



**Azonto Petroleum Limited
Annual Report 2014**

Azonto Petroleum is an ASX- and AIM-listed oil and gas company focused on West Africa. It has a 35% interest in Vioco Petroleum and a joint venture with Vitol E&P in Côte d'Ivoire.

The Company's objective is to create material shareholder value going forwards in accordance with a clearly defined strategy focused primarily on appraisal, development and production opportunities within its core geographical area.

CONTENTS

1 Key events	24 Consolidated statement of financial position
2 Chairman's Statement	25 Consolidated statement of changes in equity
3 Chief Executive's Statement	27 Consolidated statement of cash flows
4 Resources	28 Notes to the financial statements
5 Corporate social responsibility	54 Directors' declaration
6 Corporate governance	55 Independent auditor's report
10 Directors' report	57 Shareholders information
22 Auditor's independence declaration	59 Corporate information
23 Consolidated statement of comprehensive income	

Key events of the six-month period

Government changed scope for delivery of Gazelle gas from export pipeline to independent power plant mid 2014.

Submitted revised Gazelle Field Development plan, which was approved by Petroci and Direction Générale des Hydrocarbures in December.

Six month licence extension obtained to September 23rd for the Accra block in Ghana to enable farm-out process.

Awarded Gazelle early engineering contract to Rosetti Marino.

December 2014 the President of Côte d'Ivoire signed a decree granting an Exclusive Exploitation Area ("EEA") for 25 years covering the Gazelle development area.

December 2014 the Board, in conjunction with management, initiated a review of Azonto's business, including the strategy, with the goal of securing the Company's core assets and significantly reducing new business initiatives and operating costs, including headcount.

Effective 1st January 2015 the Non-executive Directors have deferred all remuneration until such time as the Company returns to a sound financial footing.

Technical work completed for Hippo North prospect and confirmed as potential next exploration drilling target.

Post-balance sheet events

In January 2015 the Company accepted the resignations of Rob Shepherd as Managing Director and Andrew Rose as CFO. Grégory Stoupnitzky was appointed as Managing Director. The duties of CFO have been taken up by Ron Nelmes, Senior Finance Manager.

In March 2015, due to the challenging market conditions and the inability to finalise a farm-out agreement, the Company relinquished the Offshore Accra Block in Ghana. The Company is in the process of winding up its Ghana subsidiary.

In March 2015 the Company announced that as the lump sum price for construction of the Gazelle project in the Côte d'Ivoire CI-202 Block was higher than expected, the JV partners on the Block, via Vioco Petroleum Limited, have decided to re-tender the construction package. This will result in a delay in Gazelle project sanction.

The Company is currently considering several strategic options including, but not limited to, a sale of its assets and/or a sale or merger of the Company.

During April 2015 the Company has implemented a number of further cost-saving measures including several redundancies.

Chairman's Statement

Once again a very warm welcome to all our shareholders reading our 2014 Annual Report.

The year was very much a story of two halves for the upstream oil and gas industry and also for Azonto. In the first half of the year the Company and its new management team, in addition to progressing the Gazelle Project in Côte d'Ivoire, looked at a number of very good opportunities in targeted West African countries which built on the teams' core strengths and relationships, and where we believed scarce capital may still have been available for structured deals which also brought significant value to Azonto shareholders.

In the second half of the year the global over-supply of crude oil resulted in a dramatic fall-off in hydrocarbon prices and this led to a further significant reduction in appetite to fund the sector by the traditional public market institutions. This trend was felt particularly hard by small companies such as Azonto who are not yet generating cash flow and whose assets are highly concentrated in only one country, a key reason for us looking further afield for new assets. With this extreme stress on capital allocations worldwide there have recently been numerous project cancellations as companies have cut costs and minimised unnecessary expenditure.

The Board of Azonto has been quick to recognise the importance of cash conservation in this environment and given the potential gravity of the industry situation, the Company has responded by significantly reducing head count, and by the Board and Executive team volunteering to take deferred salary packages until key milestones are met with respect to our main asset and/or the Company. In that respect I wish to thank the former CEO Rob Shepherd and CFO Andrew Rose for volunteering to step down in order to significantly reduce costs.

The Board has also adopted a much more focused risk management strategy as demonstrated by our withdrawal from Ghana. Rather than incurring further expenditure by entering the next exploration phase, which involved a deep water well commitment, the Board decided to withdraw from the Block after the Company had thoroughly tested the farm-out market.

The silver lining for those companies still surviving should be significantly lower costs and it is in this area that Azonto and our joint venture partner Vitol are pushing hard, along with constant pressure on the Government, to ensure that project delays are kept to a minimum, thereby enhancing Côte d'Ivoire's ability to attract scarce investment capital in a very competitive global market.

Throughout these difficult times I have been very pleased by the way the team has continued to work both together and with our key stakeholders and partners, thus keeping alive our participation in what we all still believe to be an exciting project on CI-202 with substantial upside in the asset base which ultimately will generate significant value which is not at all reflected in today's share price.

Andrew Bartlett
Chairman

Chief Executive's Statement

Over the last six months the oil and gas industry has confronted significant deteriorating financial and operating conditions as a result of the material decline in the price of oil. This has caused many in the industry to dramatically reduce capital expenditures, cut operating costs, and reassess investment plans. The impact has been particularly punishing for smaller companies such as Azonto who have yet to enjoy cash flow from producing assets.

In this context and in light of the continued delays, for reasons beyond our control, in reaching project sanction on the Gazelle development, the Board initiated a full review of our business strategy with the goals of focusing on our core assets and accelerating development plans while significantly cutting our operating costs. In January, as a result of this review, Rob Shepherd and Andrew Rose resigned from the Company as Managing Director and Finance Director respectively, and I was appointed Chief Executive Officer. Together with Jay Smulders, Technical Director and Jeff Durkin, General Counsel, we have assumed day-to-day management of the Company.

In addition we have initiated a number of personnel reductions and ceased most new business initiatives. The resulting reduction in G&A costs should enable Azonto to remain in business for another year, which we believe is sufficient time to reach project sanction on Gazelle. A small number of strategic opportunities are being nurtured for the time when funding once again becomes available, but our prime focus continues to be our key asset in Côte d'Ivoire. The company is actively reviewing and considering a number of strategic options including, but not limited to, a sale of its assets and/or a sale or merger of the Company. There is however no guarantee that this will lead to a sale or a merger of the Company or its assets in the near future.

The Gazelle project continues to make progress, albeit slowly: the Government of Côte d'Ivoire approved the revised Field Development Plan submitted by Vioco and in December last year the Ivorian President signed a decree granting an Exclusive Exploitation Area for 25 years covering Gazelle. We continue to be in close discussions with CI-Energies, the Ivorian State-owned utility company, in relation to the planned independent power plant ("IPP") to be co-located in Grand Bassam next to Vioco's onshore gas processing plant.

CI-Energies recently signed a non-binding MOU with a reputable international company which may finance, develop and operate the IPP at Grand Bassam and upgrade the power line infrastructure for the proposed Vioco integrated gas to power project. The intention is for the scope and schedule for the IPP to be agreed by the end of May 2015.

The ESIA environmental impact assessment report on the Grand Bassam project site has been completed and, following a period of public consultation, was submitted to the Côte d'Ivoire Environmental Agency (ANDE) on 20th March 2015 with a view to obtaining formal approval by the Ministry of Environment and Sustainable Energy by mid-May 2015.

In relation to the construction of the offshore and onshore elements of the Gazelle Project, a firm price proposal has been received from Rosetti Marino, however the price does not reflect the expected easing of development costs. In order to achieve a realistic breakeven gas price, and to capitalize on current downward pressure on drilling and other construction costs, Azonto and its partners have therefore decided to re-tender the construction package. This will result in a delay in sanctioning the Gazelle project.

Azonto and its partner Vitol have also continued to mature the Hippo North prospect which is located 7km from Gazelle in shallow water of 70m. Hippo North is now ranking high in the CI-202 exploration portfolio to deliver potential additional gas resources to complement the Gazelle Field. In addition Azonto and its CI-202 partner Vitol recognise that there would be synergies in combining a Hippo exploration well with the Gazelle drilling campaign which can significantly reduce the cost of the exploration well. If successful, this prospect will extend the production profile on Gazelle by feeding through the existing facilities being planned for the project. A final decision on the drilling of Hippo North will need to be made by 7th October 2015, subject to budgetary approval.

The team has continued to invest time and effort to identify prospects in and adjacent to the Block that could form part of a regional gas play with substantial liquid upside, again revolving around core facilities about to be constructed in Grand Bassam.

In Ghana we have reluctantly taken the decision to relinquish the Accra Block. Following the exit of the other partners in March 2014 Azonto's Ghanaian subsidiary, in which Vitol E&P Limited has a 43% interest, and the other remaining partner Afex Oil secured a six-month extension of the initial exploration period to September 2014 and conducted a farm-out process to try to find a suitable operating partner. Unfortunately despite significant industry interest, as a result of the challenging market conditions a farm-out could not be concluded, and the partners elected not to seek a further extension to the initial exploration period, nor to apply to enter into the first extension period. This has resulted in the write-off of our investment to date in our Ghana business; however there is no cost to the Company associated with the relinquishment.

Your management team is taking difficult but necessary measures to minimise expenditure, reach project sanction as rapidly as possible, and leverage the existing possibilities closest to our Licence Area. In conjunction with a small number of strategic initiatives we are focused on weathering the adverse conditions and emerging in a strong position.

Grégory Stoupnitzky
Managing Director

Resources

The table below shows the contingent and prospective resources for the Group as at 31 December 2014, on both a gross basis and net to Azonto. All resources relate to block CI-202 in Côte d'Ivoire. The data has variously been extracted from the Competent Persons Reports ("CPR") dated 8 May 2014 and 13 January 2013 prepared by RPS Energy Services Pty Ltd, copies of which are available on the Company's website, or is based on management's estimate.

The resources net to Vioco refer to the resources attributable to Vioco's 87% working interest in Block CI-202, the remaining 13% being Petroci's carried interest. This working interest may be reduced to 71% in the future should Petroci exercise its right to acquire a further 16% paying interest in respect of areas for which development approval has been granted. The resources net to Azonto's working interest are 35% of the resources attributable to Vioco.

Field/Prospect	Gross		Vioco Net WI		Azonto Net WI		Source
	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	
Contingent Resources							
Gazelle 2C	92	1.8	80	1.6	28	0.5	1
Gazelle 3C incremental	83	1.7	72	1.5	25	0.5	1
Total Contingent	175	3.5	152	3.0	53	1.1	
Prospective Resources (P50)							
Hippo North (CI-202)	177	0	154	0	54	0	2
Arius (CI-202)	145	289	126	251	44	88	3
Total Prospective	322	289	280	251	98	88	

Source

1 Gross Resources from CPR dated 8 May 2014. Vioco Net = Gross x 87%, Azonto Net = Vioco Net x 35%

2 Management estimates

3 Gross Resources from CPR dated 15 January 2013. Vioco Net = Gross x 87%, Azonto Net = Vioco Net x 35%

RPS prepared the CPR in accordance with the 2007 Petroleum Resource Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers. RPS has consented to the inclusion of the information in this report in the form and context in which it appears.

Corporate social responsibility

Azonto is committed to complying with Health, Safety, Security, Social, Environmental and Quality (HS³EQ) regulations, as well as protecting the health, safety and general well-being of its employees and contractors, and preserving and protecting the environment and the communities wherever we operate.

Azonto's HS³EQ Standards have been developed based upon industry best practice and in consultation with respected leaders in relevant fields, and comply with IFC Standards. Azonto expects its suppliers, contractors and partners to share the same core values and objectives, and will apply uniformly high standards to all our activities, even when local laws do not require it.

Azonto aims at all times to conduct its business in a socially responsible, transparent and ethical manner in compliance with the law.

Vioco Petroleum Limited has adopted the HS³EQ Management System it inherited from Azonto, which comprises detailed standards, procedures and guidelines for HS³EQ activities. These govern how those activities are planned, executed, assessed and adjusted in order to control risk and to improve the HS³EQ performance on a continual basis for the upcoming Gazelle Field Development.

Environment & Social

Concern for the environment is of utmost importance to Azonto, and it is our policy to reduce to a minimum the potential environmental impact of our activities, and to have a positive impact in the communities and areas in which we live and work.

This past Christmas the money Azonto saved by using email greetings instead of printing Christmas Cards was donated to the Tankesse School in Côte d'Ivoire.

Health, Safety & Security

The health, safety and security of our personnel and the communities in which we operate takes priority in the management of our operations. Our goal is to prevent injury and ill health to employees and contractors by providing a safe and healthy working environment and by minimising risks associated with occupational hazards. This is achieved by promoting a positive HS³EQ culture within our organisation through effective communication, participation and consultation of our workforce, and ensuring that those working with us or on our behalf adopt similar high standards.

Competence

Azonto has a Competency Assurance Guideline in place to assess its own personnel. For assessment of third party personnel, Azonto will ensure they have their own Competency Assurance in place prior to working with Azonto.

Requirements for each position are defined in job descriptions (along with the associated level of HS³EQ competence required, in terms of qualifications, experience, personal attributes, etc.). Azonto also has a system in place to provide initial, periodic and refresher training to employees, contractors, visitors, vendors or other personnel who may work for Azonto.

Business Ethics

Azonto is committed to transparency in all of its business dealings. As part of this commitment we promote a legitimate business environment and will not tolerate any form of bribery or corruption by anyone employed by or connected to the company. Azonto has a well-developed Anti-Corruption and Anti-Bribery Policy. All staff and contractors directly employed by Azonto have participated in an Anti-Corruption and Anti-Bribery course. A Gift and Hospitality Record is also maintained.

Corporate governance

Approach to corporate governance

Azonto Petroleum Limited (the Company) has adopted appropriate systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition (Principles & Recommendations), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Further information about the Company's corporate governance practices may be found on the Company's website at www.azpetro.com, under the section marked "Corporate Governance".

Board

Roles and responsibilities of the Board and Senior Executives

The Company has established the functions reserved to the Board, and those delegated to Senior Executives, and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior Executives are responsible for supporting and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Senior Executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director, or if the matter concerns the Managing Director, then directly to the Chairman or the Senior Independent Director, as appropriate.

The Company's Board Charter is available on the Company's website at www.azpetro.com.

Skills, experience, expertise and period of office of each Director

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The Board, in considering its composition, looks to achieve an appropriate mix of skills and diversity appropriate for a West African emerging oil and gas exploration and production company.

Director independence

The Board believes that its composition provides the diversity of skills and experience appropriate to the Company's circumstances. In accordance with Company policy, when Board nominations are made, the independence of the candidate is given consideration.

The independent Directors of the Company are Andrew Bartlett (Chairman), Neil Hackett, and Andrew Sinclair. These Directors are independent as they are not members of management and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Independence is measured having regard to the relationships listed in the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact of 10% or more on the current year operating result.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, if they could affect the Company's rights to its assets, if when accumulated they would trigger the quantitative tests, if they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or if they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, if there is a likelihood that either party will default and the default may trigger any of the quantitative or qualitative tests, if they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost that would trigger any of the quantitative tests, if they contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The sole non-independent Director of the Company is Grégory Stoupnitzky (Managing Director). Rob Shepherd and Andrew Rose served during the year as Managing Director and Chief Financial Officer & Finance Director respectively but resigned with effect from 20 January 2015.

Independent professional advice

To assist Directors in exercising independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director, then provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (re)appointment of Directors

In determining candidates for the Board, the Nomination Committee follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent Directors. Potential candidates are identified and, if relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each Director other than the Managing Director must not hold office (without re-election) past the third Annual General Meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next Annual General Meeting of the Company. At each Annual General Meeting a minimum of one Director or a third of the total number of Directors must resign. A Director who resigns at an Annual General Meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic. Grégory Stoupnitzky and Andrew Sinclair were re-elected by shareholders during the Financial Year 2014.

The Company's Policy and Procedure for the Selection and (Re) Appointment of Directors is available on the Company's website at www.azpetro.com.

Board committees

Nomination Committee

The Board has established a Nomination Committee consisting of Andrew Bartlett and Andrew Sinclair. Having regard to the size of the Board it is considered appropriate that, for the present, all members of the Board consider new Board appointments.

The Nominations Committee held 2 meetings during the period.

The Company's Nomination Committee Charter is available on the Company's website at www.azpetro.com.

Audit and Risk Committee

The current members of the Audit and Risk Committee are Neil Hackett (Chairman) and Andrew Bartlett, both of whom are independent Directors of the Company.

During the Reporting Period, two meetings of the Audit and Risk Committee were conducted, and Directors who were not members of the Audit and Risk Committee were also invited to attend. The following table identifies the attendance of Directors at Committee meetings during the period:

Name	No. of meetings attended
Neil Hackett	2
Andrew Sinclair	2
Andrew Bartlett	2
Rob Shepherd	2
Grégory Stoupnitzky	2

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit and Risk Committee. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit and Risk Committee and any recommendations are made to the Board.

The Company's Audit and Risk Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website at www.azpetro.com.

Remuneration Committee

The Board has established a Remuneration Committee, which is structured in accordance with Recommendation 8.2 of the Principles & Recommendations. The current members of the Remuneration Committee are Andrew Sinclair (Chairman) and Neil Hackett, both of whom are independent Directors of the Company.

The Remuneration Committee held 3 meetings during the Reporting Period. The following table identifies the attendance of Directors at Committee meetings during the period:

Name	No. of meetings attended
Andrew Sinclair	3
Neil Hackett	3

Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms part of the Directors' Report. Independent Non-executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Further, independent Non-executive Directors may also receive share-based remuneration in the form of performance rights pursuant to the Company's Performance Rights Plan. The Company views the issue of performance rights to independent Non-executive Directors as being an appropriate mechanism due to the Company's emerging status and as a means to conserve cash. Remuneration for independent Non-executive Directors is not linked to individual performance.

Pay and rewards for Executive Directors and Senior Executives consists of a base salary and performance incentives. Long-term performance incentives may include rights to shares, granted under the Company's Performance Rights Plan, at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for Non-executive Directors (other than for superannuation).

Corporate governance continued

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limits the risk of participating in unvested entitlements under any equity-based remuneration schemes.

The Company's Remuneration Committee Charter is available on the Company's website at www.azpetro.com.

Performance evaluation

Senior executives

It is the responsibility of the Managing Director to manage and implement performance evaluation of other Senior Executives and management, reporting to the Board (as to both the Nomination and Remuneration Committees) at least annually.

Further, and as part of the establishment and continued growth of the Company, Senior Executives receive regular feedback from the Managing Director with regard to their role in the Company as well as their performance.

The Board, its committees and individual Directors

Improvement in Board processes and effectiveness is a continuing objective and the primary purpose of Board evaluation is to identify ways to improve performance.

The Nomination Committee evaluates the performance of the Board as a whole. These evaluations have been carried out internally and involve applying best practice criteria to the Board's responsibilities. The evaluation also takes into consideration benchmarking of progress towards goals set out in Azonto's business plan and regular assessment of results compared with budgets and forecasts. Evaluations have considered the effectiveness of Board member interaction and the contributions made by individual Directors.

Ethical and responsible decision making

Code of Conduct

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders, and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website at www.azpetro.com.

Diversity

The Company has established a Diversity Policy for the Board to annually assess both the objectives and progress in achieving them. The Board is not required to set measurable objectives for achieving gender diversity.

A summary of the Company's Diversity Policy is available on the Company's website at www.azpetro.com.

The proportions of women employees in the whole organisation, women in senior executive positions and women on the Board as at 31 December 2014 are set out in the following table:

	Proportion of women
Whole organisation	6 out of 20 (30%)
Senior Executives	0 out of 5 (0%)
Board	0 out of 6 (0%)

Continuous disclosure

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure and accountability at senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website at www.azpetro.com.

Shareholder communication

The Company has designed a Communications Policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

A summary of the Company's Shareholder Communication Policy is available on the Company's website at www.azpetro.com.

Risk management

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management, and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit and Risk Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

In addition the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations;
- the Board has adopted a corporate governance manual which contains other policies to assist the Company in establishing and maintaining its governance practices;
- regular budgeting and financial reporting;
- procedures/controls to manage financial exposures and operational risks;
- procedures/controls to manage environmental and occupational health and safety matters;
- corporate strategy guidelines and procedures to review and approve the Company strategic plans;
- reviewing currency hedging strategies and policy;
- insurance and risk management programs which are reviewed by the Board;
- prudential limitations procedures, which include Board approval for commitments or expenditures exceeding prescribed amounts; and
- Board approval to open bank accounts or incorporate any subsidiary.

The Managing Director and the acting Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

Directors' report

The Directors present their report on Azonto Petroleum Limited (formerly Rialto Energy Limited) ("Azonto" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014. All amounts are in Australian dollars ("A\$") unless stated otherwise.

Principal activities

The principal activity of the Group is investing in oil and gas exploration and production projects internationally and more specifically in West Africa.

Results

During the period to 31 December 2013 the Company changed its financial year end from 30 June to 31 December making the comparative period six months.

The Group's revenue for the year ended 31 December 2014 was \$2,215,544 (six months to 31 December 2013: \$519,463). The net loss after tax was \$19,601,654 (six months to 31 December 2013: \$6,148,446), which arose from a combination of the impairment of the Accra Block in Ghana of \$12,785,055 and general and administrative expenses of \$9,097,900, offset by the revenue. The impairment of the Accra Block arose as a consequence of the Group's decision to withdraw from the licence in early 2015. The net loss for the six months to 31 December 2013 arose from a combination of general and administrative expenses of \$3,501,401 and loss of \$3,393,619 incurred upon the disposal of a 65% interest in a subsidiary, offset by foreign exchange gains of \$687,911. Net cash used in operations for the year to 31 December 2014 was \$5,863,679 (six months to 31 December 2013: \$5,605,058).

General and administrative costs overall have increased in the year to 31 December 2014 due to a significant increase in services provided to Vioco Petroleum Limited ("Vioco"); however this was partially offset by a higher recovery of costs from partners and increased other revenue. Other revenue is principally comprised of revenue from Vioco for services provided.

Dividends

No dividend has been paid since the end of the financial year and no dividend is recommended for the current period.

Operating activities

Corporate

In December 2014 the Board initiated a strategic review of the business with the goal of securing the Company's core asset and significantly trimming operating costs. As a result of the restructuring, Rob Shepherd and Andrew Rose resigned from the Company as Managing Director and Finance Director respectively, and Gregory Stoupnitzky became Managing Director. Several other cost saving initiatives and headcount reductions were effected at the same time, bringing total headcount excluding Non-executive Directors down from 17 to 11 and significantly reducing annual general and administrative expenditures, while retaining the ability to manage the core activities and continue to pursue a few key ongoing opportunities.

West Africa

Block CI-202 - Côte d'Ivoire (Indirect Working Interest: 30.45%, Paying Interest: 35%)

The Company has a 35% ownership interest in Vioco which holds an 87% operated working interest in offshore Block CI-202, offshore Côte d'Ivoire. Vioco's working interest can be reduced to 71% if the state oil company PETROCI exercises its 16% back-in right after development approval is granted.

Gazelle Field and Greater CI-202 Development

Azonto and the Vioco team continue to work towards achieving project sanction for the Gazelle gas field development. The delivery scope for the gas was revised mid-year and the gas will now be delivered to a power plant with a capacity to take up to 50mmscf/d of gas. The power plant will be built on behalf of CI-Energies, the state electricity company, on a site adjacent to Vioco's onshore processing plant. The Gazelle project scope has now been finalised and the pre-engineering contract awarded to Rosetti Marino, the selected engineering contractor. The completion of their work was scheduled for March 2015, and has delivered a firm price proposal for the development of the field. CI-Energies has gone to market with a tender for the power plant and requested bids to be submitted by the middle of December 2014. CI-Energies has established a memorandum of understanding ("MOU") with a reputable international Independent Power Producer ("IPP") company in March 2015 to deliver the power plant and associated infrastructure for the integrated gas to power project. In December 2014, following the approval of a revised Field Development Plan, the President of Côte d'Ivoire signed a decree granting an Exclusive Exploitation Area for 25 years covering the Gazelle field. Notwithstanding the mid-year change of project scope, great progress has been made towards the sanction and execution of the Gazelle gas project which, as our core asset, remains our primary focus in line with the strategic review.

Prospect Generation, Seismic Processing and Quantitative Analysis

The final version of the Pre-Stack Depth Seismic Data volume is being interpreted, with re-mapping of old prospects, and new prospectivity evaluation underway. As a result of the detailed geophysical work, Hippo North has now been high graded and will be proposed as the next exploration drilling candidate. Hippo North would be very suitable to provide additional gas resources, extending the production plateau for the Gazelle gas to power project. Additional exciting exploration prospects such as Arius are still being matured and provide further upside in the CI-202 block.

Accra Block – Ghana

In March 2015 the Group announced that, as a result of a continued strategic review of its operations and prolonged discussions with the government of Ghana and potential partners with regard to ongoing participation in the Offshore Accra Block, it had decided not to continue with its deep-water exploration acreage in the Offshore Accra Block, Ghana.

Following the exit from the Block of other partners in March 2014 Azonto's subsidiary Azonto Petroleum (Ghana) Limited, in which Vitol E&P Limited has a 43% interest, and the other remaining partner Afex Oil (Ghana) Limited (together the "JV Partners"), secured a six-month extension of the Licence to 23 September 2014 for the purpose of determining whether suitable operating partners could be found to proceed with into the next phase of

exploration under the Petroleum Agreement. During the extension period the Company undertook extensive technical work, including further detailed evaluation of the seismic data and remapping, and set up a detailed Data Room which was visited by over ten companies.

However, as a result of the currently challenging market conditions, a farm-out agreement could not be finalised and the JV Partners elected not to seek a further extension to the Initial Exploration Period, nor to apply to enter into the First Extension Period under the Petroleum Agreement. As a consequence, the JV Partners have formally advised the Ghana Ministry of Energy and Petroleum that all of the Contract Area is relinquished and that Azonto Petroleum (Ghana) Limited has withdrawn as temporary operator in respect of the Licence.

There were no outstanding commitments under the work programme which was completed in the period to 31 December 2013.

Financial summary

Interest revenue for the year to 31 December 2014 was \$12,030 (six months to 31 December 2013: \$24,635). Other revenue for the year to 31 December 2014 was \$2,203,514 (six months to 31 December 2013: \$494,828). Other revenue principally comprises income receivable from Vioco for services provided by Azonto to the CI-202 joint venture. The Group's total revenue for the year to 31 December 2014 was \$2,215,544 (six months to 31 December 2013: \$519,463).

Impairment of exploration assets for 31 December 2014 was \$12,785,055 (six months to 31 December 2013: \$96,980). The impairment in the year to 31 December 2014 relates to the Accra Block in Ghana which the Group is in the process of relinquishing. The impairment in the period to 31 December 2013 relates to licence WA-399-P in Australia that the Group relinquished.

Administrative expenses for the year to 31 December 2014 were \$9,097,900 (six months to 31 December 2013: \$3,501,401) net of expenses capitalised or recovered from partners of \$4,491,964 (six months to 31 December 2013: \$1,812,994). Within the gross expenses total employee and Director compensation expense, excluding share-based payments, was \$4,218,552 (six months to 31 December 2013: \$2,292,075), and other general administrative costs were \$8,676,660 (six months to 31 December 2013: \$2,850,025). In the year to 31 December 2014 share based payments were \$463,102 (six months to 31 December 2013: \$56,728). The higher share based expense is due to the timing of when share option awards and performance rights were granted to employees.

General and administrative costs overall have increased in the year to 31 December 2014 compared with the six months to 31 December 2013 on a comparative basis due to a significant increase in services provided to Vioco; however this was partially offset by a higher recovery of costs from partners and increased other revenue. Other revenue is principally comprised of revenue from Vioco for services provided.

A pro-forma comparison of general and administrative expenses in the two periods on a gross (after adding back expenses capitalised to exploration expenditure or recovered from partners) and a net basis is shown below:

	12 months to 31 December 2014	6 months to 31 December 2013
	\$	\$
General and administrative expenses		
General and administrative expenses	9,097,900	3,501,401
Less share based payments	(463,102)	(56,728)
Less depreciation	(231,550)	(115,567)
	8,403,248	3,329,106
Add expenses capitalised to exploration expenditure or recovered from partners	4,491,964	1,812,994
	12,895,212	5,142,100
Gross general and administrative expenses		
Less revenue from Vioco	(2,203,514)	(494,828)
Less expenses capitalised to exploration expenditure or recovered from partners	(4,491,964)	(1,812,994)
	6,199,734	2,834,278
Net general and administrative expenses		

Capitalised costs, including time spent by employees on exploration interests, are charged to the applicable exploration activities. In addition costs of employee time spent on Block CI-202 since the 65% disposal and deconsolidation of Vioco in November 2013 which were originally capitalised to exploration expenditure are now included in other revenue as they are charged to Vioco. The amount of employee time spent on Block CI-202 in the year to 31 December 2014 was lower compared with the six month period to 31 December 2013 on a comparative basis. The majority of the 2014 expenses capitalised to exploration expenditure or recovered from partners is recovered from partners and principally relates to contractor consultancy services provided to Vioco.

The loss on disposal of subsidiary of \$222,631 (six months to 31 December 2013: \$3,393,619) relates to adjustments to the original loss on disposal of 65% of Vioco recognised in the six month period to 31 December 2013.

The foreign currency gain for the year to 31 December 2014 was \$463,743 (six months to 31 December 2013: \$687,911). The gain was due to the continued weakening of the Australian Dollar in the year affecting the cash balances held in US Dollars and British pounds.

The net loss before tax for the year to 31 December 2014 was \$19,555,250 (six months to 31 December 2013: \$6,048,583) and the net loss after tax was \$19,601,654 (six months to 31 December 2013: \$6,148,466).

Cash and cash equivalents at 31 December 2014 were \$7,020,698 (2013: \$9,430,190). Net cash used in operations for the year to 31 December 2014 was \$5,863,679 (six months to 31 December 2013: \$5,605,058).

Directors' report continued

Equity issues

During the year, 3,610,000 performance rights were converted to 3,610,000 ordinary shares for nil consideration pursuant to the Azonto Petroleum Performance Rights Plan.

Material business risks

The Board has identified the following material business risks and adopted mitigating strategies as described below:

Risk / Uncertainty	Description	Mitigation
Gazelle Development	The risk that the requisite approvals, financing and other requirements for the project to reach fruition are not forthcoming, including the delivery by CI-Energies of the planned power plant. The Company's 35% share in Vioco represents substantially all of its current value.	The Company's management is very focused on delivering value from Gazelle as its core asset and is focused on providing the necessary support to Vioco to allow it to satisfy all requirements for final project sanction, including maintaining active engagement with the authorities in Côte d'Ivoire and with potential sources of debt finance.
Subsurface Risk	The risk that a structure may be found not to contain hydrocarbons when drilled, or that a reservoir may not flow oil or gas as expected. This risk is common to all oil and gas exploration and production businesses.	Comprehensive analysis of subsurface data and petroleum systems is undertaken by qualified staff using sophisticated techniques. Where deemed necessary external expertise is sought to carry out analysis or to validate the Company's own judgements.
Funding Risk	The Gazelle development may require the Company to raise additional equity. There is a risk that debt or equity funds may not be available from the markets at the appropriate time.	Regular contact is maintained with investors, brokers and analysts in both Australia and the UK. Relationships are maintained with lending banks and other potential sources of debt finance. The Vitol-Azonto Shareholders' Agreement includes a mechanism for addressing any further funding requirements.
Retention of Key Staff	The risk that the Company is unable to attract and retain key staff of a sufficient calibre.	The Performance Rights Plan provides material equity incentives to deliver exceptional performance.
Country Risk	The risk of civil unrest, insurrection, delays to approvals and changes to contract terms. Operating in Africa may often carry many of these risks.	Close relations are maintained at all levels with host governments, so that if any such issues were to arise a dialogue may be initiated immediately. Security and evacuation procedures are in place for ex-pat staff.
Health, Safety, Security and Environment (HSSE)	Exploration and production activity involves many risks of an HSSE nature.	HSSE matters are accorded high priority at Board level and risk assessments are periodically carried out. Appropriate policies and procedures are in place to mitigate such risks.

Directors

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

A. Bartlett	Independent Non-executive Chairman	
G. Stoupnitzky	Managing Director	Appointed Business Development Director 14 January 2014 and Managing Director on 20 January 2015
A. Sinclair	Senior Independent Non-executive Director and Deputy Chairman	Appointed Senior Independent Non-executive Director and Deputy Chairman 3 March 2014
N. Hackett	Independent Non-executive Director	
R. Shepherd	Managing Director	Resigned 20 January 2015
A. Rose	Director and Chief Financial Officer	Appointed Executive Director on 3 March 2014 and resigned 20 January 2015

Mr Andrew Bartlett – Independent Non-executive Chairman

Mr Andrew Bartlett has over 30 years of experience in the oil and gas industry. An experienced investment banker based in London, Mr Bartlett was both the Global Head of Oil and Gas Project Finance and Global Head of Oil and Gas Mergers & Acquisitions at Standard Chartered Bank until July 2011. In the period 1998 to 2001, prior to going into investment banking, Mr Bartlett helped to establish Shell Capital, a private equity/mezzanine debt group set up by Royal Dutch Shell to finance small producers in emerging markets. Prior to joining Shell Capital Mr Bartlett worked for Royal Dutch Shell as a Petroleum Engineer and Development Manager where he gained extensive experience in developing and operating oil and gas fields. Postings included the North Sea, The Netherlands, Somalia, New Zealand and Syria. He is currently a Director of Petroleum and Renewable Energy Company Limited ("Petrenel"), Impact Oil and Gas Plc and is a Director of Bartlett Energy Advisers.

Other current directorships

Bartlett Energy Advisers – appointed 9 August 2011
Petrenel Limited – appointed 1 September 2011
Impact Oil and Gas PLC – appointed 10 July 2014

Former directorships in last 3 years

Enegean Oil and Gas (Cyprus) Limited – appointed 31 July 2011, resigned 28 August 2012
Eland Oil and Gas PLC - appointed 1 January 2013, resigned 31 July 2014

Mr Gregory Alexis Stoupnitzky – Managing Director

Mr Stoupnitzky brings over 30 years of Investment Banking and Capital Markets experience, with a long track record in the natural resources and related sectors. During this time Mr Stoupnitzky has held senior positions with Bear Stearns, Morgan Stanley and most recently with Renaissance Capital in London. Mr Stoupnitzky is a founder and Managing Partner of CIS Capital LLC, which provides advice to private equity funds and small caps in valuation, disposal or merger of oil and gas and power assets. During the course of his career Mr Stoupnitzky has established an impressive track record of Emerging Markets transactions in geographies across Latin America, Russia and the Commonwealth of Independent States (CIS), and Sub-Saharan Africa.

In the last six years Mr Stoupnitzky has been an Advisory Board Member of Pace Financial Services, a member of the Advisory Council for the Center for Energy, Marine Transportation and Public Policy at Columbia University, and a Director of the US-Russia Business Council, in Washington DC.

Other current directorships

School of International and Public Affairs, Columbia University, New York, USA – appointed 16 January 2013.

Former directorships in last 3 years

None.

Mr Andrew Ian Sinclair – Senior Independent Non-executive Director and Deputy Chairman

Mr Andrew Sinclair is a senior oil and gas financier and is presently the Founder, Commercial Lead and Investment Committee Member at Giant Capital. Prior to this Mr Sinclair worked for Macquarie Bank for 16 years, where he held positions in the Sydney, Houston and London offices. He has extensive equity and debt transaction experience and his last ten years at Macquarie Bank were spent entirely focusing on the provision of capital to the upstream oil and gas industry. Andrew has a BE (Honours) degree in Mechanical Engineering from the University of Sydney.

Other current directorships

Giant Capital Management Limited – appointed 8 July 2011
Giant Capital Bermuda Limited – appointed 27 February 2013

Former directorships in last 3 years

Giant Investment Manager Limited – appointed 27 November 2012, resigned 28 February 2014.
Giant Capital GP Limited – appointed 27 November 2012, resigned 28 February 2014.

Mr Neil Hackett – Independent Non-executive Director

Mr Neil Hackett holds a Bachelor of Economics from the University of Western Australia, post-graduate qualifications in Applied Finance and Investment, and is a Graduate (Order of Merit) with the Australian Institute of Company Directors. Mr Hackett is an Affiliate of the Institute of Chartered Secretaries of Australia and a Fellow of the Financial Services Institute of Australia. He is currently Non-executive Director of Australian Securities Exchange listed entity Ardiden Limited and Company Secretary of Modun Resources Limited and Thinksmart Limited. Mr Hackett is also Chairman of Westcycle Inc. Mr Hackett's previous West African experience includes Company Secretary at Ampella Mining Limited, Sundance Resources Limited and work with the Australian Securities and Investment Commission.

Other current directorships

Ardiden – appointed 5 June 2011.
Westcycle Inc – appointed 1 April 2011.

Former directorships in last 3 years

Modun Resources Limited – appointed 31 January 2014, resigned 11 March 2015.
African Chrome Fields Limited – appointed 9 June 2011, resigned 12 February 2015.

Directors' report continued

Meetings of Directors

The following Directors' meetings were held during the twelve months and the number of meetings attended by each of the Directors during the period was:

	Directors' meetings	Meetings of committees	
		Remuneration	Audit
Number of meetings held	8	3	2
Number of meetings attended:			
A Bartlett	7	–	2
G Stoupnitzky	8	–	1
A Sinclair	8	3	1
N Hackett	8	3	2
R Shepherd	8	–	2
A Rose	8	–	2

Directors' interests in the shares and options of the Company

As at the date of this report, the relevant interest of each Director in the shares, options and rights of Azonto Petroleum Limited were:

Securities	A Bartlett	G Stoupnitzky	N Hackett	A Sinclair
Ordinary shares				
– Direct	2,136,667	2,333,333	706,667	1,963,333
– Indirect	–	–	–	–
Performance rights				
– Direct	11,632,776	16,253,000	6,501,179	6,501,179
– Indirect	–	–	–	–
Options				
– Direct	–	–	–	–
– Indirect	–	–	–	–

Company Secretary

Mr Neil Hackett is Company Secretary. His details are detailed in the Directors section above.

Mr Andrew Rose resigned as Joint Company Secretary on 15 January 2015.

Significant changes in the state of affairs

There were no changes in the state of affairs of the Group other than those referred to elsewhere in this report of the financial statements or notes thereto.

Significant events after balance date

- On the 20 January 2015, the Company announced that Rob Shepherd and Andrew Rose had resigned as Managing Director and Director and Chief Financial Officer respectively and Gregory Stoupnitzky was appointed as Managing Director.
- On the 11 March 2015, the Company announced that it was relinquishing its interest in the Offshore Accra Block in Ghana.
- On 30 March 2015, the Company announced that as the lump sum price for construction of the Gazelle project in the Côte d'Ivoire CI-202 block was higher than expected, the Board of Vioco Petroleum Limited has decided to re-tender the construction package. This will result in a delay in Gazelle Project sanction.

Likely developments and expected results

The Company intends to continue to support the proposed development of the Gazelle field through its joint venture in Vioco. In addition it will continue to look selectively for new investment opportunities in the West Africa region.

Environmental regulation and performance

There are no particular and significant environmental regulations that have affected the performance of the Group's operations.

Share options

As at the date of this report there were 35,310,150 unissued ordinary shares under options (35,310,150 at the reporting date).

Details of unissued ordinary shares at the date of this report are:

Number	Expiry date	Exercise price
2,900,000	28-Jun-15	0.40
900,000	28-Jun-15	0.60
9,900,000	21-Jul-15	0.25
166,666	01-Aug-15	0.80
666,667	15-Aug-15	0.60
7,963,409	04-Apr-16	0.50
7,963,408	18-Apr-16	0.50
750,000	01-May-16	0.80
900,000	28-Jun-16	0.40
900,000	28-Jun-16	0.60
500,000	21-Dec-16	0.43
900,000	28-Jun-17	0.40
900,000	28-Jun-17	0.60
35,310,150		

There were no options issued or exercised and 3,166,668 options were forfeited during the financial year. No options have been issued since the end of the financial period to the date of the report. Option holders do not have any right by virtue of the options to participate in any issue of shares by the Company.

Performance rights

At the date of the report the Company has 137,254,030 performance rights. No performance rights have been converted to ordinary shares since the end of the financial period to the date of the report.

Number of rights	Exercise price	Vesting date
250,000	–	1-Jul-13
45,446,844	–	18-Dec-17
91,557,186	–	18-Dec-17
137,254,030		

The rights vesting on 1 July 2013 had not been issued by the end of the financial period. The only vesting condition for these rights was continued employment at time of vesting.

The Performance Rights vesting on 18 December 2017, which were granted on 18 December 2013 and 13 June 2014, will vest subject to the satisfaction of certain performance criteria including continued employment throughout the vesting period. The Rights are split into two tranches, Tranche 1 (45,446,844 rights), and Tranche 2 (91,557,186 rights). Details of the vesting conditions attaching to these Performance Rights may be found in the Remuneration Report (see below).

Performance shares

At the date of the report the Company has 15,000,000 outstanding performance shares relating to the consideration for the acquisition of Azonto Petroleum Holdings Limited (formerly CLNR Holdings Limited) in July 2010. The performance shares convert into ordinary shares on the issue of an independent reserve report delineating mean reserves in excess of 40 million barrels of oil equivalent in Block CI-202.

Officers' indemnities and insurance

The Group has, during the financial period, entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

During the financial period, the Group has paid premiums in respect of a contract insuring all the Directors and Officers of Azonto Petroleum Limited against costs incurred in defending proceedings except for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid in the year was \$89,544 (six months to 31 December 2013: \$74,853).

Indemnification of auditors

To the extent permitted by law, the Group has agreed to indemnify its Auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' report continued

Remuneration report (Audited)

The Directors and key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration levels for Directors and key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and executives.

The Board is responsible for remuneration policies and practices. The Remuneration Committee assesses the appropriateness of the nature and amounts of remuneration of officers and employees on a periodic basis and makes recommendations to the Board. The Remuneration Committee, where appropriate, seeks independent advice on remuneration policies and practices, including remuneration packages and terms of employment. The Group's securities trading policy regulates dealings by Directors, officers and employees in securities issued by the Group. The policy imposes trading restrictions on all Directors, key management personnel and employees of the Group and their related companies who possess inside information.

The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.

The Group has in place the following incentive plans:

- A Short-Term Incentive Plan providing for cash bonuses to be paid annually based on a combination of individual and corporate performance over the previous year.
- A Performance Rights Plan (the "ASIC Relief Plan") for Australian resident Directors and employees, and
- A Performance Rights Plan (the "No ASIC Relief Plan") for Directors and employees outside Australia.

A summary of these Plans is set out below. The Board is of the opinion that these incentive plans achieve the following outcomes:

- Alignment of the interests of the Group's employees with that of shareholders;
- Retention of staff and management to pursue the Group's strategy and goals;
- Fair and reasonable reward for past individual and Group performance; and
- Incentive to deliver future individual and Group performance.

Performance Rights Plans

The Plans, which are substantially identical in nature, are open to any Executive Director, full-time or part-time employee or contractor of the Group who is declared by the Board to be eligible to receive grants of Performance Rights under the Plans. In addition the No ASIC Relief Plan permits grants to be made to Non-executive Directors. Subject to the satisfaction of the vesting conditions given to eligible participants, each Performance Right vests to one share.

The Performance Rights are issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights. Vesting conditions, if any, are determined by the Board from time to time and set out in individual offers for the grant of Performance Rights. Shares issued upon vesting may be freely transferred subject to compliance with the Group's securities trading rules.

The vesting conditions applicable to all of the outstanding Rights are set out below:

Tranche 1 (1/3 of Rights outstanding)

The Tranche 1 Performance Rights will vest on achievement of three strategic milestones (the Tranche 1 Vesting Conditions), within four years of grant. The first milestone, namely the completion of the sale to Vitol of 65% of the Company's subsidiary in Côte d'Ivoire (now named Vioco), was achieved in 2013. The remaining strategic milestones are as follows:

- (a) all government and partner approvals, offtake, supply and service contracts, financings and other necessary conditions for the Gazelle field development project to proceed having been obtained and agreed and Vioco Petroleum Ltd having taken the Final Investment Decision to proceed with the project; and
- (b) the first delivery of gas from the Gazelle field to the Côte d'Ivoire's state electricity company (or other agreed purchaser) having been made under stabilised flow rate conditions.

In the event that not all of the Tranche 1 Vesting Conditions are satisfied within four years of grant, the Board may resolve that a proportion of the Tranche 1 Performance Rights vest based on the degree of progress towards satisfaction of the Tranche 1 Vesting Conditions that has been achieved.

The three strategic milestones were chosen by the Board as they were considered to be the key milestones that the Company is currently working towards.

Tranche 2 (2/3 of Rights outstanding)

The Tranche 2 Performance Rights will vest on achievement of certain share price hurdles (to be calculated based on the VWAP over the ten trading days prior to the date of issue) within four years of grant, subject to the Board being satisfied, at the end of the four year period, with the overall financial, strategic and HSE performance of the Company over that four year period.

The share price hurdles are as follows:

- (a) 25% of the Tranche 2 Performance Rights will vest if the Company's share price reaches \$0.05 per share;
- (b) a further 25% of the Tranche 2 Performance Rights will vest if the Company's share price reaches \$0.07 per share;
- (c) the remaining 50% of the Tranche 2 Performance Rights will vest if the Company's share price reaches \$0.09 per share.

A series of share price hurdles was chosen as a performance condition for Tranche 2 as this was considered by the Board to be the best way of aligning management incentives with shareholder returns. The share price hurdles in question were selected so as to provide stretching targets for full vesting.

Short-Term Incentive Plan

The Short-Term Incentive Plan provides for the payment of discretionary cash bonuses to Executive Directors, full-time or part-time employees or contractors of the Group annually in respect of their performance and the overall performance of the Group during the previous financial year. The Plan establishes maximum bonus levels as a percentage of salary by grade of employee and a guideline framework for calibrating the actual bonus against the maximum according to certain parameters of individual and corporate performance. However all bonus payments are entirely at the discretion of the Board and there are no contractual bonus entitlements under the Plan.

Non-executive Directors

The fixed fees for the Non-executive Directors were last reviewed by PwC in late 2013. There are no termination or retirement benefits for Non-executive Directors (other than statutory superannuation). The maximum available pool of fees is set by shareholders in general meeting and is currently \$350,000 per annum.

Fixed remuneration for executives

Fixed remuneration for executives consists of base remuneration (which is calculated on a total cost basis and includes any Fringe Benefit Tax charges related to employee benefits), as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Board where applicable. The process consists of a review of Group and individual performance, length of service, relevant comparative remuneration internally and externally and market conditions.

Service contracts

Remuneration and other terms of employment for Executive Directors and other key management personnel are formalised in service agreements and letters of employment (conditions of employment). All parties continue to be employed until their employment is terminated. Employment contracts can be terminated by either party by providing three months' written notice. The Company may make payment in lieu of notice.

Key management personnel are entitled to receive, on termination of employment, statutory entitlements of vested annual and long service leave, together with post-employment benefits. Any options or rights awarded but not vested at the time of resignation will be cancelled unless the Board advises otherwise at its own discretion.

Employment contracts do not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year with consideration of employment market conditions, changes in the scope of the role performed by the employee and changes in remuneration policy set by the Remuneration Committee.

Remuneration

Details of the remuneration of the Directors of the Company and key management personnel are set out in the following tables.

The key management personnel of the Company include the following Directors and executive officers:

- Andrew Bartlett
- Gregory Stoupnitzky
- Andrew Sinclair
- Neil Hackett
- Rob Shepherd Resigned 20 January 2015
- Andrew Rose Resigned 20 January 2015
- Jeff Durkin
- Jay Smulders Appointed Technical Director 22 April 2014

Directors' report continued

The cash bonus and share-based payment rights detailed in the table below are performance related. Share-based payment options are related to ongoing service conditions with the Company. While options issued have no performance conditions, they were issued at an exercise price out of the money at grant date, which encourages employees to remain with the Company and work towards achieving share price growth. The value of options and rights shown in the tables below represent the vesting expense, measured in accordance with Australian Accounting Standards, for awards granted in the current or previous financial years.

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings, performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five year financial summary to 31 December 2014:

	Dec-14 12 months	Dec-13 6 months	Jun-13 12 months	Jun-12 12 months	Jun-11 12 months
Net loss after tax	(19,601,654)	(6,148,466)	(170,626,492)	(10,163,601)	(7,979,680)
EPS (cents) Basic	(1.30)	(0.58)	(24.99)	(2.16)	(2.78)
EPS (cents) Diluted	(1.30)	(0.58)	(24.99)	(2.16)	(2.78)
Year-end share price	0.01	0.03	0.03	0.21	0.44

Following is the table of remuneration for the year ended 31 December 2014:

Name	Short-term benefits		Share-based payment (g)		Performance related %
	Salary and fees \$	Cash bonus \$	Rights \$	Total \$	
Non- executive Directors					
A Bartlett	115,000	–	55,014	170,014	32.4
A Sinclair ^(a)	118,765	–	30,745	149,510	20.6
N Hackett ^(b)	98,999	–	30,745	129,744	23.7
Executive Directors					
G Stoupnitzky ^(c)	341,972	–	58,414	400,386	14.6
R Shepherd ^(d)	484,628	–	102,485	587,113	17.5
A Rose ^(e)	365,757	–	28,617	394,374	7.3
Executives					
J Durkin	337,785	–	27,046	364,831	7.4
J Smulders ^(f)	233,143	171,433	25,175	429,751	5.9
Total	2,096,049	171,433	358,241	2,625,723	

(a) Mr Sinclair received \$90,000 for Director's fees and \$28,765 for consulting fees.

(b) Mr Hackett received \$74,999 for Directors' fees and \$24,000 for services as Company Secretary.

(c) Mr Stoupnitzky received \$328,472 for salary and \$13,500 for consulting fees.

(d) Mr Shepherd resigned as Managing Director on 20 January 2015.

(e) Mr Rose was appointed Director on 3 March 2014 and resigned on 20 January 2015.

(f) Mr Smulders was appointed Technical Director on 22 April 2014.

(g) Vesting expense for the fair value of share-based payment awards determined at grant date in accordance with Australian Accounting Standards.

Following is the table of remuneration for the six months ended 31 December 2013:

Name	Short-term benefits		Post-employment benefits	Share-based payment (f)		Total \$	Value of options as proportion of remuneration %	Performance related %
	Salary and fees \$	Cash bonus \$	Superannuation \$	Options \$	Rights \$			
Non-executive Directors								
A Bartlett ^(a)	108,505	–	–	15,970	5,878	130,353	12.3	4.5
G Stoupnitzky ^(b)	101,500	–	–	15,970	5,072	122,542	13.0	4.1
N Hackett ^(c)	42,644	–	353	15,970	3,285	62,252	25.7	5.3
A Sinclair	30,000	–	–	–	3,285	33,285	–	9.9
Executive Directors								
R Shepherd	227,626	95,238	–	–	10,950	333,814	–	31.8
Executives								
A Rose ^(d)	175,230	–	–	–	–	175,230	–	–
J Durkin ^(e)	108,771	–	–	–	–	108,771	–	–
Total	794,276	95,238	353	47,910	28,470	966,247		

(a) Mr Bartlett received \$40,000 for Chairman's fees and \$68,505 for consulting fees.

(b) Mr Stoupnitzky received \$25,000 for Directors' fees and \$76,500 for consulting fees.

(c) Mr Hackett received \$24,644 for Directors' fees, \$6,000 for consulting fees and \$12,000 for services as Company Secretary.

(d) Mr Rose was appointed Interim Chief Financial Officer on 27 August 2013, Chief Financial Officer on 1 December 2013 and Director on 3 March 2014.

(e) Mr Durkin was appointed General Counsel on 2 September 2013.

(f) Vesting expense for the fair value of share-based payment awards determined at grant date in accordance with Australian Accounting Standards.

Bonuses

In the year to 31 December 2014 Mr Smulders received a sign-on bonus of \$171,433 (£94,339).

On 31 December 2013 Mr Shepherd was awarded a discretionary cash bonus of \$95,238 (£53,000) in respect of the six months ended on that date, in recognition of the successful conclusion of the Vitol transaction and PSC renegotiation. The bonus was given under the Company's Short-Term Incentive Plan and was paid on 27 January 2014.

Employee share benefits plan

At the end of the financial year the following share-based payment arrangements were in existence. Options and performance rights issued prior July 2013 do not have performance conditions: instead, options were issued at an exercise price out of the money at grant date, while the performance rights are issued subject to service conditions, both of which encourage employees to remain with the Company and work towards achieving share price growth.

The Performance Rights granted in the periods to 31 December 2013 and 31 December 2014 will vest subject to the satisfaction of certain performance criteria as disclosed above.

Options

The below table represents options issued still in existence at the end of the financial year:

Reference number	Grant date	Expiry date	Grant date fair value	Exercise price	Vesting dates ⁽ⁱ⁾
1	30-Nov-10	28-Jun-15	\$0.548	\$0.40	(ii)
2	30-Nov-10	28-Jun-15	\$0.515	\$0.60	Immediately
3	30-Nov-10	28-Jun-16	\$0.572	\$0.40	28-Jun-2011
4	30-Nov-10	28-Jun-16	\$0.545	\$0.60	28-Jun-2011
5	30-Nov-10	28-Jun-17	\$0.569	\$0.60	28-Jun-2012
6	30-Nov-10	28-Jun-17	\$0.590	\$0.40	28-Jun-2012
7	15-Jul-11	01-Aug-15	\$0.256	\$0.80	Immediately
8	15-Jul-11	01-May-16	\$0.263	\$0.80	(iii)
9	29-Nov-11	15-Aug-15	\$0.154	\$0.60	(iv)
10	21-Dec-11	21-Dec-16	\$0.154	\$0.43	(v)

(i) Unless a single vesting date is provided, all other options vest one-third on each vesting date;

(ii) Vesting occurs as follows: Immediately on grant, 28 June 2011 and 28 June 2012;

(iii) Vesting occurs as follows: Immediately on grant, 1 May 2012 and 1 May 2013;

(iv) Vesting occurs as follows: Half immediately on grant and 7 December 2012;

(v) Vesting occurs as follows: 30% vesting two years and three years from grant date and 40% vesting four years from grant date.

Directors' report continued

Performance rights

The table below represents performance rights issued still in existence at the end of the financial year:

Reference number	Grant date	Grant date fair value	Vesting dates
11	29-Nov-11	\$0.28	1-Jul-2013
12	18-Dec-13	\$0.03	18-Dec-17
13	18-Dec-13	\$0.02	18-Dec-17
14	13-Jun-14	\$0.02	18-Dec-17
15	13-Jun-14	\$0.01	18-Dec-17

The following grants of share-based payment compensation, including options and performance rights to Directors and senior management, were awarded or vested during the current financial year:

Name	Financial year granted	Granted ref number	No. granted during year	No. vested during year	No. vested to date	% vested during year	% vested to date
Executive Directors							
G Stoupnitzky	2014	14,15	6,215,180	–	–	–	–
A Rose	2014	14,15	16,253,000	–	–	–	–
Executives							
J Durkin	2014	14,15	16,253,000	–	–	–	–
J Smulders	2014	14,15	15,128,529	–	–	–	–

The following table summarises the value of options granted, exercised or lapsed and the value of rights granted, issued or lapsed during the financial year:

Name	Value of options & rights at grant date (i)	Value of options exercised at exercise date (ii)	Value of options lapsed at the date of lapse (iii)	Value of rights lapsed at the date of lapse (iii)
Executive Directors				
G Stoupnitzky	66,067	–	–	–
A Rose	172,769	–	–	–
Executives				
J Durkin	172,679	–	–	–
J Smulders	160,816	–	–	–

(i) The value of options and rights granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards;

(ii) The value of options exercised is determined as intrinsic value at exercise or issue date;

(iii) The value of options and rights lapsing during the year due to the failure to satisfy a vesting condition is determined at lapse date based on the intrinsic value at lapse date;

Following is the table of rights holdings for the year ended 31 December 2014:

	Balance 1 January 2014 ⁽ⁱ⁾	Granted as remuneration	Exercised	Net change other	Balance 31 December 2014	Vested at 31 December 2014	Vested and Exercisable at 31 December 2014	Vested and unexercisable at 31 December 2014
Direct interest								
Directors								
A Bartlett	11,632,776	–	–	–	11,632,776	–	–	–
G Stoupnitzky	10,037,820	6,215,180	–	–	16,253,000	–	–	–
A Sinclair	6,501,179	–	–	–	6,501,179	–	–	–
N Hackett	6,501,179	–	–	–	6,501,179	–	–	–
R Shepherd	21,670,596	–	–	–	21,670,596	–	–	–
A Rose	–	16,253,000	–	–	16,253,000	–	–	–
Executives								
J Durkin	–	16,253,000	–	–	16,253,000	–	–	–
J Smulders	–	15,128,529	–	–	15,128,529	–	–	–
	56,343,550	53,849,709	–	–	110,193,259	–	–	–

(i) Appointments and resignations as follows:

(a) J Smulders appointed 22 April 2014.

(ii) Key management personnel had no option holdings in 2014.

Following is the table of shareholdings for the period ended 31 December 2014:

31 December 2014	Balance 1 January	Granted as remuneration	Options exercised	Rights issued	Net change other	Balance 31 December
Direct interest						
Directors						
A Bartlett	2,136,667	–	–	–	–	2,136,667
G Stoupnitzky	1,333,333	–	–	–	1,000,000	2,333,333
N Hackett	706,667	–	–	–	–	706,667
A Sinclair	723,333	–	–	–	1,240,000	1,963,333
R Shepherd	7,502,945	–	–	–	2,400,000	9,902,945
A Rose	4,263,230	–	–	–	2,400,000	6,663,230
Executives⁽ⁱ⁾						
J Smulders	–	–	–	–	4,000,000	4,000,000
	16,666,175	–	–	–	11,040,000	27,706,175
Indirect interest⁽ⁱⁱ⁾						
Directors						
A Rose	2,152,747	–	–	–	–	2,152,747
	2,152,747	–	–	–	–	2,152,747

(i) Appointments and resignations as follows:

(a) J Smulders appointed 22 April 2014.

(ii) Indirect interests are shareholdings that the Director has a relevant interest in but is not the registered holder.

Other related party transactions

During the year the company paid Giant Capital Management Limited, a related party of Andrew Sinclair, \$41,017 for additional consulting fees.

End of audited remuneration report.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important. The Board of Directors are satisfied that the provision of the non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of the amount paid or payable to the auditor for audit services provided during the year are set out in Note 23. There were no non-audit services provided during the year.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000,000 (where rounding is applicable) and where noted (\$ millions) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which class order applies.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

Signed in accordance with a resolution of the Directors.

Andrew Bartlett

Chairman

31 March 2015

Auditor's independence declaration to the Directors of Azonto Petroleum Limited

In relation to our audit of the financial report of Azonto Petroleum Limited for the financial year ended 31 December 2014, 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

R J Curtin

Partner

Perth

31 March 2015

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Notes	Consolidated	
		12 Month 31 December 2014 \$	6 Month 31 December 2013 \$
Interest revenue		12,030	24,635
Other revenue		2,203,514	494,828
		2,215,544	519,463
Impairment of exploration asset	8	(12,785,055)	(96,980)
General and administrative expenses	3	(9,097,900)	(3,501,401)
Loss on disposal of subsidiary	8	(222,631)	(3,393,619)
Loss on sale of fixed assets		–	(187,067)
Share of loss of a joint venture	17	(128,951)	(76,890)
Foreign exchange gain		463,743	687,911
Loss from continuing operations before income tax		(19,555,250)	(6,048,583)
Income tax expense	4	(46,404)	(99,883)
Net loss for the year		(19,601,654)	(6,148,466)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation:			
Arising during the year		525,573	454,319
Recycled to the profit and loss on disposal of subsidiary		–	1,044,565
Share of joint venture reserves	17	2,725,227	2,084,407
Items that will not be reclassified subsequently to profit and loss:			
Foreign currency translation attributable to non-controlling interests		(19,911)	1,336
Other comprehensive income for the year, net of tax		3,230,889	3,584,627
Total comprehensive loss for the year		(16,370,765)	(2,563,839)
Loss for the period is attributable to:			
Non-controlling interest		(4,595,167)	(19,447)
Owners of the parent		(15,006,487)	(6,129,019)
		(19,601,654)	(6,148,466)
Other comprehensive income/(loss) for the period is attributable to:			
Non-controlling interest		(19,911)	1,336
Owners of the parent		3,250,800	3,583,291
		3,230,889	3,584,627
Earnings per share		Cents per share	Cents per share
– basic loss per share attributable to owners of the parent	14	(1.30)	(0.58)
– diluted loss per share attributable to owners of the parent	14	(1.30)	(0.58)

The above statement of comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

As at 31 December 2014

	Notes	Consolidated	
		31 December 2014	31 December 2013
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	7,020,698	9,430,190
Trade and other receivables	6	1,185,675	6,406,391
Other current assets	7	167,938	92,203
Total current assets		8,374,311	15,928,784
Non-current assets			
Exploration and evaluation	8	–	12,106,932
Property, plant and equipment	9	379,228	316,633
Investment in a joint venture	17	33,785,687	30,821,480
Total non-current assets		34,164,915	43,245,045
TOTAL ASSETS		42,539,226	59,173,829
LIABILITIES			
Current liabilities			
Trade and other payables	10	2,818,768	3,333,092
UK income tax provisions	11	60,453	273,069
Total current liabilities		2,879,221	3,606,161
TOTAL LIABILITIES		2,879,221	3,606,161
NET ASSETS		39,660,005	55,567,668
EQUITY			
Issued capital	12	232,780,470	231,717,170
Performance shares	12	9,994,250	9,994,250
Reserves	13 (b)	17,631,297	14,980,695
Accumulated losses	13 (a)	(220,746,012)	(205,739,525)
Parent interests		39,600,005	50,952,590
Non-controlling interest	13 (c)	–	4,615,078
TOTAL EQUITY		39,660,005	55,567,668

The statement of financial position should be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

As at 31 December 2014

	Share capital \$	Performance share \$	Employee equity benefits reserve \$	Equity reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total owners of the parent \$	Non-controlling interest \$	Total \$
At 1 January 2014	231,717,170	9,994,250	14,190,779	(2,427,566)	3,217,482	(205,739,525)	50,952,590	4,615,078	55,567,668
Loss for period	-	-	-	-	-	(15,006,487)	(15,006,487)	(4,595,167)	(19,601,654)
Other comprehensive income/(loss)	-	-	-	-	3,250,800	-	3,250,800	(19,911)	3,230,889
Total comprehensive loss for the year	-	-	-	-	3,250,800	(15,006,487)	(11,755,687)	(4,615,078)	(16,370,765)
Transactions with owners in their capacity as owners									
Share based payments	-	-	463,102	-	-	-	463,102	-	463,102
Conversion of performance rights	1,063,300	-	(1,063,300)	-	-	-	-	-	-
At 31 December 2014	232,780,470	9,994,250	13,590,581	(2,427,566)	6,468,282	(220,746,012)	39,660,005	-	39,660,005

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

As at 31 December 2013

	Share capital \$	Performance share \$	Employee equity benefits reserve \$	Equity reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total owners of the parent \$	Non-controlling interest \$	Total \$
At 1 July 2013	218,472,640	9,994,250	14,134,051	(4,941,683)	(365,809)	(199,610,506)	37,682,943	1,320,504	39,003,447
Loss for period	-	-	-	-	-	(6,129,019)	(6,129,019)	(19,447)	(6,148,466)
Other comprehensive income/(loss)	-	-	-	-	3,583,291	-	3,583,291	1,336	3,584,627
Total comprehensive loss for the year	-	-	-	-	3,583,291	(6,129,019)	(2,545,728)	(18,111)	(2,563,839)
Transactions with owners in their capacity as owners									
Issue of share capital	14,146,653	-	-	-	-	-	14,146,653	-	14,146,653
Transaction costs of issuing shares	(902,123)	-	-	-	-	-	(902,123)	-	(902,123)
Share based payments	-	-	56,728	-	-	-	56,728	-	56,728
Share rights cash settled	-	-	-	-	-	-	-	-	-
Sale of 21.4% of Rialto Energy Ghana Limited	-	-	-	2,514,117	-	-	2,514,117	3,312,685	5,826,802
At 31 December 2013	231,717,170	9,994,250	14,190,779	(2,427,566)	3,217,482	(205,739,525)	50,952,590	4,615,078	55,567,668

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

As at 31 December 2014

	Notes	Consolidated	
		12 months 31 December 2014 \$	6 months 31 December 2013 \$
Cash flows from operating activities			
Receipts from customers		6,076,825	–
Payments to suppliers and employees		(11,693,785)	(4,535,323)
Payment for drilling rig cancellation		–	(1,094,930)
Interest received		12,030	25,195
Income tax paid		(258,749)	–
Net cash flows used in operating activities	18	(5,863,679)	(5,605,058)
Cash flows from investing activities			
Purchase of property, plant & equipment	9	(284,591)	(6,360)
Proceeds from the sale of interest in Azonto Ghana	13(c)	–	5,833,731
Proceeds from sale of interest in joint venture	8	3,430,160	–
Payments to joint venture	17	(367,931)	(521,532)
Receipt/(payment) for exploration expenditure		22,013	(8,940,321)
Net cash flows from/(used in) investing activities		2,799,651	(3,634,482)
Cash flows from financing activities			
Proceeds from issue of shares		–	13,288,208
Proceeds from the exercise of options		–	–
Payments for capital raising		–	(902,124)
Lease repayments		–	–
Net cash flows from financing activities		–	12,386,084
Net (decrease) increase in cash and cash equivalents		(3,064,028)	3,146,544
Net foreign exchange differences		654,536	451,981
Cash and cash equivalents at the beginning of the financial year		9,430,190	5,831,665
Cash and cash equivalents at end of the financial year	5	7,020,698	9,430,190

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

For the period ended 31 December 2014

1. Corporate information

The consolidated financial report of Azonto Petroleum Limited for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 26 March 2015.

Azonto Petroleum Limited is a Company limited by shares incorporated in Australia by shares which are publicly traded on the Australian Securities Exchange and the Alternative Investment Market (AIM) on the London Stock Exchange. The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Summary of significant accounting policies

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 pronouncement of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where stated.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed where appropriate.

For the purpose of preparing the consolidated financial statements, the Group is a for-profit entity.

Excepted as disclosed the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and by all entities in the consolidated entity.

a) Compliance statement

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

b) Going concern and basis of accounting

The consolidated financial statements have been prepared on a going concern basis as the Directors are of the opinion that the Group can meet its obligations as and when they fall due.

The Group is in the process of evaluating the future funding requirements of the Gazelle field development operated by Vioco. Depending on the final budget for the Gazelle project and the amount of loan finance which Vioco is able to raise for this purpose, it is possible that additional capital contributions to Vioco may be required from its shareholders. However, at the date of this report the Group has no firm commitments for this funding requirement. In addition, Vioco has an obligation under the terms of the CI-202 production sharing contract to drill an exploration well by November 2016 and in doing so to incur a minimum gross expenditure of US\$35 million. However, in the event that no viable drilling target has been found, Vioco may elect to opt out of this obligation without financial obligation by giving notice prior to 7 October 2015. In addition the US\$50 million loan capital to be invested by Vitol has been extended to include additional costs expected to be incurred in the next twelve months including pre-drilling exploration costs which reduces the Group's exposure to funding in the short term.

Given the above factors, and the range of new investment opportunities which the Group is currently evaluating, the Directors recognise that the Company will need to raise additional finance in the foreseeable future, to pursue projects that have expenditure commitments beyond twelve months from the date of the financial report.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would 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 include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

c) New accounting standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 January 2014, including:

- (i) AASB 1053: Application of tiers of Australian Accounting Standards
- (ii) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- (iii) AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- (iv) AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- (v) AASB 1031: Materiality
- (vi) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

2. Summary of significant accounting policies continued

None of these standards required a restatement of comparative information, and had no impact on the accounting policies of the Group.

New accounting standards not yet effective

The following 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 31 December 2014 and the Group has not yet determined the impact on the financial statements:

Summary	Application date for Group*
<p>AASB 9 Financial Instruments</p> <p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions)(AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The main changes are described below.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none">• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)• The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.</p> <p>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, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>	1 January 2018

Notes to the financial statements continued

For the period ended 31 December 2014

2. Summary of significant accounting policies continued

AASB 2014–1 Part A – Annual Improvements to IFRSs 2010–2012 Cycle

1 January 2015

AASB 2014–1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:

- AASB 2 – Clarifies the definition of “vesting conditions” and “market condition” and introduces the definition of ‘performance condition’ and ‘service condition’.
- AASB 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 – Requires entities to disclose factors used to identify the entity’s reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments’ asset to the entity’s total assets.
- AASB 116 & AASB 138 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

AASB 2014–1 Part A – Annual Improvements to IFRSs 2011–2013 Cycle

1 January 2015

Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:

- AASB13 – Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.
- AASB 140 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgement is based on guidance in AASB 3.

AASB 2014–3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

1 January 2016

[AASB 1 & AASB 11]

AASB 2014–3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

AASB 2014–4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

1 January 2016

AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

2. Summary of significant accounting policies continued

AASB 15 Revenue from Contracts with Customers

1 January 2017

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services). In December 2014 the AASB issued AASB 15.

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early application of this standard is permitted.

AASB 2014–5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

AASB 2014–9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

1 January 2016

AASB 2014–9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

AASB 2014–9 also makes editorial corrections to AASB 127.

AASB 2014–9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.

AASB 2014–10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

1 January 2016

AASB 2014–10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:

- (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and
- (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

AASB 2014–10 also makes an editorial correction to AASB 10.

AASB 2014–10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.

AASB 2015–2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101

1 January 2016

As part of the IASB's Disclosure Initiative projects, the IASB issued Amendments to IAS 1 in December 2014. In January 2015 the AASB issued AASB 2015–2 arising from the IASB's Disclosure Initiative Project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

AASB 2015–3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

1 January 2016

The standard completes the AASB's project to remove Australian guidance on materiality from Accounting Standards.

An assessment of the impact of new standards and interpretations has not been completed; however those effective on 1 January 2015 are not expected to have a material impact.

Notes to the financial statements continued

For the period ended 31 December 2014

2. Summary of significant accounting policies continued

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Azonto Petroleum Limited and its subsidiaries (as outlined in Note 22) (the Group) as at and for the period ended 31 December each year. The Company changed its financial year end to 31 December from 30 June during 2013. The period to 31 December 2013 is therefore six months.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvements with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions have been eliminated in full.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

e) Joint arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Group recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method.

Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income (OCI) reflects the Group's share of the results of operations of the joint venture. Any change in OCI of that investee is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as "Share of profit of a joint venture" in the statement of profit or loss and other comprehensive income. On loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

2. Summary of significant accounting policies continued

f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit and loss component of the statement of comprehensive income as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

g) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Azonto Petroleum Limited is Australian Dollars (\$). The British Virgin Island (BVI) subsidiaries' and Ghana subsidiary functional currency is United States Dollars and the United Kingdom subsidiary's functional currency is GB Pounds which are translated to the presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the average exchange rate prevailing in the period of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency

The results of the BVI, Ghana and United Kingdom subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity until the net investment is disposed, at which time, the cumulative amount is reclassified to the profit and loss.

h) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating result are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Notes to the financial statements continued

For the period ended 31 December 2014

2. Summary of significant accounting policies continued

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the difference between the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

k) Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences/permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the profit and loss component of the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (w)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to oil and gas property and development assets within property, plant and equipment.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

l) Investments and other financial assets

The Group determines the classification of its financial instruments at initial recognition.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Changes in fair value are either taken to profit and loss or Other Comprehensive Income.

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

2. Summary of significant accounting policies continued

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the profit or loss.

m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment over 2 to 20 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Derecognition

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit and loss in the period the item is derecognised.

n) Leases

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

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

o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

p) Provisions and employee benefits

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

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognised termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Notes to the financial statements continued

For the period ended 31 December 2014

2. Summary of significant accounting policies continued

q) Share-based payments

The Group provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares. The fair value of equity instruments granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the equity instruments.

The fair value of the performance rights granted is measured using a Monte Carlo valuation model and the value of the share options granted is measured using a Black-Scholes valuation model. These models take into account the terms and conditions upon which the rights and options were granted and the probability of achieving each required milestone.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on straight-line basis from the grant date to the date on which the relevant employees become fully entitled to the award ("vesting date"). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding equity instruments is reflected as additional share dilution in the computation of earnings per share.

r) Contributed equity

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.

s) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

- Interest income is recognised as it accrues using the effective interest method.

t) Income tax and other taxes

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Other taxes

Revenues, expenses and assets are recognised net of the amount of Government Sales Tax ("GST") except:

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

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

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

2. Summary of significant accounting policies continued

u) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

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

v) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

w) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Foreign currency translation

Under the Accounting Standards, each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. In arriving at this determination, management gives priority to the currency that influences the labour, materials and other costs of exploration activities as they consider this to be a primary indicator of the functional currency.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 2(k). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit and loss.

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

In the case of the Group's principal asset, being its investment in Vioco, the over-riding assumption is that the Gazelle project, reaches the point of development sanction. For this to occur the following matters, inter alia, need to be resolved:

- Firm commitments from banks for the provision of a loan facility to finance the balance of the project's capital expenditure need to be obtained.
- A gas sales agreement needs to be signed.
- Contracts need to be signed for the engineering, procurement, installation and commissioning of the offshore platform, pipeline to shore and onshore processing facilities, and for the drilling of development wells.
- CI-Energies' award of the Independent Power Producer (IPP) project with associated infrastructure.

Notes to the financial statements continued

For the period ended 31 December 2014

2. Summary of significant accounting policies continued

Subject to the above, the key estimates which have been made in determining the value-in-use for impairment testing purposes are as follows:

Gas and Oil Sales prices

The gas price has yet to be agreed but the estimated price is derived from a formula based on a fixed rate of return on investment the principles of which were agreed in writing between Vioco and the Côte d'Ivoire Ministry of Petroleum and Energy at the time of renegotiation of the Block CI-202 PSC in 2013. Gas accounts for some 90% of the estimated recoverable resource in the Gazelle field. Estimated gas condensate prices are in line with current market estimates.

Capital and Operating Costs

Capital costs have been estimated based on detailed quotations received by Vioco from potential contractors. Operating costs have been estimated based on industry norms for similar projects. These costs are escalated at an estimated inflation rate.

Debt Finance Terms

The amount and pricing of the bank loan facility have been estimated based on detailed discussions conducted by Vioco with potential lending banks.

Discount Rate

The discount rate used is commensurate with the rate of return which would be expected by an equity investor in a project of this nature, following discussions with the Group's financial advisers.

Commitments – Exploration

The Group has certain minimum exploration commitments to maintain its right of tenure to exploration permits. These commitments require estimates of the cost to perform exploration work required under these permits.

Share-based payments

The Group measures the cost of equity-settled share based payments at fair value at the grant date considering the probability of achieving milestones for rights and using the Black-Scholes formula for options, taking into account the terms and conditions upon which the instruments were granted, refer to Note 21 for the inputs used.

3. General and administrative expenses

	Consolidated	
	12 months 31 December 2014	6 months 31 December 2013
Employee benefit and Director compensation expense	4,218,552	2,292,075
Share-based payments	463,102	56,728
	4,681,654	2,348,803
Depreciation of property, plant & equipment	231,550	115,567
Consultants expense	4,982,733	633,770
Corporate expense	1,934,163	1,210,044
Establishment expense	1,395,936	881,103
Other	363,828	125,108
Expenses capitalised to exploration expenditure or recovered from partners	(4,491,964)	(1,812,994)
	9,097,900	3,501,401

4. Income tax expense

Major components of income tax expense for the periods ended 31 December 2014 and 2013:

	Consolidated	
	12 months 31 December 2014	6 months 31 December 2013
Statement of comprehensive income		
Current income tax		
– Current income tax charge	46,404	99,883
– Adjustments in respect of current income tax of previous years	–	–
Deferred income tax		
– Relating to origination and reversal of temporary differences	–	–
Income tax expense reported in statement of comprehensive income	46,404	99,883
Reconciliation of income tax expense to prima facie tax:		
Accounting loss from continuing operations before income tax	(19,555,250)	(6,048,583)
At the statutory income tax rate of 30% (31 December 2013: 30%)	(5,866,575)	(1,814,575)
– Expenditure not allowable for income tax purposes	4,297,488	1,194,315
– Business related costs	–	(465,084)
– Share-based payment expense	138,931	17,018
– Foreign tax rate adjustment	(18,349)	(9,101)
– Adjustments in respect of income tax in prior years	905,690	–
– Temporary differences not recognised as deferred tax asset	43,118	83,013
– Current year losses not recognised as deferred tax asset	546,101	1,094,297
Income tax reported in statement of comprehensive income	46,404	99,883
Deferred income tax		
Recognised on the statement of financial position		
Deferred income tax at 31 December relates to the following:		
Deferred income tax assets		
– Capitalised expenditure deductible for tax purposes	(61,404)	–
– Accrued expenditure	(43,071)	–
– Tax losses	(8,611,308)	(8,065,207)
– Deferred tax assets not recognised	8,715,783	8,065,207
Net deferred tax asset/(liability)	–	–

The deductible temporary differences and the tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise benefits. The Group has unrecognised tax losses of \$28,704,360 (31 December 2013: \$26,884,024).

Tax consolidation

For the purposes of income taxation, the Group and its 100% controlled Australian entity have not elected to form a tax consolidated group.

5. Cash and cash equivalents

	Consolidated	
	2014 \$	2013 \$
Cash at bank and on hand	2,116,333	9,430,190
Deposits at call	4,904,365	–
	7,020,698	9,430,190

The weighted average interest rate for the year was 0.19%.

Notes to the financial statements continued

For the period ended 31 December 2014

6. Trade and other receivables

	Consolidated	
	2014 \$	2013 \$
Current		
GST/VAT receivable	227,924	1,279,871
Due from joint venture	499,047	4,781,246
Other	458,704	345,274
	1,185,675	6,406,391

(i) Trade and other receivables are neither past due nor impaired. These are non-interest bearing and generally have repayments between 30-90 days. Their carrying values approximate their fair value.

7. Other current assets

	Consolidated	
	2014 \$	2013 \$
Prepayments	167,938	92,203
	167,938	92,203

8. Exploration and evaluation

	Consolidated	
	2014 \$	2013 \$
Opening balance at 1 January	12,106,932	39,207,570
Exploration expenditure during the period	125,131	4,185,928
Impairment	(12,785,055)	(96,980)
Disposal of Block CI-202 PSC	–	(30,335,241)
Effects of foreign currency on translation	552,992	(854,345)
Closing balance at 31 December	–	12,106,932
Block CI-202 (Note 17)	–	–
Accra Block (Note 17)	–	12,106,932
Closing balance at 31 December	–	12,106,932

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale.

In the period to 31 December 2014 the Group has included an impairment for the Accra Block of \$12,785,055, as the Group relinquished the licence in early 2015.

During 2013 the Group completed the disposal of 65% of Vioco Petroleum Limited, which holds the Block CI-202 PSC, to Vitol. The transaction meant that the assets and liabilities of Vioco Petroleum Limited were required to be derecognised from the Group consolidation and accounted for as a joint venture using equity accounting. In the period to 31 December 2013 the Group incurred a loss of \$3,393,619 on the disposal. In the period to 31 December 2014 the Company has recorded a loss of \$222,631 on the disposal included in the prior period. Also in the current year the Group received cash of \$3,430,161 from Vioco for the sale of inventory included as part of the disposal.

In the period to 31 December 2013 the Group has incurred an impairment for licence WA-399-P of \$96,980, as the Group was in the process of relinquishing the licence.

9. Property, plant and equipment

	Office Equipment \$	Computer Equipment \$	Total \$
Cost			
At 1 January 2014	86,645	601,014	687,659
Additions	147,672	136,919	284,591
Foreign currency translation	8,887	11,605	20,492
At 31 December 2014	243,204	749,538	992,742
Accumulated Depreciation			
At 1 January 2014	(64,258)	(306,768)	(371,026)
Depreciation charge for the year	(52,250)	(179,300)	(231,550)
Foreign currency translation	(3,667)	(7,271)	(10,938)
At 31 December 2014	(120,175)	(493,339)	(613,514)
Net book value			
At 31 December 2014	123,029	256,199	379,228
At 31 December 2013	22,387	294,246	316,633

10. Trade and other payables

	Consolidated	
	2014 \$	2013 \$
Trade creditors and accruals ⁽ⁱ⁾	2,818,768	3,333,092
	2,818,768	3,333,092

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms

11. Provisions

	Consolidated	
	31 December 2014 \$	31 December 2013 \$
Current		
UK income tax	60,453	273,069

12. Issued capital

(a) Share capital

	Consolidated	
	Number	\$
Ordinary shares fully paid	1,159,375,100	232,780,470

(b) Movements in ordinary shares on issue

	Consolidated	
	Number	\$
Balance at 1 July 2013	684,209,991	218,472,640
Issued on 1 July 2013 per share placement	102,439,498	3,073,185
Issued on 14 August 2013 per share placement	369,115,611	11,073,468
Costs incurred in capital raising	–	(902,123)
Balance at 31 December 2013	1,155,765,100	231,717,170
Issued on 7 February 2014 on conversion of performance rights	2,860,000	853,300
Issued on 25 July 2014 on conversion of performance rights	750,000	210,000
Balance at 31 December 2014	1,159,375,100	232,780,470

(c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held.

Notes to the financial statements continued

For the period ended 31 December 2014

12. Issued capital continued

(d) Movements in performance shares

	Consolidated	
	Number	\$
Balance 1 July 2013	15,000,000	9,994,250
Balance at 31 December 2013	15,000,000	9,994,250
Balance at 31 December 2014	15,000,000	9,994,250

(i) The performance shares are to be converted into ordinary shares on a one to one basis on the issue of an independent reserve report in accordance with Society of Petroleum Engineers standards delineating mean reserves in excess of 40 million barrels of oil equivalent for Block CI-202.

(e) Movements in number of options in issue

	Consolidated	
	2014 Number	2013 Number
Balance 1 January (1 July 2013)	38,476,818	47,976,823
Expired/Forfeited/Cancelled	(3,166,668)	(9,500,005)
Balance at 31 December	35,310,150	38,476,818

(f) Movements in number of rights in issue

	Consolidated	
	2014 Number	2013 Number
Balance 1 January (1 July 2013)	74,514,321	4,665,000
Share-based remuneration granted	66,349,709	70,654,321
Issue of shares	(3,610,000)	–
Cash paid in lieu of conversion rights	–	(805,000)
Balance at 31 December	137,254,030	74,514,321

13. Accumulated losses and reserves

(a) Movements in accumulated losses were as follows:

	Consolidated	
	2014 \$	2013 \$
Balance 1 January (1 July 2013)	205,739,525	199,610,506
Net loss attributable to members	15,006,487	6,129,019
Balance at 31 December	220,746,012	205,739,525

(b) Other reserves

	Employee equity benefits reserve \$	Equity reserve \$	Foreign currency translation \$	Non-controlling interest (NCI) \$	Total \$
At 30 June 2013	14,134,051	(4,941,683)	(365,809)	1,320,504	10,147,063
Foreign currency translation	–	–	3,583,291	1,336	3,584,627
Share based payments	56,728	–	–	–	56,728
Net loss attributable to NCI	–	–	–	(19,447)	(19,447)
Sale of 22.04% in Rialto Ghana	–	2,514,117	–	3,312,685	5,826,802
At 31 December 2013	14,190,779	(2,427,566)	3,217,482	4,615,078	19,595,773
Foreign currency translation	–	–	3,250,800	(19,911)	3,230,889
Share based payments	463,102	–	–	–	463,102
Conversion of performance rights	(1,063,300)	–	–	–	(1,063,300)
Net loss attributable to NCI	–	–	–	(4,595,167)	(4,595,167)
At 31 December 2014	13,590,581	(2,427,566)	6,468,282	–	17,631,297

(c) Nature and purpose of reserves

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, as part of their remuneration.

13. Accumulated losses and reserves continued

Equity reserve

The equity reserve is used to record the excess value over the non-controlling interest that existed as at the date of either the acquisition of the controlling interests in the subsidiary companies or disposal of the non-controlling interests in subsidiary companies. In April 2013 Vitol acquired a 20% economic interest in Azonto Petroleum (Ghana) Limited ("Azonto Ghana") in exchange for providing a facility to cover Azonto's US \$7.7 million obligation for the drilling of Starfish-1 exploration well in the Accra Block. If Azonto was to draw down on the facility, Vitol's economic interest in Azonto Ghana would increase up to a maximum of 51%. During the period to 31 December 2013 the Company drew down US \$5.3 million (AUD \$5.8 million) under the facility. At 31 December 2013 Azonto had drawn on the facility to the extent that Vitol at that date had a 43.44% economic interest in Azonto Ghana. The difference between the consideration received from Vitol and the net assets in Azonto Ghana disposed of, has been recognised in the equity reserve.

Foreign currency translation

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Non-controlling interest

The non-controlling interest reserve is used to record the minority interest. The movement in 2014 is due to the impairment of the Accra Block, the only asset owned by Azonto Ghana, as the Group relinquished the licence in early 2015. The movement in the period to 31 December 2013 is a result of Vitol acquiring an additional 21.40% economic interest in Azonto Ghana as explained above.

14. Earnings per share

	Consolidated	
	12 months 31 December 2014 Cents per share	6 months 31 December 2013 Cents per share
Basic earnings per share	(1.30)	(0.58)
Diluted earnings per share (i)	(1.30)	(0.58)
	\$	\$
Losses attributable to ordinary equity holders of the parent used in calculating basic and diluted earnings per share	(15,006,487)	(6,129,019)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	1,158,654,059	1,065,230,840

(i) Potential and contingently issued ordinary shares include 35,310,150 share options, 137,254,030 performance rights and 15,000,000 performance shares. As the Group is in a loss position, the share options and performance shares are not included in calculating diluted earnings per share as they are anti-dilutive.

15. Commitments

Rental lease

The Group has the following obligations in respect of non-cancellable operating rental lease commitments:

(i) Less than one year – \$458,333 (£240,625).

Accra Block

The work programme for the twelve months to 23 March 2014 included drilling one well. The commitment was completed during the period. There are currently no further commitments for the block.

16. Segment reporting

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group's activities relate to oil and gas exploration.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

All material non-current assets for the Group are located in Côte d'Ivoire and all material interest revenue was earned in Australia and the United Kingdom.

Notes to the financial statements continued

For the period ended 31 December 2014

17. Interests in joint arrangements

The Group has an interest in the following joint arrangements:

Project	Activities	Equity interest		Carrying value	
		31 December 2014 %	31 December 2013 %	31 December 2014 \$	31 December 2013 \$
Accra Block	Oil and gas exploration	7.07	7.07	–	12,106,932
Vioco Petroleum Limited	Oil and gas exploration	35	35	33,785,687	30,821,480

The Group's aggregate interests in the assets and liabilities of the joint operation are reflected in the following asset categories in the financial statements. The commitments and contingent liabilities in respect thereto are referred to in Notes 15, 17 and 24 respectively.

Non-current assets	Consolidated	
	31 December 2014 \$	31 December 2013 \$
Accra Block		
Exploration and evaluation	–	12,106,932

The Group's 35% interest in Vioco Petroleum Limited ("Vioco") is accounted for as a joint venture using the equity method in the consolidated financial statements. Vioco is registered in the British Virgin Islands and has its principal place of business in Côte d'Ivoire. The table on the following page summarises the financial information of the Group's investment in Vioco Petroleum Limited at 31 December 2014:

	Consolidated	
	31 December 2014 \$	31 December 2013 \$
Investment in joint venture – Vioco Petroleum Limited	33,785,687	30,821,480
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 January 2014 (1 July 2013)	30,821,480	–
Fair value of retained interest	–	28,292,431
Investment in the period	367,931	521,532
Share of loss for the period	(128,951)	(76,890)
Share of foreign currency translation reserve movement	2,725,227	2,084,407
Balance at 31 December 2014	33,785,687	30,821,480
Summarised financial information of associate:		
Financial position		
Cash and cash equivalents	1,479,588	3,013,340
Other current assets	5,226,482	4,609,733
Current assets	6,706,070	7,623,073
Non-current assets	115,845,264	90,297,491
Trade and other payables	(3,545,672)	(2,489,418)
Other current liabilities	(22,475,129)	(7,088,021)
Non-current liabilities	–	(281,753)
Net assets	96,530,533	88,061,372
Group's share of net assets	33,785,687	30,821,480
Financial performance		
Total revenue	–	–
Depreciation	42,725	7,214
Interest income	2,661	115
Interest expense	–	–
Income tax payable	–	–
Total loss for the period	(368,432)	(219,686)
Other comprehensive income	7,786,363	5,955,451
Total comprehensive income	7,417,931	5,735,765
Group's share of total loss for the period	(128,951)	(76,890)

The joint venture had no contingent liabilities at 31 December 2013.

17. Interests in joint arrangements continued

Capital commitments

Under the new CI-202 PSC, Vioco's current minimum work obligations for the first three year exploration period is geological and geophysical studies plus one well or spend US \$35 million and a commitment for \$0.5 million of social expenditure (Azonto share 35%).

18. Reconciliation of cash flows from operating activities

	Consolidated	
	12 months 31 December 2014 \$	6 months 31 December 2013 \$
Cash flows from operating activities		
Loss for the period	(19,601,654)	(6,148,466)
Adjustments for:		
Depreciation	231,550	115,567
Impairment of exploration asset	12,785,055	96,980
Share based remuneration	463,102	56,728
Loss on disposal of subsidiary	222,631	3,393,619
Loss on sale of fixed assets	-	187,067
Share of a loss of a joint venture	128,951	76,890
Net exchange differences	(694,860)	(1,376,978)
Changes in assets and liabilities		
Decrease/(increase) in trade receivables	1,793,805	(1,080,241)
Decrease/(increase) in other assets	(75,737)	(33,322)
Increase/(decrease) in trade creditors and accruals	(903,907)	(1,013,811)
Increase/(decrease) in provisions	(212,615)	120,909
Net cash used in operating activities	(5,863,679)	(5,605,058)

19. Financial risk management objectives and policies

Overview

The Group have exposure to the following risks from their use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's principal financial instruments are cash, short-term deposits, receivables and payables.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses.

Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

Notes to the financial statements continued

For the period ended 31 December 2014

19. Financial risk management objectives and policies continued

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	Weighted average effective interest rate %	1 Year or Less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
Consolidated – 31 December 2014					
Financial assets					
Non-interest bearing		1,185,675	–	–	1,185,675
Variable interest rate	0.19%	7,020,698	–	–	7,020,698
		8,206,373	–	–	8,206,373
Financial liabilities					
Non-interest bearing		2,818,768	–	–	2,818,768
Consolidated – 31 December 2013					
Financial assets					
Non-interest bearing		6,406,391	–	–	6,406,391
Variable interest rate	0.11%	9,430,190	–	–	9,430,190
		15,836,581	–	–	15,836,581
Financial liabilities					
Non-interest bearing		3,333,092	–	–	3,333,092

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown in the following.

	Carrying value at 31 December \$	Profit or loss	
		25 bp increase \$	25 bp decrease \$
Consolidated – 31 December 2014			
Financial assets			
Cash and cash equivalents	7,020,698	7,285	(7,285)
Cash flow sensitivity (net)		7,285	(7,285)
Consolidated – 31 December 2013			
Financial assets			
Cash and cash equivalents	9,430,190	5,872	(5,872)
Cash flow sensitivity (net)		5,872	(5,872)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents.

The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to credit risk is the carry value of the receivable, net of any allowance for doubtful debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group does not place funds on terms longer than 120 days and has the facility to place the deposit funds with more than one bank.

19. Financial risk management objectives and policies continued

Exposure to credit risk

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

	Consolidated	
	2014	2013
	\$	\$
Cash and cash equivalents	7,020,698	9,430,190
Receivables	1,185,675	6,406,391
	8,206,373	15,836,581

Impairment losses

None of the Group's receivables are past due. The Group's trade receivables are all current at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	6 months or less	6 Months – 3 Years
	\$	\$	\$	\$
Consolidated – 31 December 2014				
Trade and other payables	2,818,768	2,818,768	2,818,768	–
	2,818,768	2,818,768	2,818,768	–
Consolidated – 31 December 2013				
Trade and other payables	3,333,092	3,333,092	3,333,092	–
	3,333,092	3,333,092	3,333,092	–

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 31 December 2013.

The capital structure of the Group consists of net debt (trade payables and provisions detailed in Notes 10 and 11 offset by cash and bank balances detailed in Note 5) and equity of the Group (comprising issued capital, reserves, offset by retained losses detailed in Notes 12 and 13).

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

The Group's Board of Directors reviews the capital structure on an ongoing basis. As part of this review the Board considers the cost of capital and the risks associated with each class of capital. In order to maintain the capital structure, the Group may issue fresh equity, return capital to shareholders or farm-out part of its assets.

Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group approximate their carrying value.

A payment of \$3.1m (US \$2.5m), part of the consideration for a 25% acquisition in of Azonto Petroleum Limited in December 2010, which is payable on the achievement of the production milestone of 1MMstb of net crude oil production from Block CI-202 had nil carrying value and nil fair value at the balance date as there was no basis for making an informed judgement as to the probability and timing of this falling due.

Notes to the financial statements continued

For the period ended 31 December 2014

19. Financial risk management objectives and policies continued

Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses is denominated in a different currency from the Group's presentation currency) and the Group's net investment in foreign subsidiaries.

As a result of significant operations denominated in US Dollars (US\$), the Group's statement of financial position can be affected significantly by movements in the US\$/A\$ exchange rates.

The Group had the following exposure to US\$ foreign currency:

	Consolidated	
	2014 \$	2013 \$
Financial assets		
Cash and cash equivalents	5,365,889	1,212,939
Trade and other receivables	-	-
	5,365,889	1,212,939
Financial liabilities		
Trade and other payables	1,328,995	17,290
	1,328,995	17,290

The Group is mainly exposed to US\$. The following table details the Group's sensitivity to a 15% increase and decrease in the Australian Dollar against the US\$. Management continually monitor exchange rate forecasts and assess the impact of possible changes in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusted their translation at the period end of a 15% change in foreign currency rates. A positive number indicates a decrease in loss where the Australian Dollar weakens against the US Dollar.

	Consolidated	
	2014 \$	2013 \$
Profit or loss: + 15%	(526,551)	(160,465)
Profit or loss: - 15%	712,393	217,099

20. Key management personnel disclosures

(a) The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

A. Bartlett	Independent Non-executive Chairman	
G. Stoupnitzky	Managing Director	Appointed Business Development Director 14 January 2014 and Managing Director on 20 January 2015
A. Sinclair	Senior Independent Non-executive Director and Deputy Chairman	Appointed Senior Independent Non-executive Director and Deputy Chairman 3 March 2014
N. Hackett	Independent Non-executive Director	
R. Shepherd	Managing Director	Resigned 20 January 2015
A. Rose	Director and Chief Financial Officer	Appointed Executive Director on 3 March 2014 and resigned 20 January 2015

Executives

J. Durkin	Chief Legal officer	
J. Smulders	Technical Director	Appointed 22 April 2014

20. Key management personnel disclosures continued

(b) Key management personnel compensation

The key management personnel compensation included in employee benefit and Director compensation expenses are as follows:

	Consolidated	
	12 months to 31 December 2014 \$	6 months to 31 December 2013 \$
Short-term employee benefits	2,267,482	889,514
Post-employment benefits	–	353
Equity compensation benefits	358,241	76,380
	2,625,723	966,247

Interests held by Key Management Personnel under the Performance Rights Plan

Share rights held by key management personnel under the Performance Rights Plan to purchase ordinary shares have the following vesting dates and exercise prices:

Issue date	Vesting dates	Exercise price	2014 Number	2013 Number
18-Dec-13	18-Dec-17	–	18,781,184	18,781,184
18-Dec-13	18-Dec-17	–	37,562,366	37,562,366
13-Jun-14	18-Dec-17	–	17,770,403	–
13-Jun-14	18-Dec-17	–	36,079,306	–
			110,193,259	56,343,550

(c) Other transactions with key management personnel and their related parties

Information regarding individual Directors and executives compensation is provided in the Remuneration Report section of the Directors' Report.

Fees paid in the ordinary course of business for the twelve months ended 31 December 2014 for company secretarial services totalling \$24,000, excluding GST, were paid or payable to an associate company of Mr N. Hackett. Fees paid in the ordinary course of business for the twelve months ended 31 December 2014 for technical services totalling \$56,083, excluding GST, were paid or payable to an associate company of Mr A. Sinclair. Fees paid in the ordinary course of business for the twelve months ended 31 December 2014 for legal and insurance services totalling \$79,963, excluding GST, were paid or payable to an associate company of Mr J. Durkin.

Apart from details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

21. Share-based payment

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the period is shown in the table below:

	Consolidated	
	12 months 31 December 2014 \$	6 months 31 December 2013 \$
Expense arising from equity-settled share-based payment transactions	463,102	56,728
Total expense arising from share-based payment transactions (Note 3)	463,102	56,728

(b) Types of share-based payment plans

Share-based payments are provided to Directors, employees, consultants and other advisors. The issue to each individual Director, consultant or adviser is controlled by the Board and the ASX Listing Rules. Terms and conditions of the payments, including the grant date, vesting date, exercise price and expiry date are determined by the Board, subject to shareholder approval where required.

Share option plan

Each employee share option converts into one ordinary share of Azonto Petroleum Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights.

Performance rights plan

Each performance right converts into one ordinary share of Azonto Petroleum Limited on vesting. No amounts are paid or are payable by the recipient on receipt of the performance right. The performance rights carry neither rights of dividends nor voting rights.

Notes to the financial statements continued

For the period ended 31 December 2014

21. Share based payment continued

(c) Summary of options granted under share option plan

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options issued during the year:

	31 December 2014		31 December 2013	
	Number	WAEP	Number	WAEP
Balance at beginning of the financial period	12,650,001	0.52	22,150,006	0.56
Forfeited during the period	(3,166,668)	0.66	(2,499,999)	0.46
Cancelled during the period	-	-	(6,500,006)	0.60
Expired during the period	-	-	(500,000)	0.65
Outstanding at the end of the year	9,483,333	0.51	12,650,001	0.52
Exercisable at the end of the year	9,283,333		12,300,001	

The outstanding balance as at 31 December 2014 is represented by:

Grant date	Expiry date	Grant date fair value	Exercise price	Number of options	Vesting dates ⁽ⁱ⁾
30-Nov-2010	28-Jun-2015	\$0.548	\$0.40	2,900,000	(ii)
30-Nov-2010	28-Jun-2015	\$0.515	\$0.60	900,000	Immediately
30-Nov-2010	28-Jun-2016	\$0.572	\$0.40	900,000	28-Jun-2011
30-Nov-2010	28-Jun-2016	\$0.545	\$0.60	900,000	28-Jun-2011
30-Nov-2010	28-Jun-2017	\$0.569	\$0.60	900,000	28-Jun-2012
30-Nov-2010	28-Jun-2017	\$0.590	\$0.40	900,000	28-Jun-2012
15-Jul-11	01-Aug-15	\$0.256	\$0.80	166,666	Immediately
15-Jul-11	01-May-16	\$0.263	\$0.80	750,000	(iii)
29-Nov-11	15-Aug-15	\$0.154	\$0.60	666,667	(iv)
21-Dec-11	21-Dec-16	\$0.154	\$0.43	500,000	(v)

(i) Unless a single vesting date is provided, all other options vest one-third on each vesting date;

(ii) Vesting occurs as follows: Immediately on grant, 28 June 2011 and 28 June 2012;

(iii) Vesting occurs as follows: Immediately on grant, 1 May 2012 and 1 May 2013;

(iv) Vesting occurs as follows: Half immediately on grant and 7 December 2012;

(v) Vesting occurs as follows: 30% vesting two years and three years from grant date and 40% vesting four years from grant date.

(d) Weighted average remaining contractual life

The weighted average contractual life for the share options outstanding as at 31 December 2014 is 1.22 years (2013: 1.02 years).

(e) Option pricing model

Options were priced using a Black-Scholes option pricing model. The assessed fair values of the options were determined using a Black-Scholes model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. Expected volatility was calculated based on the historic volatility of the Company over a period commensurate with the expected life of the awards.

(f) Summary of performance rights granted under performance rights plan

The following table illustrates the number and WAEP of, and movements in, performance rights issued during the period:

	31 December 2014		31 December 2013	
	Number	WAEP	Number	WAEP
Balance at beginning of the financial year	74,514,321	-	4,665,000	-
Granted during the period	66,349,709	-	70,654,321	-
Forfeited during the period	-	-	-	-
Issue of shares during the period	(3,610,000)	-	-	-
Performance rights cash settled	-	-	(805,000)	-
Outstanding at the end of the period	137,254,030	-	74,514,321	-
Vested at the end of the period	250,000	-	3,860,000	-

21. Share-based payment continued

The outstanding balance as at 31 December 2014 is either vested or vest 18 December 2017 and is represented by:

Grant date	Grant date fair value	Exercise price	Number of rights
29-Nov-11	\$0.28	–	250,000
18-Dec-13	\$0.27	–	23,551,441
18-Dec-13	\$0.15	–	47,102,880
13-Jun-14	\$0.018	–	21,895,403
13-Jun-14	\$0.007	–	44,454,306

(g) Weighted average remaining contractual life

The weighted average contractual life for the performance rights outstanding as at 31 December 2014 is 2.96 years (2013: 3.76 years).

(h) Weighted average fair value

The weighted average fair value of performance rights granted during the year was \$0.011 (6 months 31 December 2013: \$0.19).

(i) Performance rights pricing model

The Performance Rights granted in the year to 31 December 2014 will vest subject to the satisfaction of certain performance criteria. The Rights are split into two tranches.

Tranche 2 will vest on the achievement of two strategic milestones:

- (i) all government and partner approvals, offtake, supply and service contracts, financings and other necessary conditions for the Gazelle field development project to proceed having been obtained and agreed and Vioco Petroleum Ltd having taken the Final Investment Decision to proceed with the project; and
- (ii) the first delivery of gas from the Gazelle field to the Côte d'Ivoire's state electricity company (or other agreed purchaser) having been made under stabilised flow rate conditions (Tranche 1 Vesting Conditions).

In the event not all Tranche 1 Vesting Conditions are satisfied within four years of the Tranche 1 Performance Rights being granted, the Board may resolve that a proportion of the Tranche 1 Performance Rights vest based on the degree of progress towards satisfaction of the Tranche 1 Vesting Conditions has been achieved.

Tranche 2 will vest on the achievement of share price target and the Board being satisfied at the end of the four year period with overall financial, strategic and HSE performance of the Company (Final Performance Hurdle). The share price hurdles are as follows:

- (i) 25% of the Tranche 2 Performance Rights will vest (on satisfaction of the Final Performance Hurdle) if the Company's share price reaches \$0.05 per share within four years;
- (i) a further 25% of the Tranche 2 Performance Rights will vest (on satisfaction of the Final Performance Hurdle) if the Company's Share price reaches \$0.07 per Share within four years. Achievement of this milestone will result in 50% of the Tranche 2 Performance Rights vesting on satisfaction of the Final Performance Hurdle;
- (ii) the remaining 50% of the Tranche 2 Performance Rights will vest (on satisfaction of the Final Performance Hurdle) if the Company's Share price reaches \$0.09 per Share within four years. Achievement of this milestone will result in 100% of the Tranche 2 Performance Rights vesting on satisfaction of the Final Performance Hurdle.

The Performance Rights granted in the period to 31 December 2013 will vest subject to the satisfaction of the same performance criteria as the Performance Rights granted in 2014 plus the following strategic milestone for Tranche 1.

- (i) the execution of a sale and purchase agreement ("SPA") between the Company and Vitol SA concerning the sale to Vitol SA of 65% of the Company's subsidiary in Côte d'Ivoire, Vioco Petroleum Ltd, in return for US\$50 million financing for the development of the Gazelle field, and the satisfaction of the conditions precedent to the SPA entering into full force and effect. The milestone was achieved in November 2013.

Notes to the financial statements continued

For the period ended 31 December 2014

21. Share based payment continued

The performance rights were priced using a Monte Carlo valuation model. The assessed fair values of the rights were determined using a Monte Carlo valuation model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the rights. Expected volatility was calculated based on the historic volatility of a peer group of companies over a period commensurate with the expected life of the awards. The inputs to the model for the period to 31 December 2014 and 2013 were:

Grant date	13-Jun-14 Tranche 1	13-Jun-14 Tranche 2	18-Dec-13 Tranche 1	18-Dec-13 Tranche 2
Dividend yield (%)	–	–	–	–
Expected volatility (%)	69.09%	69.09%	72.12%	72.12%
Risk-free interest rate (%)	2.95%	2.95%	2.85%	2.85%
Expected life of options (yrs.)	3.52	3.52	4.00	4.00
Right's exercise price (\$)	–	–	–	–
Share price at grant date (\$)	\$0.018	\$0.018	\$0.03	\$0.03
Fair value at grant date (\$)	\$0.018	\$0.007	\$0.03	\$0.02

22. Related party disclosures

(a) Subsidiaries

Name of entity	Country of incorporation	Equity interest	
		31 December 2014 %	31 December 2013 %
Parent entity			
Azonto Petroleum Limited (i)			
Subsidiaries			
Azonto Petroleum (UK) Limited (ii)	United Kingdom	100	100
Rialto Energy (Ghana) Pty Ltd	Australia	100	100
Azonto Petroleum Holdings Limited (iii)	British Virgin Islands	100	100
Azonto Petroleum (Ghana) Limited (iv)	British Virgin Islands	100	100
Azonto Petroleum (Ghana) Limited (v)	Ghana	56.56	56.56

(i) On 2 December 2013, Rialto Energy Limited changed its name to Azonto Petroleum Limited.

(ii) On 16 December 2013, Rialto Energy (UK) Limited changed its name to Azonto Petroleum (UK) Limited.

(iii) On 17 February 2014, CLNR Holdings Limited changed its name to Azonto Petroleum Holdings Limited.

(iv) On 17 February 2014, Rialto Energy (Ghana) Limited BVI changed its name to Azonto Petroleum (Ghana) Limited.

(v) On 20 January 2014, Rialto Energy (Ghana) Limited changed its name to Azonto Petroleum (Ghana) Limited.

Related party transactions

		Sales to related parties \$	Purchases from related parties \$	Amounts owed by related parties \$	Amounts owed to related parties \$
Joint venture:					
Vioco Petroleum Limited	2014	6,051,286	–	499,047	–
	2013	407,685	–	4,781,246	–
Key management personnel of the Group:					
Giant Capital Management Limited	2014	–	56,283	–	–
	2013	–	–	–	–
Boral Consulting Limited	2014	–	79,963	–	2,448
	2013	–	–	–	–

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The sales to Vioco are partly included in other revenue - \$2,203,514 (2013: \$407,685) and partly in general and administrative expenses as expenses recovered from partners - \$3,847,772 (2013: nil). In 2013 sales to Vioco are only for the period from 7 November 2013 when the Vitol transaction was completed and the Company became a joint venture.

Non-controlling interests

The proportion of ownership interests held by the non-controlling interest in Azonto Petroleum (Ghana) Limited is 43.44%. The non-controlling interest share of loss for the period disclosed in the statement of comprehensive income relates only to the non-controlling interest in Azonto Petroleum (Ghana) Limited. The Accra Block exploration and evaluation asset in note 8 relates to Azonto Petroleum (Ghana) Limited. There are no other material balances for this entity.

22. Related party disclosures continued

(b) Ultimate parent

Azonto Petroleum Limited is the ultimate Australian parent entity and ultimate parent entity of the Group.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid are included in the Directors' Report and Note 20.

23. Auditor's remuneration

Current auditors: Ernst & Young

	Consolidated	
	12 months 31 December 2014 \$	6 months 31 December 2013 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of the financial report of the Group	111,817	91,613
Sub-total	111,817	91,613
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
An audit or review of the financial report of subsidiaries and audit related services	34,760	27,355
Sub-total	34,760	27,355
Total remuneration	146,577	118,968

24. Contingent assets and liabilities

There are no material contingent assets or liabilities as at 31 December 2014.

25. Events after the balance sheet date

- On the 20 January 2015, the Company announced that Rob Shepherd and Andrew Rose had resigned as Managing Director, and Director and Chief Financial Officer respectively and Gregory Stoupnitzky was appointed as Managing Director.
- On the 11 March 2015, the Company announced that it was relinquishing its interest in the Offshore Accra Block in Ghana.
- On 30 March 2015, the Company announced that as the lump sum price for construction of the Gazelle project in the Côte d'Ivoire CI-202 block was higher than expected, the Board of Vioco Petroleum Limited has decided to retender the construction package. This will result in a delay in Gazelle Project sanction.

Since the end of the financial year, the Directors are not aware of any other matters or circumstances that have significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial years.

26. Parent disclosure

	Consolidated	
	12 months 31 December 2014 \$	6 months 31 December 2013 \$
Loss for the year	(12,771,334)	(3,010,598)
Other comprehensive income	-	-
Total comprehensive loss	(12,771,334)	(3,010,598)
Current assets	6,623,543	10,613,858
Total assets	36,088,927	49,558,364
Current liabilities	1,575,201	2,736,306
Total liabilities	1,575,201	2,736,406
Net assets	34,513,726	46,821,958
Issued capital	232,780,470	231,717,170
Performance shares	9,994,250	9,994,250
Reserves	13,791,519	14,391,717
Accumulated losses	(222,052,513)	(209,281,179)
Total shareholders' equity	34,513,726	46,821,958

Contingent liabilities of the parent entity

Refer to Note 24.

Commitments of the parent entity

Refer to Note 15.

Directors' declaration

The Directors of Azonto Petroleum Limited declare that:

- (a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors report set out on pages 12 to 17, are in accordance with the Corporations Act 2001, including :
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of their performance, for the financial period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2; and
- (c) subject to the matter set out in Note 2(b) "Going concern and basis of accounting" there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Chief Executive Officer and chief financial officer for the financial period ended 31 December 2014.

Signed in accordance with a resolution of the Directors.

Andrew Bartlett
Chairman
31 March 2015

Independent auditor's report to the members of Azonto Petroleum Limited

Report on the financial report

We have audited the accompanying financial report of Azonto Petroleum Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Azonto Petroleum Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Independent auditor's report continued to the members of Azonto Petroleum Limited

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(b) 'Going concern and basis of accounting' in the financial report. The matters, as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2014. 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 Azonto Petroleum Limited for the year ended 31 December 2014, complies with section 300A of the Corporations Act 2001.

Ernst & Young

R J Curtin

Partner

Perth

31 March 2015

Shareholders information

As at 25 March 2015

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 25 March 2015.

1. Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Shares
1–1,000	137
1,001–5,000	154
5,001–10,000	167
10,001–100,000	769
100,001 and above	594
Total	1,821

The number of holders of less than a marketable parcel of ordinary fully paid shares is 0.

2. Substantial shareholders

Substantial shareholders (i.e. shareholders who hold 5% or more of the issued capital):

	Number of shares	Percentage held
6466 Investment PTY Ltd	76,198,981	6.57%
Genesis Asset Managers LLP	70,138,995	6.05%
Mr Stephen John Dobson	64,247,719	5.54%
International Finance Corporation	63,707,267	5.49%

3. Voting rights

(a) Ordinary shares

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

(b) Options & contractual rights

No voting rights.

4. Quoted securities on issue

The number of quoted shares and options issued by the Company are set out below:

	Number
Ordinary fully paid shares	1,159,375,100
Performance shares	15,000,000
Unlisted Options (exercisable at \$0.25–\$0.80)	35,310,150

5. On-market buy back

There is no current on-market buy back.

6. Unquoted equity securities and holders of >20% of each class noted, if applicable

	Number on issue	Number of holders
Performance shares to be issued to G Whiddon as ordinary shares pursuant to the Share Purchase Agreement	8,999,099	1
Performance shares to be issued to Med Alpha S.A as ordinary shares pursuant to the Share Purchase Agreement	6,000,901	1

Shareholders information continued

As at 25 March 2015

7. Top 20 Quoted shareholders

	Number of shares	Percentage held
HSBC Custody Nominees (Australia)	124,835,519	10.77%
6466 Investments Pty Limited	76,198,981	6.57%
Mr Stephen John Dobson	64,247,719	5.54%
Deutsche Bank AG	53,300,000	4.60%
Mr Glenn Whiddon	33,954,486	2.93%
International Finance Corporation	31,853,634	2.75%
IFC African Latin American and Caribbean LP	31,853,633	2.75%
National Nominees Limited	31,530,568	2.72%
J P Morgan Nominees Australia Limited	20,751,325	1.79%
Navigator Australia LTD	17,101,906	1.48%
Platform Securities Nominees Limited	16,552,945	1.43%
Floteck Consultants Limited	15,921,369	1.37%
Vidacos Nominees Ltd	14,012,173	1.21%
Citicorp Nominees PTY Limited	12,353,521	1.07%
Zero Nominees PTY Ltd	11,699,951	1.01%
Alexander Holdings (WA) Pty Ltd	11,500,000	0.99%
HSBC Global Custody Nominee (UK) Limited	11,000,000	0.95%
ACC Holdings International Limited	10,670,100	0.92%
Mr Marcus James Taylor	10,139,000	0.87%
Mr James David Taylor and Mrs Marion Amy Taylor	10,082,000	0.87%
	609,558,830	52.59%

Corporate information

Directors

Andrew Bartlett	Non-executive Chairman
Robert Shepherd	Managing Director – Resigned 20 January 2015
Andrew Rose	Executive Director and Chief Financial Officer – Resigned 20 January 2015
Gregory Stoupnitzky	Business Development Director – Appointed Managing Director 20 January 2015
Andrew Sinclair	Senior Independent Non-executive Director and Deputy Chairman
Neil Hackett	Non-executive Director

Company Secretary

Neil Hackett
Andrew Rose – Resigned 20 January 2015

London office – Head office

8th Floor
Portland House
Bressenden Place
London SW1E 5BH
United Kingdom

Registered office – Perth, Australia

Suite 6
245 Churchill Avenue
Subiaco WA 6008
Telephone: +61 (0) 8 9211 5000
Facsimile: +61 (0) 8 9486 9362
Email: ir@azpetro.com
Website: www.azpetro.com

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Bankers

National Australia Bank
226 Main Street Osborne Park WA 6017

The Royal Bank of Scotland

Queen's Cross Branch 40 Albyn Place
Aberdeen AB10 1YN

Corporate brokers

RFC Ambrian Limited
Condor House
10 St Paul's Churchyard
London EC4M 8AL

GMP Securities Europe LLP

Stratton House
5 Stratton Street
London W1J 8LA

Share registry

Computershare Investor Services Plc
The Pavilions, Bridgwater Road, Bristol BS13 8AE
Telephone: +44 (0) 870 702 0003
Facsimile: +44 (0) 870 703 6116

Computershare Investor Services Pty Ltd

45 St. Georges Terrace, Perth WA 6000
Telephone: +61 (0) 8 9323 2000
Facsimile: +61 (0) 8 9323 2033

Stock exchange listing

The Company is listed on the ASX Limited ("ASX") and the Alternative Investment Market ("AIM") on the London Stock Exchange.

Home branch: Perth, Western Australia.

ASX Code: APY

AIM Code: AZO

Notes



Azonto Petroleum Limited

Portland House, 8th Floor

Bressenden Place

London SW1E 5BH

Tel: +44 20 7042 8500

Fax: +44 20 7042 8501

Email: admin@azpetro.com

Web: www.azpetro.com