Caravel
ENERGY LIMITED

**ABN 38 119 047 693**

# ANNUAL REPORT

# 30 JUNE 2013

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## CORPORATE DIRECTORY

**Directors**
Mr. Brian McMaster (Executive Chairman)
Dr. Emma Rasolovoahangy (Executive Director)
Mr. Matthew Wood (Non-Executive Director)

**Company Secretary**
Mr. Aaron Bertolatti

**Registered Office**
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330 Churchill Avenue,
Subiaco, WA 6008
Telephone: +61 8 9200 4268
Facsimile: +61 8 9200 4469

**Website**
www.copperrange.com.au

**Share Registry**
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney, NSW 3993
Telephone: 1300 737 760
Facsimile: 1300 653 459

**Auditors**
Ernst & Young
11 Mounts Bay Road
Perth, WA 6000 Australia

**Stock Exchange**
Australian Stock Exchange
(Home Exchange: Perth, Western Australia)

**ASX Code**
CRJ / CRJOA

# Directors' Report

The Directors of Caravel Energy Limited submit the financial report of Caravel Energy Limited ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") for the year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**DIRECTORS**

The names, qualifications and experience of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

**Mr. Brian McMaster**
**Executive Chairman**

Mr. McMaster is a Chartered Accountant, a registered and official liquidator and has over 20 years' experience in the area of corporate reconstruction and turnaround/performance improvement. Mr. McMaster's experience includes numerous reorganisations and turnarounds, including being instrumental in the recapitalisation and listing of 12 Australian companies on the ASX. Recently, Mr. McMaster was a partner of the restructuring firm Korda Mentha and prior to that was a partner at Ernst & Young. Mr. McMaster is also a director in venture capital and advisory firm Garrison Capital Pty Limited.

Mr. McMaster is currently a Director of Paradigm Metals Ltd Limited (appointed 14 September 2012), Wolf Petroleum Limited (appointed 24 April 2012), The Waterberg Coal Company Limited (appointed 12 April 2012), Black Star Petroleum Limited (appointed 9 August 2012), Lindian Resources Limited (appointed 20 June 2011) and Firestone Energy Limited (appointed 14 June 2013). He has not held any other listed directorships in the past three years.

**Dr. Emma Rasolovoahangy (appointed 15 November 2012)**
**Executive Director**

Dr. Rasolovoahangy is a Madagascan national and experienced industry professional with over 20 years' experience in the oil and gas industry. Currently Dr. Rasolovoahangy is an Executive Director of Petromad (Mauritius) Limited, the owner of the Bezaha Oil Project located in the prolific Morondava Oil Basin in southern Madagascar (Block 3114).

Dr. Rasolovoahangy has previously worked for Anadarko Petroleum, as a petro physicist and for Shell Exploration and Production International as a Geophysicist. Dr. Rasolovoahangy holds a Ph.D in Geophysics from Stanford University in California. She has not held any other listed directorships over the past three years

**Mr. Matthew Wood**
**Non-Executive Director**

Mr. Wood has over 20 years experience in the resource sector with both major and junior resource companies and has extensive experience in the technical and economic evaluation of resource projects throughout the world. Mr. Wood's expertise is in project identification, negotiation, acquisition and corporate development. Mr. Wood has an honours degree in geology from the University of New South Wales and a graduate certificate in mineral economics from the Western Australian School of Mines and is a member of the AusIMM. Mr. Wood is a founding Director in venture capital and advisory firm Garrison Capital Pty Limited.

Mr. Wood was a Director of Laguna Resources NL (appointed 6 August 2009, resigned 8 December 2010), Castillo Copper Limited (appointed 19 November 2012, resigned 21 May 2013) and Signature Metals Limited (appointed 19 February 2007, resigned 13 February 2012). Mr. Wood is currently a Director of Caravel Energy Limited (appointed 29 May 2009), Wolf Petroleum Limited (appointed 24 April 2012), Haranga Resources Limited (appointed 2 February 2010), Avanco Resources Limited (appointed 4 July 2007), Lindian Resources Limited (appointed 5 May 2011) and Black Star Petroleum Limited (appointed 28 February 2013). Mr Wood is also a director of Hunnu Coal Limited (appointed 19 August 2009) a former ASX listed company. He has not held any other listed directorships over the past three years.

**Mr. Jonathan Hart (resigned 3 September 2013)**
**Executive Director**

Mr. Hart has 4 years experience as a commercial lawyer. Mr. Hart was admitted to practice in Perth in May 2008 and did his articles at Perth based law firm, Steinepreis Paganin. Mr. Hart's experience includes due diligence investigations, general corporate and commercial drafting, public and private mergers and acquisitions, general corporate advice in relation to capital raisings, Corporations Act and ASX compliance, Australian Financial Services licenses, managed investment schemes and anti-money laundering compliance.

Mr. Hart has a bachelor of laws and commerce from Murdoch University in Western Australia. Mr. Hart is currently a Director of The Waterberg Coal Company Limited (appointed 12 April 2012), has not held any other listed directorships in the past three years.

**Mr. Timothy Flavel (resigned 3 September 2013)**
**Non-Executive Director**

Mr. Flavel is a Chartered Accountant and Company Secretary, with more than 20 years experience in the mining industry and accounting profession both in Australia and overseas. Mr. Flavel currently assists a number of resources companies operating throughout Australia and overseas with corporate advice, financial accounting, stock exchange compliance and regulatory activities.

Mr. Flavel was a Director of Signature Metals Limited (appointed 20 February 2007, resigned 1 December 2011). Mr. Flavel is currently a Director of Haranga Resources Limited (appointed 15 December 2009), Black Star Petroleum Limited (appointed 9 August 2012), Wolf Petroleum Limited (appointed 5 November 2012) and Voyager Resources Limited (appointed 12 June 2009). He has not held any other listed directorships over the past three years.

**Dr. Robert Wrixon (appointed 15 November 2012, resigned 3 September 2013)**
**Non-Executive Director**
Dr. Wrixon has over 15 years' commercial experience in engineering, consulting, mineral asset acquisition and exploration management. Dr. Wrixon holds a Ph.D. in Petroleum Engineering from the University of California, Berkeley and an honours degree in Chemical Engineering from Princeton University in the USA.

Dr. Wrixon was previously Managing Director of ASX listed Haranga Resources Limited (appointed 4 August 2010, resigned 13 May 2013), having previously worked for Manhattan Corporation Limited and Xstrata. He has not held any other listed directorships over the past three years.

**Mr. Mark Arundell (resigned 11 September 2012)**
**Executive Director**
Mr. Arundell has over 25 years experience in the mining industry working for major companies such as Rio Tinto, North Ltd and Renison Goldfields Consolidated. Mr. Arundell has a Masters of Economic Geology degree from the University of Tasmania, an Honours degree in Geology from the University of Melbourne and a Graduate Certificate in Management from Deakin University. Mr. Arundell is a member of the Australian Institute of Geoscientists.

Mr. Arundell has extensive experience in New South Wales having been involved in the development of the Lucky Draw gold mine (RGC), discovery and evaluation of the Hackneys Creek and Spring Gully gold deposits and as exploration leader for the Northparkes and Lake Cowal projects (North). Mr. Arundell has also worked at Mt Lyell and Henty and thus brings a wealth of experience in gold related Volcanic Massive Sulphide mineralisation to the Company. Mr. Arundell was a Director of Oakland Resources Limited (appointed 11 June 2009, resigned 19 November 2012). He has not held any other listed directorships over the past three years.

## COMPANY SECRETARY

**Mr. Aaron Bertolatti**
Mr. Bertolatti is a qualified Chartered Accountant and Chartered Secretary with over 10 years experience in the mining industry and accounting profession. Mr. Bertolatti has both local and international experience. Mr. Bertolatti provides assistance to a number of resource companies operating in Australia and Mongolia with financial accounting and stock exchange compliance. Mr. Bertolatti has significant experience in the administration of ASX listed companies, corporate governance and corporate finance.

Mr. Bertolatti is currently company secretary of the ASX listed Voyager Resources Limited, Wolf Petroleum Limited, Haranga Resources Limited and Highfield Resources Limited.

## INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of Caravel Energy Limited are:

| Director | Ordinary Shares | Unlisted Options – exercisable at 3.5 cents each on or before 30/06/2015 | Unlisted Options – exercisable at 2 cents each on or before 01/07/14 | Listed Options – exercisable at 3.5 cents each on or before 31/12/13 |
|---|---|---|---|---|
| Mr. Brian McMaster | 7,511,809 | 2,500,000 | 10,000,000 | - |
| Mr. Matthew Wood | 50,247,846 | 2,500,000 | - | |
| Dr. Emma Rasolovoahangy | 50,000,000 | - | - | - |

## RESULTS OF OPERATIONS

The Group's net loss after taxation attributable to the members of Caravel Energy for the year to 30 June 2013 was $2,700,343 (2012: net loss of $1,760,682).

## DIVIDENDS

No dividend was paid or declared by the Company during the year and up to the date of this report.

## CORPORATE STRUCTURE

Caravel Energy Limited is a company limited by shares, which is incorporated and domiciled in Australia.

## NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of companies within the Group during the financial year were mineral exploration and examination of new resource opportunities.

## REVIEW OF OPERATIONS

**Bezaha Oil Project**
The Company acquired an initial interest of 25% (with the potential to earn up to 80%) in the Bezaha Oil Project (Concession Block 3114), located in the prolific Morondava Oil Basin in southern Madagascar.

# Directors' Report

Block 3114 is an onshore oil block approximately 10,160km$^2$ in size. The Project is highly prospective for oil and gas. The Company's independent technical experts have reported that Block 3114 has significant potential for the discovery of large light oil and gas accumulations.

The main lead in Block 3114 is the Ambatry Lead, which has an independently assessed mean prospective oil resources of 236 million barrels (MMbbl) and it is the area on which the Company focused its exploration activities during the year. Block 3114 has two further lead areas, namely, Bezaha and Tongobory, situated respectively in the North East and North West of Block 3114. The Company has not conducted additional exploration over these two areas during the year.

During the third quarter of 2012 the Company appointed and mobilized its seismic contractor, BGP and petroleum consultants, MHA to undertake a new 2D seismic programme of 288 kilometers over the Ambatry lead to refine the structural interpretation over previously identified high-graded leads.

The acquisition of the first phase of seismic data commenced during the fourth quarter of 2012 and after a six week suspension due to the rainy season, the acquisition of the seismic data were completed in early 2013. During this phase the Company had completed 165km of its 2D seismic campaign on 5 new seismic lines.

The results of the phase 1 seismic programme were subsequently interpreted and integrated with the existing 2D seismic data set, the airborne and ground gravity and magnetic data, as well as previous well data. Detailed processing and analysis of the stage 1 seismic data has shown the Ambatry lead to be more faulted than originally anticipated, confirming several attractive trapping geometries (a structural anticline and several tilted fault blocks) and as a result, the Company has confirmed the location for the first exploration well.

The company proceeded with its phase 2 seismic programme during the second quarter of 2013 and completed a further 126.5km of 2D seismic data acquisition on a further 5 new seismic lines. Upon the acquisition and interpretation of the remaining stage 2 seismic data, the Company intends to integrate this fresh data set with the existing 2D data set and move forward with its drilling campaign.

The completion of the stage 1 and 2 seismic programme will fulfil the Company's Seismic farm-in obligations with Petromad and the relevant regulatory body in Madagascar, National Mines and Strategic Industries Office (OMNIS).

**Adelaide Fold Belt, South Australia**
Limited field work was completed on this project during the year. Assessment of future work on the tenements is currently in progress.

**Phosphate, Northern Territory**
Limited field work was completed on this project during the year. Assessment of future work on the tenements is currently in progress.

**Corporate**
Mr. Mark Arundell resigned from his position as Executive Director of the Company on 11 September 2012.

At the Company's General Meeting held on 15th October 2012, shareholders approved the special resolution to change the Company's name from Copper Range Limited to Caravel Energy Limited.

On 15 November 2012, Dr Roseline Emma Rasolovoahangy and Dr Robert Wrixon were appointed directors of the Company. In addition to these appointments, the Board was restructured with Mr Brian McMaster undertaking the role of Executive Chairman and Mr Matthew Wood remaining on the Board as a Non-Executive Director.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**
There have been no significant changes in the state of affairs of the Group which occurred during the financial year.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

Board Changes
Mr. Timothy Flavel, Mr. Jonathan Hart and Dr. Robert Wrixon resigned from their position as Directors of the Company on 3 September 2013.

Sale of Olympic Domain Tenements
The Company announced on 27 June 2012 that it had contracted to the sale of four Exploration Licences (ELs) and five Exploration Licence Applications (ELAs) located in the Olympic Domain area of South Australia to BHP Billiton Olympic Dam Corporation Pty Ltd.

The sale was subject to several conditions precedent including satisfactory completion of due diligence by BHP Billiton completion of documentation and receipt of Ministerial Consent to the licence transfers. The Company anticipated that settlement of the transaction would occur in July of 2013 however the conditions precedent to the sale were not satisfied, and BHP Billiton did not proceed with the acquisition of the ELs and ELAs.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS
Likely developments in the operations of the Company are set out in the above review of operations in this annual report. Any future prospects are dependent upon the results of future exploration and evaluation.

### ENVIRONMENTAL REGULATIONS AND PERFORMANCE
The operations of the Group are presently subject to normal Government Environmental Regulations. The Group is at all times in full environmental compliance with the conditions of its licences.

### SHARE OPTIONS
As at the date of this report, there were 131,775,000 unissued ordinary shares under options (147,108,334 at the reporting date). The details of the options at the date of this report are as follows:

| Number | Exercise Price $ | Expiry Date |
|---:|---:|---:|
| 20,000,000 | $0.035 | 30 June 2015 |
| 775,000 | $0.12 | 30 September 2013 |
| 1,000,000 | $0.12 | 27 November 2013 |
| 10,000,000 | $0.02 | 1 July 2014 |
| 100,000,000 | $0.035 | 31 December 2013 |
| **131,775,000** | | |

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

15,333,334 unlisted options exercisable at $0.015 expired on 21 July 2013. 190,584,803 listed options exercisable at $0.015 expired on 31 December 2012. 110,014,684 options were exercised during the financial year.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS
The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporation Act 2001. The indemnification specifically excludes wilful acts of negligence. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities.

The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

### DIRECTORS' MEETINGS
During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

| Director | Number of Meetings Eligible to Attend | Number of Meetings Attended |
|---|:---:|:---:|
| Brian McMaster | 1 | 1 |
| Matthew Wood | 1 | 1 |
| Jonathan Hart | 1 | 1 |
| Emma Rasolovoahangy | 1 | - |
| Robert Wrixon | 1 | 1 |
| Timothy Flavel | 1 | 1 |
| Mark Arundell | - | - |

### PROCEEDINGS ON BEHALF OF 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.

### CORPORATE GOVERNANCE
In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Caravel Energy Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Caravel Energy is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior listed resources company.

During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's Corporate Governance Statement and disclosures are contained elsewhere in the annual report.

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES
Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Caravel Energy with an Independence Declaration in relation to the audit of the full year financial report. A copy of that declaration is included at page 8 of this report. There were no non-audit services provided by the Company's auditor.

**AUDITED REMUNERATION REPORT**

This report outlines the remuneration arrangements in place for directors and executives of Caravel Energy Limited in accordance with the requirements of the *Corporation Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

**Details of Key Management Personnel**

| | |
|---|---|
| Mr. Brian McMaster | Executive Chairman |
| Mr. Matthew Wood | Non-Executive Director |
| Dr. Emma Rasolovoahangy | Executive Director (appointed 15 November 2012) |
| Mr. Jonathan Hart | Executive Director (resigned 3 September 2012) |
| Dr. Robert Wrixon | Non-Executive Director (appointed 15 November 2012, resigned 3 September 2012) |
| Mr. Timothy Flavel | Non-Executive Director (resigned 3 September 2012) |
| Mr. Mark Arundell | Executive Director (resigned 11 September 2012) |

**Remuneration Policy**

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter. Due to the current size of the Company and number of directors, the board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted.

The table below shows the performance of the Group as measured by loss per share since 2008:

| **As at 30 June** | **2013** | **2012** | **2011** | **2010** | **2009** | **2008** |
|---|---|---|---|---|---|---|
| Loss per share (cents)* | (0.35) | (0.42) | (0.24) | (0.40) | (3.47) | (5.56) |

* The right issue in December 2010 was performed at a discounted price. The number of shares used for the loss per share calculation in prior years was adjusted using an adjustment factor of 1.05 times for comparative purposes.

Details of the nature and amount of each element of the emolument of each Director and Executive of the Company for the financial year are as follows:

| **2013** | Short Term | | Share Based | Post employment | | Total |
|---|---|---|---|---|---|---|
| **Directors** | Base Salary & Fees $ | Consulting Fees $ | Payments (Shares & Options) $ | Superannuation $ | Termination Payment $ | $ |
| Brian McMaster | - | 84,000 | 38,208 | - | - | 122,208 |
| Matthew Wood | - | 80,000 | - | - | - | 80,000 |
| Jonathan Hart[4] | - | 91,000 | - | - | - | 91,000 |
| Emma Rasolovoahangy[1] | - | 188,967 | - | - | - | 188,967 |
| Robert Wrixon[3] | - | - | - | - | - | - |
| Timothy Flavel[4] | - | 63,000 | - | - | - | 63,000 |
| Mark Arundell[2] | - | 15,000 | - | - | - | 15,000 |
| Total | **-** | **521,967** | **38,208** | **-** | **-** | **560,175** |

[1] Dr Emma Rasolovoahangy appointed 15 November 2012
[2] Mr Mark Arundell resigned 11 September 2012
[3] Dr Robert Wrixon appointed 15 November 2012, resigned 3 September 2013
[4] Mr Jonathan Hart and Mr Timothy Flavel resigned 3 September 2013

| **2012** | Short Term | | Share Based | Post employment | | Total |
|---|---|---|---|---|---|---|
| **Directors** | Base Salary & Fees $ | Consulting Fees $ | Payments (Shares & Options) $ | Superannuation $ | Termination Payment $ | $ |
| Matthew Wood | - | 120,000 | 45,387 | - | - | 165,387 |
| Timothy Flavel | - | 100,000 | 45,387 | - | - | 145,387 |
| Mark Arundell | - | 75,000 | 54,465 | - | - | 129,465 |
| Brian McMaster | - | 144,000 | 45,387 | - | - | 189,387 |
| Jonathan Hart | - | 32,000 | 90,774 | - | - | 122,774 |
| Total | **-** | **471,000** | **281,400** | **-** | **-** | **752,400** |

There were no other executive officers of the Company during the financial years ended 30 June 2013 and 30 June 2012. There were no remuneration based options issued during the year ended 30 June 2013.

**Executive Directors**
The Executive Directors, Mr. Brian McMaster, Mr Matthew Wood and Dr Emma Rasolovoahangy are paid a consulting fee on a monthly basis. Their services may be terminated by either party at any time.

The aggregate remuneration for non-executive directors has been set at an amount not to exceed $150,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

**Service Agreements**
The Company has a service agreement for certain administrative services and office space for a term of two years with Garrison Capital Pty Ltd, a company of which Mr. Wood and Mr. McMaster are Director's. The Company is required to give three months written notice to terminate the agreement.

**Loans to Directors and Executives**
There were no loans to directors and executives during the financial year ending 30 June 2013.

**Voting and comments made at the company's 2012 Annual General Meeting**
Caravel Energy Limited received more than 99% of "yes" votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**END OF AUDITED REMUNERATION REPORT**

Signed on behalf of the board in accordance with a resolution of the Directors.

**Brian McMaster**
Chairman
30 September 2013

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# Auditor's Independence Declaration to the Directors of Caravel Energy Limited

In relation to our audit of the financial report of Caravel Energy Limited for the financial 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.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
30 September 2013

The Board of Directors of Caravel Energy Limited ("Caravel Energy" or "the Company") is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company has established a set of corporate governance policies and procedures and these can be found within the Company's Corporate Governance Plan and Trading Policy located on the Company's website www.copperrange.com.au. These are based on the Australian Securities Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the year. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. To further this, the Company's Trading Policy can also be found on the Company's website as can the full Corporate Governance Statement detailing all the Councils amendments which are effective 1 January 2011, including diversity, and the Company's compliance or non-compliance with these principles.

**Structure of the Board**

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an Independent Director:

"An Independent Director is a Director who is not a member of management, is a Non-executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Law) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Company member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another Company member;
- is not a significant consultant, supplier or customer of the Company or another Company member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another Company member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company."

In accordance with the definition of independence above, the Company does not have an Independent Director. Accordingly, a majority of the board is not considered independent.

There are procedures in place, as agreed by the board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the company's expense. The term in office held by each Director in office at the date of this report is as follows:

| Name | Term in office |
|---|---|
| Matthew Wood | 4 years, 3 months |
| Brian McMaster | 1 year, 9 months |
| Emma Rasolovoahangy | 10 months |

**Nomination Committee**

The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. At such time when the Company is of sufficient size a separate Nomination Committee will be formed.

**Audit and Risk Management Committee**

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function of the Committee will be undertaken by the full Board in accordance with the policies and procedures outlined in the Audit and Risk Management Committee Charter. At such time when the Company is of sufficient size a separate Audit and Risk Management Committee will be formed.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both 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 and non financial-information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control of the Company.

**Performance**

The Board of Caravel Energy conducts its performance review of itself on an ongoing basis throughout the year. The small size of the company and hands on management style requires an increased level of interaction between directors and executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Company.

**Remuneration**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. The Company does not link the nature and amount of executive and directors' emoluments to the Company's financial and operational performance. For details of remuneration of Directors and Executives please refer to the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for executive directors. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Company, has not formed a separate Committee. Instead the function is undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Company is of sufficient size a separate Remuneration Committee will be formed. There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

**Diversity Policy**

The Company is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its Directors, officers and employees, to enhance Company performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees.

In accordance with this policy, the Board provides the following information pertaining to the proportion of women across the organisation at the date of this report.

| | Actual | |
|---|---|---|
| | **Number** | **Percentage** |
| Women in the whole organisation | 1 | 25% |
| Women in senior executive positions | 1 | 25% |
| Women on the board | 1 | 33% |

**Trading Policy**

Under the Company's securities trading policy, an executive or director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Managing Director to do so and a Director must first obtain approval of the Chairman. Only in exceptional circumstances will approval be forthcoming inside of the period commencing on the tenth day of the month in which the Company is required to release its Quarterly Activities Report and Quarterly Cashflow Report and ending two days following the date of that release.

**Risk**

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving the risk management strategy and policies, internal compliance and internal control.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the CFO, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

**Finance Director and Managing Director**

In accordance with section 295A of the Corporations Act, the Finance Director and Managing Director have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal control compliance and control which implements the financial policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the Finance Director and Managing Director can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

**Shareholder Communication Policy**
Pursuant to Principle 6, the Company's objective is to promote effective communication with its shareholders at all times.

Caravel Energy Limited is committed to:
- Ensuring that shareholders and the financial markets are provided with full and timely information
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:
- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on the Company's website: www.copperrange.com.au.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

**Corporate Governance Compliance**
During the financial year Caravel Energy has complied with each of the 8 Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

| Best Practice Recommendation | Notification of Departure | Explanation of Departure |
|---|---|---|
| 2.1 | The Company does not have a majority of independent directors | The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company. |
| 2.2 | The Chairman is not an independent director | The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company. |
| 2.4 | The Group does not have a Nomination Committee | The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board. |
| 3.3 | The Company has not disclosed in its annual report its measurable objectives for achieving gender diversity and progress towards achieving them. | The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company as disclosed above. Due to the size of the Company and its small number of employees, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity. |
| 4.1 and 4.2 | The Group does not have an Audit and Risk Management Committee | The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board. |
| 8.1 | The Group does not have a Remuneration Committee | The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board. |

## Consolidated Statement of Comprehensive Income *for the year ended 30 June 2013*

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| Interest income | | 20,955 | 92,818 |
| Other income | | 1,000 | - |
| | | | |
| Serviced office and outgoings | | (120,000) | (120,000) |
| Exploration expenditure | | (96,814) | (807,235) |
| Listing and share registry expenses | | (46,496) | (42,761) |
| Professional and consulting fees | | (673,678) | (482,733) |
| Share based payments | | (38,208) | (108,792) |
| Foreign exchange gain | | 14,356 | - |
| Share of losses of associates accounted for using the equity method | 8 | (1,459,247) | (4,080) |
| Accrued interest | | (139,726) | - |
| Net loss on sale of available for sale shares | | - | (7,851) |
| Other expenses | | (162,485) | (280,048) |
| **Loss before income tax** | | **(2,700,343)** | **(1,760,682)** |
| | | | |
| Income tax expense | 4 | - | - |
| **Loss after income tax** | | **(2,700,343)** | **(1,760,682)** |
| | | | |
| **Net loss for the year** | | **(2,700,343)** | **(1,760,682)** |
| | | | |
| **Other Comprehensive Income** | | | |
| Net fair value gain on available for sale financial assets net of tax | 13 | - | 20,935 |
| Share of foreign currency translation reserve of equity accounted investment | 8 | 498,518 | - |
| Foreign currency translation | | 826 | 190 |
| **Other comprehensive gain for the year, net of tax** | 13 | 499,344 | 21,125 |
| **Total comprehensive loss for the year** | | **(2,200,999)** | **(1,739,557)** |
| | | | |
| **Loss per share** | | | |
| Basic loss per share (cents) | 19 | (0.35) | (0.42) |
| Diluted loss per share (cents) | 19 | (0.35) | (0.42) |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position *as at 30 June 2013*

| | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 682,158 | 643,698 |
| Other receivables | 6 | 14,100 | 59,118 |
| Other current assets | 7 | - | 5,544 |
| **Total Current Assets** | | **696,258** | **708,360** |
| | | | |
| **Non-Current Assets** | | | |
| Investment in an associate | 8 | 7,011,246 | 5,089,007 |
| Other receivables | 9 | - | 516,009 |
| **Total Non-Current Assets** | | **7,011,246** | **5,605,016** |
| | | | |
| **Total Assets** | | **7,707,504** | **6,313,376** |
| | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 10 | 741,035 | 433,549 |
| Borrowings | 11 | 1,500,000 | - |
| **Total Current Liabilities** | | **2,241,035** | **433,549** |
| | | | |
| **Total Liabilities** | | **2,241,035** | **433,549** |
| | | | |
| **Net Assets** | | **5,466,469** | **5,879,827** |
| | | | |
| **Equity** | | | |
| Issued capital | 12 | 20,994,255 | 19,245,319 |
| Reserves | 13 | 2,255,545 | 1,717,496 |
| Accumulated losses | 14 | (17,783,331) | (15,082,988) |
| **Total Equity** | | **5,466,469** | **5,879,827** |

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

## Consolidated Statement of Cash Flows *for the year ended 30 June 2013*

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (1,087,171) | (963,597) |
| Payments for exploration expenditure | | (96,814) | (761,470) |
| Interest received | | 20,955 | 92,818 |
| Interest paid | | - | (138) |
| **Net cash used in operating activities** | 5 | **(1,163,030)** | **(1,632,387)** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of subsidiary | | 1,000 | - |
| Proceeds from sale of available for sale financial assets | | - | 13,084 |
| Payments for investment in an associate | | (2,048,943) | (3,836,709) |
| **Net cash provided by investing activities** | | **(2,047,943)** | **(3,823,625)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 1,500,000 | **-** |
| Proceeds from issue of shares | | 1,795,717 | 3,303,386 |
| Payments for share issue costs | | (46,284) | - |
| **Net cash provided by financing activities** | | **3,249,433** | **3,303,386** |
| Net increase/(decrease) in cash held | | 38,460 | (2,152,626) |
| Cash and cash equivalents at beginning of the year | | 643,698 | 2,796,324 |
| **Cash and cash equivalents at end of the financial year** | 5 | **682,158** | **643,698** |

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

## Consolidated Statement of Changes in Equity *for the year ended 30 June 2013*

| | Issued capital $ | Accumulated losses $ | Option reserve $ | Foreign currency translation reserve $ | Available for sale financial asset reserve $ | Share based payment reserve $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2012** | **19,245,319** | **(15,082,988)** | **1,612,822** | **(4,118)** | **-** | **108,792** | **5,879,827** |
| Loss for the year | - | (2,700,343) | - | - | - | - | (2,700,343) |
| Other comprehensive income | - | - | - | 499,344 | - | - | 499,344 |
| **Total comprehensive loss for the year** | - | (2,700,343) | - | 499,344 | - | - | (2,200,999) |
| | | | | | | | |
| **Transactions with owners in their capacity as owners** | | | | | | | |
| Conversion of listed options | 1,650,220 | - | - | - | - | - | 1,650,220 |
| Conversion of unlisted options | 145,000 | - | - | - | - | - | 145,000 |
| Option funds received, options not yet allotted | - | - | 497 | - | - | - | 497 |
| Share based payments | - | - | - | - | - | 38,208 | 38,208 |
| Costs of issue | (46,284) | - | - | - | - | - | (46,284) |
| **Balance at 30 June 2013** | **20,994,255** | **(17,783,331)** | **1,613,319** | **495,226** | **-** | **147,000** | **5,466,469** |

| | Issued capital $ | Accumulated losses $ | Option reserve $ | Foreign currency translation reserve $ | Available for sale financial asset reserve $ | Share based payment reserve $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2011** | **14,961,631** | **(13,322,306)** | **1,249,724** | **(4,308)** | **(20,935)** | **-** | **2,863,806** |
| Loss for the year | - | (1,760,682) | - | | - | - | (1,760,682) |
| Other comprehensive income | - | - | - | 190 | 20,935 | - | 21,125 |
| **Total comprehensive loss for the year** | - | (1,760,682) | - | 190 | 20,935 | - | (1,739,557) |
| | | | | | | | |
| **Transactions with owners in their capacity as owners** | | | | | | | |
| Equity issued by placement | 3,300,000 | - | - | - | - | - | 3,300,000 |
| Equity issued by entitlement issue | 3,386 | - | - | - | - | - | 3,386 |
| Conversion of listed options | 1,583,333 | - | - | - | - | - | 1,583,333 |
| Share based payments | - | - | - | - | - | 108,792 | 108,792 |
| Costs of issue | (603,031) | - | 363,098 | - | - | - | (239,933) |
| **Balance at 30 June 2012** | **19,245,319** | **(15,082,988)** | **1,612,822** | **(4,118)** | **-** | **108,792** | **5,879,827** |

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

**1. Corporate Information**

The financial report of Caravel Energy Limited ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 30 September 2013.

Caravel Energy Limited is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

**2. Summary of Significant Accounting Policies**

**(a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for available for sale financial assets carried at fair value. The presentation currency is Australian dollars.

**Going Concern**

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss after tax for the year ended 30 June 2013 of $2,700,343 and experienced net cash outflows from operating activities of $1,163,030 and net cash outflows for investing activities of $2,047,943. At 30 June 2013, the Group had a net current liability position of $1,544,777. On 13 June 2013, Directors Tim Flavel, Brian McMaster and Matthew Wood resolved that they would withhold accrued directors fees as at 30 June 2013 and all future director fees until such time that the group is in a financial position that enables the payment of the fees. The cash and cash equivalents balance at the date of issuing this report is $352,735. The Directors recognise the need to raise additional funds via equity raisings for future exploration activities.

In June 2012 the Group entered into a share sale and shareholders agreement to acquire up to an 80% interest in Petromad (Mauritius) Limited which owns the Behaza Oil Project. Under this agreement, the Group will earn a staged interest in Petromad by sole funding expenditure to satisfy the various exploration phases of the project. The Phase 1 exploration programme will require the Group to spend up to US $5 million over a 24 month period in order to increase its ownership interest in Petromad to 51%. The following phases will require the Group to spend up to US $9 million with a final payment of either US $20 million in cash or shares in the Group if it is determined there exists hydrocarbon reserves of at least 100 million barrels of oil. In the event that the Group is unable to complete Phase 1 exploration funding of US $5 million, it will forfeit all of its rights to earn any further interest in Petromad. In order to fund the Phase 1 exploration programme and subsequent expenditure, the Group is required to raise additional funding.

The Directors are currently assessing options for additional funding. Funds raised under future capital raising will be used to fund the acquisition and interpretation of the remaining stage 2 seismic data, to integrate this data with the existing 2D data set, prepare for a drilling programme and general working capital in relation to the Company's interest in the Bezaha Oil Project.

In considering the above, the directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing additional funds through an equity issue.

Should the Group not achieve the matters set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

**(b) Compliance Statement**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

**(c) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Caravel Energy Limited ('the Company') and its subsidiaries as at 30 June each year ('the Group').

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

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

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

The acquisition of subsidiaries prior to 2009 were accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

**(d) New accounting standards and interpretations issued not yet effective**

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2013:

| Reference | Title | Summary | Impact on Group's financial report | Application date for Group |
|---|---|---|---|---|
| AASB 9 | Financial Instruments | AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.<br>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.<br>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.<br>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.<br>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.<br>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:<br>► The change attributable to changes in credit risk is presented in other comprehensive income (OCI)<br>► The remaining change is presented in profit or loss<br>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.<br>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. | The Company has considered these standards and determined that there is no material impact on the Company's financial statements. | 1 July 2013 |
| AASB 10 | Consolidated Financial Statements | AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.*<br><br>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.<br><br>Consequential amendments were also made to other standards via AASB 2011-7. | The Company has considered these standards and determined that there is no material impact on the Company's financial statements. | 1 July 2013 |
| AASB 12 | Disclosure of Interests in Other Entities | AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and | The Company has considered these standards and determined that there is no material impact | 1 July 2013 |

| Reference | Title | Summary | Impact on Group's financial report | Application date for Group |
|---|---|---|---|---|
| | | structured entities and subsidiaries with non-controlling interests. | on the Company's financial statements. | |
| AASB 13 | Fair Value Measurement | AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.<br><br>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.<br><br>Consequential amendments were also made to other standards via AASB 2011-8. | The Company has considered these standards and determined that there is no material impact on the Company's financial statements. | 1 July 2013 |
| AASB 124 | Related Party Disclosures | AASB 124 establishes guidance for disclosure of related party transactions and outstanding balances that could impact on an entity's financial position and profit or loss. The amendment removes the disclosure requirements for individual key management personnel. The adoption of these amendments will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. | The Company has considered these standards and determined that there is no material impact on the Company's financial statements. | 1 July 2013 |

The Group has not elected to early adopt any new Standards or Interpretations

**Changes in accounting policies and disclosures**
In the year ended 30 June 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

**(e) Foreign Currency Translation**

*(i) Functional and presentation currency*
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Caravel Energy Limited is Australian dollars. The functional currency of the overseas subsidiaries is Brazilian Reals.

*(ii) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

*(iii) Group entities*
The results and financial position of all the entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to foreign currency translation reserve.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

**(f) Plant and Equipment**
Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

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 Company and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

*Depreciation*
The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

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

| *Class of Fixed Asset* | *Depreciation Rate* |
|---|---|
| Plant and equipment | 15-25 % |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

*Derecognition*
Plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of comprehensive income.

**(g) Impairment of non financial assets other than goodwill**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, it makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group and the asset's value in use cannot be estimated to be close to its fair value.

In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in the statement of comprehensive income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(h) Exploration expenditure**

Exploration and evaluation expenditure is charged against earnings as incurred.

Exploration and evaluation expenditure is allocated separately to specific areas of interest. Each area of interest is limited to a size related to a known or probable Mineral Resource capable of supporting a mining operation. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest.

Costs related to the acquisition of properties are allocated separately to specific areas of interest. Capitalised amounts for an area of interest may be written down if discounted future cash flows related to the area of interest are projected to be less than its carrying value.

**(i) Other Receivables**

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Intercompany loans are impaired based on the ability of the subsidiaries to generate future cash flows to repay the loans.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(j) Cash and Cash Equivalents**

Cash and cash equivalents in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above and bank overdrafts.

**(k) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(l) Trade and other payables**

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group.

**(m) Income Tax**

The income tax expense for the period is based on the profit/loss for the year adjusted for any non-assessable or non-deductible items. It is calculated using the tax rates for each jurisdiction that have been enacted or are substantially enacted by the balance date.

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

No deferred income tax liabilities or assets will be recognised in respect of temporary differences between the carrying value and tax bases of investments in controlled entities if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Current and deferred income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Caravel Energy Limited and its controlled entity Copper Range (SA) Pty Limited have formed an income tax consolidated group under the tax consolidation regime. The group notified the Australian Tax Office that it had formed an income tax Economic Entity to apply from 30 March 2006. Each entity recognises its own current and deferred tax assets/liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the Caravel Energy Limited ("Parent Entity"). The current tax liability of each group entity is then subsequently assumed by the Parent Entity. The tax consolidated group has entered a tax sharing agreement whereby each Company in the group contributes to the income tax payable in proportion to their contribution to the net profit/(loss) before tax of the tax consolidated group.

**(n) 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.

**(o) Revenue**

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

*Interest income*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**(p) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Caravel Energy Limited.

**(q) Investments in controlled entities**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent to the initial measurement, investments in controlled entities are carried at cost less accumulated impairment losses.

**(r) Investment in Associates**

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised. Details of the Group's investments in associates are provided in note 8.

**(s) Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

*Diluted earnings per share*

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

**(t) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian 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.

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

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which is receivable from or payable to the ATO, are disclosed as operating cash flows.

**(u) Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are due to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**(v) Financial Assets**

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*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 stated at amortised cost using the effective interest rate method.

*Held-to-maturity investments*
These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

*Available-for-sale financial assets*
Available-for-sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Statement of comprehensive income.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date.

**(w) Financial liabilities**
Non-derivative financial liabilities are initially recognized at fair value net of directly attributable transaction costs. On subsequent measurement, non-derivative financial liabilities are measured at amortised cost using the effective interest method.

**(x) Share based payment transactions**
The Group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 21.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Caravel Energy Limited ('market conditions'). The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 19).

**(y) Critical accounting estimates and judgements**
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Share based payment transactions*
The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 21.

*Investment in associate*
The Group assesses the investment in associate each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the investment in associate.

## 3. Segment Information

For management purposes, the Group is organised into one main operating segment, which involves mining exploration for phosphate, iron ore and copper. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. Total revenue earned by the Group and its non-current assets reside in Australia and Madagascar.

## 4. Income Tax

### (a) Income tax expense

| | 2013 $ | 2012 $ |
|---|---|---|
| Major component of tax expense for the year: | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | **-** | **-** |

### (b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:

| | 2013 $ | 2012 $ |
|---|---|---|
| Loss from continuing operations before income tax expense | (2,700,343) | (1,739,747) |
| Tax at the group rate of 30% (2012: 30%) | (810,103) | (521,924) |
| Income tax benefit not brought to account | 810,103 | 521,924 |
| Income tax expense | **-** | **-** |

### (c) Deferred tax

The following deferred tax balances have not been bought to account:

| | 2013 $ | 2012 $ |
|---|---|---|
| *Liabilities* | | |
| Deferred tax liability recognised | - | - |
| *Assets* | | |
| Losses available to offset against future taxable income | 4,340,662 | 4,117,650 |
| Share issue costs deductible over five years | 244,251 | 338,109 |
| Accrued expenses | 15,932 | 42 |
| Deferred tax asset not recognised | **4,600,845** | **4,455,801** |

### (d) Unrecognised deferred tax assets

| | 2013 $ | 2012 $ |
|---|---|---|
| Unrecognised deferred tax assets | **4,340,662** | **4,117,650** |

The benefit for tax losses will only be obtained if:

(i) the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
(ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia, and
(iii) no changes in tax legislation in Australia, adversely affect the Company in realising the benefit from the deductions for the losses.

### (e) Tax consolidation

Caravel Energy Limited and its 100% owned Australian resident subsidiary formed a tax consolidated group with effect from 30 March 2006. Caravel Energy is the head entity of the tax consolidated group. Members of the group have entered into a Separate Taxpayer within a Group approach, based on a full tax funding arrangement. No amounts have been recognised in the financial statements in respect of this agreement because the possibility of default is remote.

## 5. Cash and Cash Equivalents

| | 2013 $ | 2012 $ |
|---|---|---|
| Cash comprises of: | | |
| Cash at bank | **682,158** | **643,698** |

**Reconciliation of operating loss after tax to net the cash flows from operations**

| | 2013 $ | 2012 $ |
|---|---|---|
| Loss from ordinary activities after tax | (2,700,343) | (1,739,747) |
| ***Non-cash items*** | | |
| Profit on sale of available for sale financial assets | - | (13,084) |
| Accrued interest | 139,726 | |
| Share based payment | 38,208 | 108,792 |
| Share of associates' net losses | 1,459,247 | 4,080 |
| Profit on sale of shares | (1,000) | - |
| FX (gains)/losses | (14,356) | 190 |
| ***Change in assets and liabilities*** | | |
| Trade and other receivables | (50,068) | (46,415) |
| Trade and other payables | (34,444) | 34,776 |
| Available for sale assets | - | 19,021 |
| **Net cash outflow from operating activities** | **(1,163,030)** | **(1,632,387)** |

## 6. Other Receivables – Current

| | 2013 $ | 2012 $ |
|---|---|---|
| GST receivable | 14,100 | 58,624 |
| Other receivables | - | 494 |
| | **14,100** | **59,118** |

Other debtors and goods and services tax are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

## 7. Other current assets

| | 2013 $ | 2012 $ |
|---|---|---|
| Prepayments | **-** | **5,544** |

## 8. Investment in an associate

| | 2013 $ | 2012 $ |
|---|---|---|
| Investment in associate: | | |
| Investment in Petromad (Mauritius) Limited | **7,011,246** | **5,089,007** |

The Group holds an investment in Petromad (Mauritius) Limited (Petromad) which is the licence holder of Concession Block 3114 located in the Morondava Oil Basin in Southern Madagascar. The carrying amount of the investment is accounted for under the equity method. The Group has a 25% interest in Petromad at 30 June 2013 (2012: 25%).

| | 2013 $ | 2012 $ |
|---|---|---|
| **Share of associate statement of financial position** | | |
| Current assets | 1 | 1 |
| Non-current assets | 5,677,496 | 156,025 |
| | 5,677,497 | 156,026 |
| Current liabilities | 738,181 | 221 |
| Non-current liabilities | 109,483 | 307,594 |
| | 847,664 | 307,815 |
| Net Assets | **4,829,833** | **(151,789)** |
| **Share of associate statement of comprehensive income** | | |
| Comprehensive loss for the period | **(1,459,247)** | **(4,080)** |

| | 2013 $ | 2012 $ |
|---|---|---|
| **Reconciliation of movement in carrying amount of investment in associate** | | |
| Balance at the beginning of period | 5,089,007 | - |
| Cost of investment in associate | 2,882,968 | 5,093,087 |
| Share of loss from associate | (1,459,247) | (4,080) |
| Share of foreign currency translation reserve of associate | 498,518 | - |
| Carrying amount of investment in associate | **7,011,246** | **5,089,007** |

## 9. Other Receivables – Non-Current

| | 2013 $ | 2012 $ |
|---|---|---|
| Other receivables | **-** | **516,009** |

Other receivables balance relates to loans made to Petromad, an associate of the Group, for expenses incurred in relation to the Bezaha Oil Project (Concession Block 3114), located in southern Madagascar.

## 10. Trade and Other Payables

| | 2013 $ | 2012 $ |
|---|---|---|
| Trade payables | 527,309 | 410,519 |
| Accruals | 74,000 | 20,895 |
| Interest payable | 139,726 | - |
| Other payables | - | 2,135 |
| | **741,035** | **433,549** |

## 11. Borrowings – Current

| | | |
|---|---|---|
| Loans payable | **1,500,000** | **-** |

Caravel Energy has entered into unsecured loan agreements with Parimont Global Limited and Celtic Capital Pty Ltd, both unrelated parties, which provides the Company with loan facilities totalling $1,500,000. The loans have been fully drawn down, and the funds used to fund past exploration activities and for general working capital purposes.

The Loan Agreements are unsecured and are for a period of 120 days. The Company has the option to rollover the Loan Agreements for a total of two further consecutive periods of 120 days with a final maturity date being 365 days from first drawn down date.

The loan principal is to be repaid in cash on the final maturity date. The interest payable under the Loan Agreements will be by way of issue of fully paid ordinary shares in the Company. The amount of interest payable is determined by a formula based on the number of days that the loan has remained outstanding.

## 12. Issued Capital

### (a) Issued and paid up capital

| | | |
|---|---|---|
| Ordinary shares fully paid | **20,994,255** | **19,245,319** |

### (b) Movements in shares on issue

| | 2013 Number of shares | 2013 $ | 2012 Number of shares | 2012 $ |
|---|---|---|---|---|
| Opening balance | 706,157,758 | 19,245,319 | 492,598,686 | 14,961,631 |
| Shares issued pursuant to placement | - | - | 150,000,000 | 3,300,000 |
| Shares issued to acquire interest in associate | - | - | 63,333,334 | 1,583,333 |
| Conversion of listed options | 110,014,684 | 1,650,220 | 225,738 | 3,386 |
| Conversion of unlisted options | 9,666,666 | 145,000 | - | - |
| Costs of issue | - | (46,284) | - | (603,031)[1] |
| Closing balance | **825,839,108** | **20,994,255** | **706,157,758** | **19,245,319** |

[1] Costs of issue in 2012 includes the non-cash value of options granted to suppliers valued at $363,098 using the Black-Scholes option pricing model. Refer to note 21(c).

### (c) Ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

### (d) Capital risk management

The Group's capital comprises share capital, reserves less accumulated losses amounting to a net equity of $5,466,469 at 30 June 2013 (2012: $5,879,827). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Group was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 20 for further information on the Group's financial risk management policies.

### (e) Share options

As at the date of this report, there were 131,775,000 unissued ordinary shares under options (147,108,334 at the reporting date). The details of the options at the date of this report are as follows:

| Number | Exercise Price $ | Expiry Date |
|---|---|---|
| 20,000,000 | $0.035 | 30 June 2015 |
| 775,000 | $0.12 | 30 September 2013 |
| 1,000,000 | $0.12 | 27 November 2013 |
| 10,000,000 | $0.02 | 1 July 2014 |
| 100,000,000 | $0.035 | 31 December 2013 |
| **131,775,000** | | |

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

15,333,334 unlisted options exercisable at $0.015 expired on 21 July 2013. 190,584,803 listed options exercisable at $0.015 expired on 31 December 2012. 110,014,684 options were exercised during the financial year.

| | 2013 $ | 2012 $ |
|---|---|---|
| **13. Reserves** | | |
| Option reserve | 1,613,319 | 1,612,822 |
| Share based payments reserve | 147,000 | 108,792 |
| Foreign currency translation reserve | 495,226 | (4,118) |
| Available-for-sale financial asset reserve | - | - |
| | **2,255,545** | **1,717,496** |

**Movements in Reserves**

| | | |
|---|---|---|
| *Option reserve* | | |
| Opening balance | 1,612,822 | 1,249,724 |
| Option funds received, options not yet allotted | 497 | 363,098 |
| Closing balance | **1,613,319** | **1,612,822** |

The option reserve is used to record the value of share based payments provided to suppliers and to record the premium paid on the issue of listed options.

| | | |
|---|---|---|
| *Share based payment reserve* | | |
| Opening balance | 108,792 | - |
| Share based payments | 38,208 | 108,792 |
| Closing balance | **147,000** | **108,792** |

The share based payment reserve is used to record the value of share based payments provided to directors and employees, including Key Management Personnel.

| | | |
|---|---|---|
| *Foreign currency translation reserve* | | |
| Opening balance | (4,118) | (4,308) |
| Foreign currency translation | 499,344 | 190 |
| Closing balance | **495,226** | **(4,118)** |

The Foreign Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 2(e). The reserve is recognised in profit and loss when the net investment is disposed of.

| | | |
|---|---|---|
| *Available-for-sale financial asset reserve* | | |
| Opening balance | - | (20,935) |
| Transfer of reserve to profit and loss | - | 20,935 |
| Closing balance | **-** | **-** |

The available-for-sale financial asset reserve is used to record movements in the fair value of available-for-sale financial assets.

| | | |
|---|---|---|
| **14. Accumulated losses** | | |
| Opening balance | (15,082,988) | (13,322,306) |
| Loss for the year | (2,700,343) | (1,760,682) |
| Closing balance | **(17,783,331)** | **(15,082,988)** |

**15. Expenditure Commitments**

The Group entered a service agreement for certain administrative services and office space for a term of two years. The Group is required to give three months written notice to terminate the agreement

| | | |
|---|---|---|
| Within one year | 120,000 | 120,000 |
| After one year but not longer than 5 years | 120,000 | - |
| | **240,000** | **120,000** |

**16. Auditors Remuneration**

The auditor of Caravel Energy Limited is Ernst & Young (Australia)

Amounts received or due and receivable by Ernst & Young (Australia) for:

| | | |
|---|---|---|
| - an audit or review of the financial report of the entity and any other entity in the Consolidated group | **29,000** | **30,450** |

**17. Key Management Personnel Disclosures**

**(a) Details of Key Personnel**

| | |
|---|---|
| Mr. Brian McMaster | Executive Chairman |
| Mr. Matthew Wood | Non-Executive Director |
| Dr. Emma Rasolovoahangy | Executive Director (appointed 15 November 2012) |
| Mr. Timothy Flavel | Executive Director (resigned 3 September 2013) |
| Mr. Jonathan Hart | Executive Director (resigned 3 September 2013) |
| Dr. Robert Wrixon | Executive Director (appointed 15 November 2012, resigned 3 September 2013) |
| Mr. Mark Arundell | Executive Director (resigned 11 September 2012) |

**(b) Remuneration of Key Management Personnel**

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

| | 2013 $ | 2012 $ |
|---|---|---|
| Short term employee benefits | 521,967 | 471,000 |
| Share based payments | 38,208 | 281,400 |
| Total remuneration | **560,175** | **752,400** |

**(c) Shareholdings of Key Management Personnel**

*Share holdings*

The number of shares in the company held during the financial year held by each director of Caravel Energy Limited, including their personally related parties, is set out below. There were no shares granted during the year as compensation.

| 2013 | Balance at the start of the year | Granted during the year as compensation | On market purchase | Exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|---|
| Mr. B McMaster | 4,178,476 | - | - | 3,333,333 | - | 7,511,809 |
| Mr. T Flavel[4] | 11,028,561 | - | - | 8,411,425 | (19,439,986) | - |
| Mr. J Hart[4] | 1,032,124 | - | 833,333 | - | (1,865,457) | - |
| Dr. E Rasolovoahangy[1] | - | - | - | - | 50,000,000 | 50,000,000 |
| Dr. R Wrixon[3] | - | - | - | - | - | - |
| Mr. M Wood | 31,638,728 | - | 8,609,118 | 10,000,000 | - | 50,247,846 |
| Mr. M Arundell[2] | 558,334 | - | - | | (558,334) | - |

[1] Dr. Emma Rasolovoahangy appointed 15 November 2012
[2] Mr. Mark Arundell resigned 11 September 2012
[3] Dr. Robert Wrixon appointed 15 November 2012, resigned 3 September 2013
[4] Mr. Jonathan Hart and Mr. Timothy Flavel resigned 3 September 2013

| 2012 | Balance at the start of the year | Granted during the year as compensation | On market purchase | Exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|---|
| Mr. M Wood | 22,638,728 | - | 9,000,000 | - | | 31,638,728 |
| Mr. T Flavel | 11,028,561 | - | - | - | - | 11,028,561 |
| Mr. M Arundell | 268,334 | - | 290,000 | - | - | 558,334 |
| Mr. B McMaster | - | - | 845,143 | - | 3,333,333 | 4,178,476 |
| Mr. J Hart | - | - | 1,032,124 | - | - | 1,032,124 |

All other changes refer to shares purchased or sold directly or indirectly by Key Management Personnel.

All equity transactions with key management personnel other than arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

**(d) Option holdings of Key Management Personnel**

The numbers of options over ordinary shares in the company held during the financial year by each director of Caravel Energy Limited and specified executive of the Group, including their personally related parties, are set out below:

| 2013 | Balance at the start of the year | Granted during the year as compensation | Exercised during the year | Other changes during the Year | Balance at the end of the year | Vested options Exercisable | Vested options Non-exercisable |
|---|---|---|---|---|---|---|---|
| Mr. B McMaster | 15,833,333 | - | (3,333,333) | - | 12,500,000 | 12,500,000 | - |
| Mr. T Flavel[4] | 10,911,425 | - | (8,411,425) | (2,500,000) | - | - | - |
| Mr. J Hart[4] | 5,000,000 | - | - | (5,000,000) | - | - | - |
| Dr. E Rasolovoahangy[1] | - | - | - | - | - | - | - |
| Dr. R Wrixon[3] | - | - | - | - | - | - | - |
| Mr. M Wood | 20,166,668 | - | (10,000,000) | (7,666,668) | 2,500,000 | 2,500,000 | - |
| Mr. M Arundell[2] | 3,107,344 | - | - | (3,107,344) | - | - | - |

[1] Dr Emma Rasolovoahangy appointed 15 November 2012
[2] Mr Mark Arundell resigned 11 September 2012
[3] Dr Robert Wrixon appointed 15 November 2012, resigned 3 September 2013
[4] Mr Jonathan Hart and Mr Timothy Flavel resigned 3 September 2013
[5] Other changes during the year relate to directors no longer being Key Management Personnel during the year
[6] Other changes during the year relate to options expiring during the year

| 2012 | Balance at the start of the year | Granted during the year as compensation | Exercised during the year | Other changes during the year | Balance at the end of the year | Vested options Exercisable | Vested options Non-exercisable |
|---|---|---|---|---|---|---|---|
| Mr. M Wood | 17,666,668 | - | - | 2,500,000[1] | 20,166,668 | 20,166,668 | - |
| Mr. T Flavel | 8,411,425 | - | - | 2,500,000[1] | 10,911,425 | 10,911,425 | - |
| Mr. M Arundell | 107,344 | - | - | 3,000,000[1] | 3,107,344 | 3,107,344 | - |
| Mr. B McMaster | - | - | - | 15,833,333 | 15,833,333 | 5,833,333 | 10,000,000[3] |
| Mr. J Hart | - | 5,000,000[2] | - | - | 5,000,000 | 5,000,000 | - |

[1] Issued to Garrison Captial Pty Ltd (or its nominees) as part consideration for corporate advisory services provided by the company
[2] Granted for services provided in facilitating the acquisition of the Bezaha Oil Project
[3] The options granted are exercisable in two tranches: one half of the options vest and are exercisable on 1 July 2012 and one half of the options vest and are exercisable on 1 July 2013

**Other transactions with Key Management Personnel**

Garrison Capital Pty Ltd, a company of which Mr. Wood, Mr. McMaster and Mr. Flavel are directors, provided the Company with a fully serviced office including administration and information technology support totalling $120,000 (2012: $120,000) and reimbursement of payments for financial accounting fees, corporate advisory fees, courier and other minor expenses of $17,656 (2012: $86,464). $221,112 (2012: $66,599) was outstanding at year end.

Vega Funds Pty Ltd, a company of which Mr. McMaster is a Director, charged the Group consulting fees of $84,000 (2012: $144,000) during the year. $105,600 (2012: $12,000) was outstanding at year end.

Mineral Quest Pty Ltd, a company of which Mr. Wood is a related party, charged the Group consulting fees of $80,000 (2012: $120,000) and reimbursement of payments for secretarial and other expenses, at a cost of $9,643 (2012: $11,725) during the year. $105,435 (2012: $10,450) was outstanding at year end.

Warrior Consulting Pty Ltd, a company of which Mr. Flavel is a Director charged the Group consulting fees of $63,000 (2012: $100,000) during the year. $72,600 (2012: $8,000) was outstanding at year end.

Arundell Geoscience Pty Ltd, a company of which Mr. Arundell is a Director, charged the Group consulting fees consulting fees of $15,000 (2012: $75,000) during the year. Nil (2012: $5,000) was outstanding at year end.

Hartness Consulting Pty Ltd, a company of which Mr. Hart is a Director, charged the Group consulting fees of $91,000 (2012: $32,000) during the year. $3,300 (2012: $8,000) was outstanding at year end.

These transactions have been entered into under normal commercial terms and have been included in note 17(b) Remuneration of Key Management Personnel.

## 18. Related Party Disclosures

For Director related party transactions please refer to note 17 “Key Management Personnel Disclosures”.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 (c). Details of subsidiary companies are as follows:

| Name of Entity | Country of Incorporation | Equity Holding 2013 | Equity Holding 2012 |
|---|---|---|---|
| Copper Range (SA) Pty Ltd | Australia | 100% | 100% |
| Icon Gold Pty Limited | Australia | 100% | 100% |
| Brazphos Pty Limited | Australia | - | 100% |
| Atlantica Mineracao Ltda | Brazil | - | 100% |

There were no other related party transactions during the year.

## 19. Loss per Share

| | 2013 $ | 2012 $ |
|---|---|---|
| Loss used in calculating basic and dilutive EPS | (2,700,343) | (1,760,682) |
| | **Number of Shares** | |
| Weighted average number of ordinary shares used in calculating basic loss per share*: | 781,834,830 | 421,473,583 |
| **Effect of dilution:** | | |
| Share options | - | - |
| Adjusted weighted average number of ordinary shares used in calculating diluted loss per share*: | 781,834,830 | 421,473,583 |

* The right issue in December 2010 was performed at a discounted price. The number of shares used for the loss per share calculation in 2010 and in subsequent loss per share calculations was adjusted using an adjustment factor of 1.05 times for comparative purposes.

There is no impact from 147,108,334 options outstanding at 30 June 2013 (2012: 457,374,487 options) on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

**20. Financial Risk Management**

Exposure to interest rate, liquidity, commodity price risk, foreign currency risk and credit risk arises in the normal course of the Group's business. The Group does not hold or issue derivative financial instruments.

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

**(a) Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing our future capital needs include our cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. We expect that, absent a material adverse change in a combination of our sources of liquidity, present levels of liquidity along with future capital raising will be adequate to meet our expected capital needs.

*Maturity analysis for financial liabilities*

Financial liabilities of the Group comprise trade and other payables. As at 30 June 2013 and 30 June 2012, all financial liabilities are contractually matured within 60 days.

**(b) Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

| | **2013** **$** | **2012** **$** |
|---|---|---|
| Cash and cash equivalents | 682,158 | 643,698 |

**Interest rate sensitivity**

The following table demonstrates the sensitivity of the Group's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

| Judgements of reasonably possible movements | Effect on Post Tax Losses Increase/(Decrease) | |
|---|---|---|
| Increase 100 basis points | (6,822) | (6,437) |
| Decrease 100 basis points | 6,822 | 6,437 |

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends. The analysis was performed on the same basis in 2012.

**(c) Credit Risk Exposures**

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge and obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 30 June 2013, the Group held cash at bank. These were held with financial institution with a rating from Standard & Poors of AA or above (long term). The Group has no past due or impaired debtors as at 30 June 2013.

**21. Share Based Payment Plan**

**(a) Recognised share based payment transactions**

Share based payment transactions recognised as capital raising expenses in the equity during the year were as follows:

| | **2013** **$** | **2012** **$** |
|---|---|---|
| *Operating expenses* | | |
| Share based payments to consultants | 38,208 | 108,792 |
| *Capital raising expenses* | | |
| Share based payments to suppliers | - | 363,098 |

**(b) Share-based payment to consultants**

There were no options granted to consultants during the year ended 30 June 2013.

The table below summarises options granted to consultants during the year ended 30 June 2012:

| Grant Date | Expiry date | Exercise price | Balance at start of the period Number | Granted during the period Number | Exercised during the period Number | Forfeited during the period Number | Balance at end of the period Number | Exercisable at end of the period Number |
|---|---|---|---|---|---|---|---|---|
| 1/07/2011 | 1/07/2014 | $0.02 | - | 10,000,000 | - | - | 10,000,000 | 10,000,000 |
| Weighted remaining contractual life | | | | 1.0 | | | 1.0 | |
| Weighted average exercise price | | | | $0.02 | | | $0.02 | |

The weighted average of the fair value of the options issued at the grant date is $0.015.

The model inputs, not included in the table above, for options granted included:

(a) options are granted for no consideration with 50% vesting on 1 July 2012 and 50% vesting on 1 July 2013;
(b) Expected life of options had is 3 years;
(c) share price at grant date was $0.024;
(d) expected volatility ranging from 80% to 95%;
(e) expected dividend yield of Nil; and
(f) a risk free interest rate ranging from 4.92% to 5.01%.

**(c) Share-based payment to suppliers:**

There were no options granted to suppliers during the year ended 30 June 2013.

During the financial year ended 30 June 2012 the Group issued 20,000,000 Options under a Prospectus dated 25 May 2012. 15,000,000 of these Options were issued to the Corporate Adviser as part consideration for acting as Corporate Adviser to the offer pursuant to the Prospectus and 5,000,000 Options were issued to Director Mr. Jonathan Hart as consideration for his services in facilitating the Acquisition of the Bezaha Oil Project.

The issue of options was approved by the shareholders at the general meeting on 28 May 2012. These options were valued at $363,098 using the Black-Scholes option pricing model.
The table below summarises the options granted during the financial year ended 30 June 2012:

| Grant Date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Expired during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|
| 28/05/2012 | 30/06/2015 | $0.035 | - | 20,000,000 | - | - | 20,000,000 | 20,000,000 |
| Weighted remaining contractual life | | | | 2.0 | | | 2.0 | |
| Weighted average exercise price | | | | $0.035 | | | $0.035 | |

The weighted average fair value of options granted during the year was $0.0182.

The model inputs, not included in the table above, for options granted included:

(a) options are granted for no consideration and vest immediately;
(b) Expected life of options had is 3 years;
(c) share price at grant date was $0.025;
(d) expected volatility of 95%;
(e) expected dividend yield of Nil; and
(f) a risk free interest rate of 4.92%.

## 22. Parent Entity Information

The following details information related to the parent entity, Caravel Energy Limited, at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in note 2.

| | 2013 $ | 2012 $ |
|---|---|---|
| Current assets | 692,935 | 657,433 |
| Total assets | 7,707,505 | 6,262,448 |
| Current liabilities | (741,035) | (373,622) |
| Total liabilities | (2,241,036) | (373,622) |
| Net Assets | **5,466,469** | **5,888,826** |
| | | |
| Issued capital | 20,994,255 | 19,245,319 |
| Reserves | 2,255,545 | 1,700,679 |
| Accumulated losses | (17,783,331) | (15,057,172) |
| | **5,466,469** | **5,888,826** |
| | | |
| Profit or loss of the parent entity | (2,603,529) | (1,776,625) |
| Other comprehensive income for the year | - | - |
| Total comprehensive income of the parent entity | **(2,603,529)** | **(1,776,625)** |

The parent entity has contractual obligations to Garrison Capital Pty Ltd, a related party (refer note 17), for $240,000 (2012: $120,000) at the date of this report principally relating to the provision of administrative services and office space. Refer to note 15 for further details of the commitment.

**23. Events Subsequent to Balance Date**

Board Changes

Mr. Timothy Flavel, Mr. Jonathan Hart and Dr. Robert Wrixon resigned from their position as Directors of the Company on 3 September 2013.

Sale of Olympic Domain Tenements

The Company announced on 27 June 2012 that it had contracted to the sale of four Exploration Licences (ELs) and five Exploration Licence Applications (ELAs) located in the Olympic Domain area of South Australia to BHP Billiton Olympic Dam Corporation Pty Ltd. The sale was subject to several conditions precedent including satisfactory completion of due diligence by BHP Billiton completion of documentation and receipt of Ministerial Consent to the licence transfers. The Company anticipated that settlement of the transaction would occur in July of 2013 however the conditions precedent to this sale were not satisfied, and BHP Billiton did not proceed with the acquisition of the ELs and ELAs.

**24. Contingent Liabilities**

There are no known contingent liabilities.

**25. Dividends**

No dividend was paid or declared by the Company in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2013.

# Directors Declaration

In accordance with a resolution of the Directors of Caravel Energy Limited, I state that:

1. In the opinion of the directors:

   a) the financial statements and notes of Caravel Energy Limited for the year ended 30 June 2013 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the consolidated financial position as at 30 June 2013 and of its performance for the year ended on that date; and

      ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

2. Subject to the achievement of matters set out in note 2(a) of the financial report there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declarations required to be made by the Director's in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

On behalf of the Board

**Brian McMaster**
Chairman
30 September 2013

Building a better working world

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## Independent auditor's report to the members of Caravel Energy Limited

### Report on the financial report

We have audited the accompanying financial report of Caravel Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

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

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

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

### Independence

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

## Basis for Qualified Opinion

Caravel Energy Limited's investment in Petromad (Mauritius) Limited, a foreign associate accounted for by the equity method, is carried at $7,011,246 on the statement of financial position as at 30 June 2013, and Caravel Energy Limited's share of Petromad (Mauritius) Limited's net loss of $1,459,247 is included in Caravel Energy Limited's statement of comprehensive income for the year then ended. Management were unable to obtain data which would support the value of the underlying assets of Petromad (Mauritius) Limited. We were therefore unable to obtain sufficient appropriate audit evidence regarding the carrying amount of Caravel Energy Limited's investment in Petromad (Mauritius) Limited as at 30 June 2013. Consequently, we were unable to determine whether any impairment adjustment to the carrying value was necessary.

## Qualified Opinion

In our opinion,

(a) except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report of Caravel Energy Limited is in accordance with the Corporations Act 2001, including:

 i. giving a true and fair view of the company'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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b)

## Material Uncertainty Regarding Continuation as a Going Concern

Without further qualifying our audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2 (a) Going Concern to the financial report, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

## Report on the remuneration report

We have audited the Remuneration Report included in page 6 to 7 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 Caravel Energy Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
30 September 2013

# ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 10 September 2013.

### Distribution of Share Holders

| | Ordinary Shares | |
|---|---|---|
| | Number of Holders | Number of Shares |
| 1 - 1,000 | 79 | 12,552 |
| 1,001 - 5,000 | 96 | 319,121 |
| 5,001 - 10,000 | 128 | 1,054,634 |
| 10,001 - 100,000 | 599 | 27,557,415 |
| 100,001 - and over | 590 | 796,895,386 |
| TOTAL | **1,492** | **825,839,108** |

There were 67 holders of ordinary shares holding less than a marketable parcel.

### On-Market Buy Back

There is no current on-market buy back.

### Voting Rights

All ordinary shares carry one vote per share without restriction.

### Top Twenty Share Holders

| Name | Number of shares held | % |
|---|---|---|
| Ms Roseline Emma Rasolovoahangy | 50,000,000 | 6.05 |
| Nefco Nominees Pty Ltd | 47,801,613 | 5.79 |
| Mitchell Grass Holding Singapore Pte Ltd | 40,972,061 | 4.96 |
| Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C> | 30,417,988 | 3.68 |
| Mr Timothy James Flavel <The Flavel Investment A/C> | 16,055,400 | 1.94 |
| Mr Reginald Allan Buchanan | 14,160,000 | 1.72 |
| Mr John Della Bosca <JA & JG Della Bosca Family A/C> | 13,166,667 | 1.59 |
| HSBC Custody Nominees (Australia) Limited | 13,034,900 | 1.58 |
| Singapore Brown Stone Pte Ltd | 11,925,000 | 1.44 |
| AMH Custodian Pty Ltd | 11,903,437 | 1.44 |
| Wobbly Investments Pty Ltd | 11,032,275 | 1.34 |
| Mr Michael Andrew Whiting & Mrs Tracey Anne Whiting <Whiting Family S/F A/C> | 10,695,950 | 1.30 |
| Citicorp Nominees Pty Limited | 10,620,977 | 1.29 |
| Calama Holdings Pty Ltd <Mambat Super Fund A/C> | 10,166,363 | 1.23 |
| Mr Daniel Eddington & Mrs Julie Eddington <DJ Holdings A/C> | 9,116,970 | 1.10 |
| Mr Matthew Gaden Western Wood | 9,000,000 | 1.09 |
| Dejul Trading Pty Ltd <Eddington Trading A/C> | 8,033,334 | 0.97 |
| Cheval Holdings Pty Ltd | 7,900,000 | 0.96 |
| Jindee Pty Ltd <The Bell A/C> | 7,666,668 | 0.93 |
| Reeve Ventures Pty Ltd <The Vega A/C> | 7,511,809 | 0.91 |
| | **341,181,412** | **41.31** |

### Top Twenty Option Holders - CRJOA

| Name | Number of options held | % |
|---|---|---|
| Nefco Nominees Pty Ltd | 6,060,607 | 6.06 |
| Mr Wilfred Arthur Kubisch | 3,500,000 | 3.50 |
| Mr JA Della Bosca & Mrs JG Della Bosca <JA & JG Della Bosca S/F A/C> | 3,030,303 | 3.03 |
| Mr Kieran James Anthony Boland | 2,971,212 | 2.97 |
| Taycol Nominees Pty Ltd | 2,666,666 | 2.67 |
| Mr Daniel Eddington & Mrs Julie Eddington <DJ Holdings A/C> | 2,589,091 | 2.59 |
| Mr Michael Foster Black & Mrs Lynette Robin Black <Pe Sur Supp Co STF S/F 2 A/C> | 2,000,000 | 2.00 |
| Wobbly Investments Pty Ltd | 1,627,273 | 1.63 |
| Mrs Brooke Elizabeth McCarthy | 1,601,514 | 1.60 |
| Mr Robert Gemelli | 1,575,758 | 1.58 |
| Hinona Pty Ltd <H Wallace Consultant S/F A/C> | 1,515,152 | 1.52 |
| Kouto Holdings Pty Ltd <Wood Family Super Fund A/C> | 1,515,152 | 1.52 |
| George Lkhagvadorj Tumur | 1,515,152 | 1.52 |
| Texpoint Pty Ltd | 1,515,151 | 1.52 |
| Agens Pty Limited <The Mark Collins Family A/C> | 1,333,333 | 1.33 |
| Chancery Holdings Pty Ltd <McKenzie No 2 Super Fund A/C> | 1,333,333 | 1.33 |
| Mrs Katherine Elizabeth MacDermott <The Warrior A/C> | 1,333,333 | 1.33 |
| TT Nicholls Pty Ltd <Super A/C> | 1,333,333 | 1.33 |
| Baywest Asset Pty Ltd <Baywest Super Fund A/C> | 1,333,333 | 1.33 |
| Goldsmith Superannuation Pty Ltd <Goldsmith Super Fund A/C> | 1,307,573 | 1.31 |
| | **41,657,269** | **41.67** |

### Unquoted Equity Securities

| Class | Number of securities | Number of holders | Holders with more than 20% |
|---|---|---|---|
| Options over ordinary shares exercisable at $0.02 on or before 1 July 2014 | 10,000,000 | 1 | Brian McMaster 10,000,000 options |
| Options over ordinary shares exercisable at $0.035 on or before 30 June 2015 | 20,000,000 | 5 | – Hudson Bay Investments Pty Ltd <Hudson Bay Investment a/c> 10,000,000 options<br>– Jonathan Hart <J Hart Family Trust> 5,000,000 options |
| Options over ordinary shares exercisable at $0.12 on or before 30 September 2013 | 775,000 | 5 | Michael Ware 500,000 options |
| Options over ordinary shares exercisable at $0.12 on or before 27 November 2013 | 1,000,000 | 1 | Robert Scargill 1,000,000 options |

### Tenement Table

| Tenement | Name | EL Granted Date | EL Expiry Date | Area (km2) |
|---|---|---|---|---|
| **Olympic Domain** | | | | |
| EL 5082 | Torrens A | 28/05/2012 | 27/05/2014 | 344 |
| EL 5083 | Torrens B | 28/05/2012 | 27/05/2014 | 355 |
| EL 5084 | Torrens C | 28/05/2012 | 27/05/2014 | 103 |
| EL 5085 | Torrens D | 12/06/2012 | 11/06/2014 | 25 |
| EL 5086 | Sandy Point | 16/06/2012 | 15/06/2014 | 29 |
| EL 5224 | Horse Well | 22/10/2012 | 21/10/2013 | 118 |
| EL 4698 | Pernatty A, B. C | 11/03/2011 | 10/03/2013 | 376 |
| EL 4754 | West lake Torrens | 21/06/2011 | 20/06/2014 | 794 |
| EL 4755 | Murdie Island | 21/06/2011 | 20/06/2014 | 221 |
| | | | | |
| **Adelaide Fold Belt** | | | | |
| **EL4887** | Holowilena South | 27/10/2011 | 26/10/2013 | 73 |
| | | | | |
| **Northern Territory Phosphate** | | | | |
| **EL28184** | Cow Creek | 23/6/2008 | 15/02/2017 | 1,654 |
| **EL28185** | Tarlee | 23/6/2008 | 15/02/2017 | 1,648 |
| | | | | |