranau PSC (PrabuEnergy Pty Ltd)	80%	2,191km^2	Oil and Gas exploration and development

PRINCIPLES AND RECOMMENDATIONS

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition).

In 2011, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2011 Amendments (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2011 Amendments (2nd Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website: www.qpnl.com.au

1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1**: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

1.2 The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of The Company's business is delegated to the Executive Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:-

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Executive Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
    - Organizational performance and the achievement of strategic goals and objectives
    - Compliance with the Company's code of conduct
    - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. Senior Executives performance is reviewed on a regular basis by the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the board should be independent directors.
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

2.2 The Company's practice:

Independence
Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has three independent, non-executive Directors. The Board as a whole comprises a non-executive Chairman, an Executive Director and three other non-executive directors.

Composition
The directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives.

The term in office held by each director in office at the date of this report is as follows and details of the professional skills and expertise of each of the directors are set out in the Directors' Report.

Name	Position	Term in Office
Gus Simpson	Non-Executive Chairman	1.9 Years
Mochamad Thamrin	Deputy Chairman	1.5 Years
Anthony Milewski	Managing Director	1.1 Years
Gregory Lee	Non-Executive Director	9 Years
Jeff Mitchell	Non-Executive Director	0.5 Years

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education
The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information
Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

Nomination committee
The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Monitoring of Board Performance
The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed,
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendation 2.4 as outlined.

3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1**: Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the company's integrity
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 3.2**: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

3.2 The Company's practice:
Ethical Standards
The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Diversity Policy
The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Gender Diversity
As a priority, the Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

Women Employees, Executives and Board Members

The Company and its consolidated entities have three (3) female employees/executives:
- an accountant;
- an office manager; and
- an executive assistant

which represent approximately 27% of the total employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company.

Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2**: The audit committee should be structured so that it:
  - consists only of non-executive directors
  - consists of a majority of independent directors
  - is chaired by an independent chair, who is not chair of the board
  - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

4.2 The Company's practice:

Audit Committee
The Board has not established a separate audit committee and as such has not complied with Recommendation 4.1 & 4.2. The duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, due to the size and current operations of the Company.

The processes the Board applies in performing this function include:-

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The board, consisting of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 30 June 2012 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.3 and 4.4. The Company is not compliant with Recommendations 4.1 and 4.2 as outlined.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.

- **Recommendation 5.1**: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

5.2 The Company's practice:

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

(a) Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
(b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
(c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Executive Director and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Executive Director and the Company Secretary**,** including:

(d) Media releases;
(e) Analyst briefings and presentations; and
(f) The release of reports and operational results.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

6.2 The Company's practice:

Shareholder Communication
It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:-

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

7.2 The Company's practice:

RISK MANAGEMENT
Recognise and Manage Risk
Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Executive Director has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1**: The board should establish a remuneration committee.
- **Recommendation 8.2**: The remuneration committee should be structured so that it:
  - consists of a majority of independent directors
  - is chaired by an independent chair
  - has at least three members
- **Recommendation 8.3**: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

8.2 The Company's practice:

Remuneration committee

The Company does not currently have a separate remuneration committee and as such has not complied with Recommendation 8.1 or Recommendation 8.2. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

Remuneration policies

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Director and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and senior executives emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and Motivation of senior executives
2. Attraction of quality management to the Company
3. Performance incentives which allow executives to share the rewards of the success of the Company

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to the Remuneration Report on pages 13 to 15 of the Annual Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.3 and is not compliant with Recommendation 8.1 or Recommendation 8.2 as outlined.