



AND CONTROLLED ENTITIES

ABN 99 124 734 961

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

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for ended 30 June 2013 and any public announcements made by Red Emperor Resources NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Information

This financial report includes the consolidated financial statements and notes of Red Emperor Resources NL and Controlled entities ("Group"). The Group's functional presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's report on pages 2 to 4. The Director's report is not part of the financial report.

Directors

Mr Greg Bandy
Mr Jason Bontempo
Mr Stephen Brockhurst

Company Secretary

Ms Shannon Robinson
Ms Rebecca Sandford

Registered Office

Ground Floor, 1 Havelock Street
West Perth WA 6005

Principal Place of Business

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West Perth WA 6005

Website

www.redemperorresources.com

Share Registry

Computershare Investor Services Pty Ltd

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Stock Exchange

Australian Securities Exchange Limited (ASX)

Alternative Investment Market of the London Stock
Exchange (AIM)

ASX Code: **RMP**

AIM Code: **RMP**

Directors' Report

Your directors present their report on the consolidated entity of Red Emperor Resources NL and the entities it controlled at the end of, or during, the half year ended 31 December 2013.

Directors

The persons who were directors of Red Emperor Resources NL during the half year and up to the date of this report are:

Mr Greg Bandy (Executive Director)
Mr Jason Bontempo (Non Executive Director)
Mr Stephen Brockhurst (Non Executive Director)

Review of Operations for the Half Year ended 31 December 2013

The Consolidated Statement of Profit or loss and Other Comprehensive Income shows a consolidated net loss for the half year ended 31 December 2013 to members of \$307,914 (2012: net loss of \$12,969).

Georgian Project

During the half year Red Emperor's Georgian Joint Venture partner, Range Resources Limited (Range) and Operator, Strait Oil & Gas UK (Strait) completed an extensive review of all geological data and finalised a program to proceed with the development of blocks VIa and VIb.

Red Emperor was advised that the State Agency for the Regulation of Oil and Gas agreed to the proposed timetable for a drilling campaign with the final work program passed by the Coordination Committee of the National Oil Corporation. This program involved the tenders for drilling rigs as well as the procurement of all associated well services and equipment, which is expected to be finalised by March 2014.

Red Emperor's JV partners also advised that drilling permits were expected to be obtained in Q2 2014 and after construction of the well sites the Joint Venture expected to be in a position to start drilling in H2 2014. Initial targets will be for oil and gas but it is anticipated that it will be necessary to hydrofrack the structures which lie in the Upper Bathonian section. The operator has also advised they will be determining the CBM potential of the reservoir. Red Emperor remains free carried for the next exploration well to be drilled within either block, thus considerably reducing its expenditure on this proposed program.

The drill program has necessitated a revision of the PSA extending the drilling timetable into 2015.

As was previously announced, the Joint Venture continued to advance discussions with potential farm-in and purchase participants. In the meantime the JV remains committed to progressing and meeting the commitments on the licenses.

Puntland Project

Whilst there was little on-ground activity carried out by the Joint Venture in Puntland during the half year, a number of key initiatives were outlined by Red Emperor's JV partner and operator, Horn Petroleum (TSXV: HRN) with some preliminary work expected to commence in Q1, 2014. This work will include field research and reconnaissance across both sites, face-to-face liaison with key stakeholders and updated security assessments of both blocks (and potential drilling sites).

Review of Operations for the Half Year ended 31 December 2013 (Cont)

As well as this proposed deployment, the Joint Venture was represented in January by Horn Petroleum COO, Mark Dingley, at the Presidential Inauguration of Puntland's newly elected fifth President, Dr Abdiweli Ali Gas. Dr Gas - who studied at several US universities, including Harvard - defeated the incumbent Abdirahman Farole by one vote in the recently held election. Mr Farole accepted defeat, saying the peaceful election was a model for the rest of Somalia.

Red Emperor publicly thanked former President Farole for his time in office that saw the first oil exploration wells drilled in Puntland in over 20 years. The company looks forward to a strong relationship with the new President and government, which will hopefully see more incident free exploration in Puntland over the coming years as well as commercial success.


Subsequent Events

There have been no subsequent events since the end of the reporting period.

Auditors Independence Declaration

The Auditor's Independence Declaration as required by Section 307C of the Corporations Act 2001 is set out on page 5.

This report is signed in accordance with a resolution of the Board of Directors.



Greg Bandy
Executive Director
Perth, Western Australia, 13 March 2014

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF RED EMPEROR RESOURCES NL

As lead auditor for the review of Red Emperor Resources NL for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Red Emperor Resources NL and the entities it controlled during the period.



Peter Toll
Director

Perth, 13 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Half Year 31 December 2013 \$	Half Year 31 December 2012 \$
Revenue from continuing operations			
Interest income		215,743	244,580
Gain on derivative liability	11	19,573	450,257
Administration expenses		(165,931)	(302,375)
Compliance and regulatory expenses		(167,908)	(198,407)
Director fees		(130,800)	(161,049)
Occupancy expense		(15,559)	(13,552)
Corporate advisory		(60,000)	(50,000)
Share of net loss of associate	7	-	-
Foreign exchange gain/(loss) for all applicable occurrences		(3,032)	17,577
Loss before income tax expense		(307,914)	(12,969)
Income tax expense		-	-
Loss for the half year attributable to owners of the Company		(307,914)	(12,969)
Items that may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations		903,757	367,675
Other comprehensive income		903,757	367,675
Total comprehensive profit/ (loss) for the half year attributable to owners of the Company		595,843	354,706
Basic loss per share (cents per share)		(0.001)	(0.005)
Diluted loss per share (cents per share)		N/A	N/A

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Note	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents		11,097,298	11,984,410
Trade and other receivables	5	54,053	85,510
Total Current Assets		11,151,351	12,069,920
Non-Current Assets			
Financial assets at fair value through profit and loss		400	400
Property, plant and equipment		-	5,398
Investment accounted for using the equity method	7	6,928,175	6,628,472
Exploration and evaluation expenditure	6	27,648,939	26,486,004
Total Non-current Assets		34,577,514	33,120,274
TOTAL ASSETS		45,728,865	45,190,194
LIABILITIES			
Current Liabilities			
Trade and other payables		22,784	60,382
Derivative financial liability	11	2,103	21,676
Total Current Liabilities		24,887	82,058
TOTAL LIABILITIES		24,887	82,058
NET ASSETS		45,703,978	45,108,136
EQUITY			
Issued Capital	3	49,646,732	49,646,733
Accumulated losses		(11,064,714)	(10,756,800)
Reserves	8	7,121,960	6,218,203
TOTAL EQUITY		45,703,978	45,108,136

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Issued Capital Ordinary	Accumulated losses	Forex Translation Reserve	Share Based Payments Reserve	Total
	\$	\$		\$	\$
As at 1 July 2012	47,531,732	(10,575,204)	(637,281)	3,831,386	40,150,633
Loss for the period	-	(12,969)	-	-	(12,969)
Comprehensive income for the period	-	-	367,675	-	367,675
Total Comprehensive loss for the period	-	(12,969)	367,675	-	354,706
Transactions with their owners in their capacity as owners:					
Shares issued during the period	2,250,000	-	-	-	2,250,000
Transaction costs	(122,727)	-	-	-	(122,727)
Options issued during the period	-	-	-	-	-
Subtotal	2,127,273	(12,969)	367,675	-	2,481,979
As at 31 December 2012	49,659,005	(10,588,173)	(269,606)	3,831,386	42,632,612
As at 1 July 2013	49,646,732	(10,756,800)	2,386,817	3,831,386	45,108,136
Loss for the period	-	(307,914)	-	-	(307,914)
Comprehensive income for the period	-	-	903,757	-	903,757
Total Comprehensive loss for the period income/(loss)	-	(307,914)	903,757	-	595,843
Transactions with their owners in their capacity as owners:					
Shares issued during the period	-	-	-	-	-
Transaction costs	-	-	-	-	-
Options issued during the period	-	-	-	-	-
Subtotal	-	(307,914)	903,757	-	595,843
As at 31 December 2013	49,646,732	(11,064,714)	3,290,574	3,831,386	45,703,978

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

Consolidated Statement of Cashflows

Note	31 December 2013 \$	31 December 2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(543,921)	(829,355)
Finance and interest costs	(385)	(782)
Interest received	215,743	244,580
Net cash (used in) operating activities	(328,563)	(585,557)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation	(558,549)	(6,882,140)
Proceeds from acquisition escrow account	-	984,136
Net cash (used in) investing activities	(558,549)	(5,898,004)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	-	2,250,000
Payments for share issue costs	-	(135,000)
Net cash provided by financing activities	-	2,115,000
Net (decrease) in cash held	(887,112)	(4,368,561)
Cash and cash equivalents at the beginning of the half-year	11,984,410	18,139,777
Cash and cash equivalents at end of half-year	11,097,298	13,771,216

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

This general purpose financial report for the interim half year reporting period ended 31 December 2013 has been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Red Emperor Resources NL. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial report of the Group for the year ended 30 June 2013, together with any public announcements made during the half-year.

The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period, except the following:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 13 Fair Value Measurement
- AASB 119 Employee benefits
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

In the half year ended 31 December 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013. It has been determined by the Group that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to accounting policies.

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Dividends

No dividends were paid or declared during the period.

Notes to the Consolidated Financial Statements (Cont)

2. Segment Information

The Group operates in one industry, oil and gas exploration however due to the differing geographical areas and functional currencies the financial information has been broken down into Exploration and Treasury. During the half year the consolidated entity operated in two business segments, exploration & evaluation and treasury (other).

Accounting policies adopted

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

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Segment assets

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

Unless indicated otherwise in the segment assets note, investments in financial assets have not been allocated to operating segments.

Segment liabilities

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

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- head office and other administration expenditure.

Notes to the Financial Statements

Note 2 – Segment Note

Segment Performance

	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
Half year ended 31 December 2013					
Revenue					
Interest revenue	-	-	-	215,743	215,743
Total segment revenue	-	-	-	215,743	215,743
Total Group revenue	-	-	-	215,743	215,743
Segment net loss before tax	-	-	-	215,743	215,743

Reconciliation of segment result to Group net profit/(loss) before tax

Amounts not included in segment result but reviewed by the board:

- Gain on derivative liability					19,573
Unallocated items:					
Forex loss					(3,032)
Employee and director benefits expense					(130,800)
Other					(409,398)
Net loss before tax from continuing operations					(307,914)

Notes to the Financial Statements (Cont)

Note 2 – Segment Note (cont'd)

Segment Performance (cont)

Half year ended 31 December 2012	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
Revenue					
Interest revenue	-	-	-	244,580	244,580
Total segment revenue	-	-	-	244,580	244,580
Total Group revenue	-	-	-	244,580	244,580
Segment net loss before tax	-	-	-	244,580	244,580
<i>Reconciliation of segment result to Group net profit/(loss) before tax</i>					
Amounts not included in segment result but reviewed by the board:					
- Gain on derivative liability					450,257
Unallocated items:					
Forex gain					17,577
Employee and director benefits expense					(161,049)
Other					(564,334)
Net loss before tax from continuing operations					(12,969)

Notes to the Financial Statements (Cont)

Note 2 – Segment Note (cont'd)

Segment Assets

31 December 2013	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
Segment assets	-	6,928,175	27,648,939	400	34,577,514
<i>Segment assets increases/ (decreases) for the half year:</i>					
- capital expenditure	-	-	27,648,939	-	27,648,939
- investment accounted for using equity method	-	6,928,175	-	-	6,928,175
- -financial assets at fair value through profit and loss	-	-	-	400	400
<i>Reconciliation of segment assets to Group assets</i>					
	-	6,928,175	27,648,939	400	34,577,514
Unallocated items:					
Cash and cash equivalents					11,097,298
Trade and other receivables					54,053
Total Group assets from continuing operations					45,728,865

30 June 2013	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
Segment assets	-	6,628,472	26,486,004	5,798	33,120,274
<i>Segment assets for the year:</i>					
- capital expenditure	-	-	26,486,004	-	26,486,004
- Investment accounted for using equity method	-	6,628,472	-	-	6,628,472
- Property, plant & equipment	-	-	-	5,398	5,398
- financial assets at fair value through profit and loss	-	-	-	400	400
<i>Reconciliation of segment assets to Group assets</i>					
	-	6,628,472	26,486,004	5,798	33,120,274
Unallocated items:					
Cash and cash equivalents					11,984,410
Trade and other receivables					85,510
Total Group assets from continuing operations					45,190,194

Notes to the Financial Statements (Cont)

Note 2– Segment Note (cont'd)

Segment Liabilities

	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
31 December 2013					
Segment liabilities	-	-	-	-	-
<i>Reconciliation of segment liabilities to Group assets</i>					
Unallocated items:					
Trade and other payables					22,452
Derivative financial liability					1,923
Total Group liabilities from continuing operations					24,375

	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
30 June 2013					
Segment liabilities	-	-	-	-	-
<i>Reconciliation of segment liabilities to Group assets</i>					
Unallocated items:					
Trade and other payables					60,382
Derivative financial liability					21,676
Total Group liabilities from continuing operations					82,058

Notes to the Financial Statements (Cont)

Note 3 – Issued Capital

	Note	2013 Number	2012 Number	Dec 2013 \$	Dec 2012 \$
Ordinary shares- fully paid		258,734,221	258,734,221	49,646,732	49,659,005
Ordinary shares- partly paid (<i>paid \$0.0001, \$0.2499 unpaid</i>)		7,500,000	7,500,000	-	750
Total consolidated contributed equity		266,234,221	266,234,221	49,646,732	49,659,755

Note 4 – Share Based Payments

During the half year there were no share based payments issued.

Note 5 – Trade and other receivables

	31 Dec 2013 \$	30 June 2013 \$
Prepaid Insurance	9,023	3,113
Trade debtors	21,048	25,355
GST receivable	23,982	57,042
	54,053	85,510

Note 6 – Exploration and evaluation expenditure

	31 Dec 2013 \$	30 June 2013 \$
Exploration and evaluation expenditure		
Opening Balance	26,486,004	16,041,554
Exploration and evaluation expenditure capitalised during the period	1,162,935	10,440,570
Exploration expenditure written off	-	(3,880)
	27,648,939	26,486,004

Notes to the Financial Statements (Cont)

Note 7 – Investments accounted for using equity method

	31 Dec 2013	30 June 2013
	\$	\$
Shares in associates	6,928,175	6,628,472
	<u>6,928,175</u>	<u>6,628,472</u>

a) Movements in investments

	31 Dec 2013	30 June 2013
	\$	\$
Carrying amount at the beginning of the period	6,628,472	5,510,096
Cost of investment, net of transaction costs	299,703	1,118,376
Share of loss after income tax	-	-
Carrying amount at the end of the period	<u>6,928,175</u>	<u>6,628,472</u>

Note 8 – Reserves

	Dec 31 2013	Dec 31 2012
	\$	\$
(a) Reserves		
Share based payment reserve	3,831,386	3,831,386
Foreign translation reserve	3,290,574	(269,606)
	<u>7,121,960</u>	<u>3,561,780</u>

Movements

Foreign translation reserve

Balance at 30 June	2,386,817	(637,281)
Foreign translation difference on consolidation	903,757	367,675
Balance at 31 December	<u>3,290,574</u>	<u>(269,606)</u>

Share based payment reserve

Balance at 30 June	3,831,386	3,831,386
Options issued	-	-
Balance at 31 December	<u>3,831,386</u>	<u>3,831,386</u>

Notes to the Financial Statements (Cont)

Note 9 –Commitment and Contingent Liabilities

The Directors are not aware of any contingent liabilities as at 31 December 2013. There has been no change in contingent liabilities since the last annual reporting date.

Note 10 –Derivative Financial Liability

On 30 December 2011 the Company issued 1,636,363 warrants as payment for capital raising services. The warrants had the following terms, exercisable at £0.11 on or before 30 December 2014.

The assumptions used for the valuation granted during the period are as follows:

Underlying security spot price	£0.028
Strike/ exercise price	£0.11
Valuation date	31/12/2013
Annual compounding bond rate	0.365%
Expected volatility	80%
Expiry Date	22/12/2014
Risk free interest rate	0.365%
Fair value of one warrant	£0.001

A total of \$2,103 has been included as a derivative financial liability at 31 December 2013 as the exercise price is denominated in GBP.

Movements in Derivative Liability

At the beginning of the period

Movement in fair value of warrants

At reporting date

	2013	2012
	21,676	481,608
	(19,573)	(459,932)
	<u>2,103</u>	<u>21,676</u>

Notes to the Financial Statements (Cont)

Note 11 – Fair value measurement of financial instruments

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets, such as trading and available for sale securities, is based on current quoted market prices at reporting date. The quoted market price used for financial assets held by the Group is the current market price.

The fair value of financial instruments that are not traded in an active market such as unlisted investments and subsidiaries is determined using valuation techniques where applicable. Where this is unable to be done they are carried at cost.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
31 December 2013	\$	\$	\$	\$
Financial Assets				
Financial assets at fair value through profit and loss	400	-	-	400
	400	-	-	400

	Level 1	Level 2	Level 3	Total
31 December 2013	\$	\$	\$	\$
Finance Liability				
Derivative finance liability	-	2,103	-	2,103
	-	2,103	-	2,103

	Level 1	Level 2	Level 3	Total
30 June 2013	\$	\$	\$	\$
Financial Assets				
Financial assets at fair value through profit and loss	400	-	-	400
	400	-	-	400

	Level 1	Level 2	Level 3	Total
30 June 2013	\$	\$	\$	\$
Finance Liability				
Derivative finance liability	-	21,676	-	21,676
	-	21,676	-	21,676

Notes to the Financial Statements (Cont)

Note 12 –Events Subsequent to Reporting Date

There have been no subsequent events since the end of the reporting period.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes as set out on page 6 to 20 are in accordance with the Corporations Act 2001, including:
 - (a) Complying with the Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements; and
 - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Executive Director:
Greg Bandy

Dated this 13 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Red Emperor Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Red Emperor Resources NL, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

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



Basis for Qualified Conclusion

Included in Red Emperor Resources NL's consolidated statement of financial position as at 31 December 2013 is an investment in an associate entity, Strait Oil and Gas (UK) Limited, which is accounted for under the equity method and carried at \$6,928,175. Red Emperor Resources NL has recorded its share of the net income/loss from Strait Oil and Gas (UK) Limited as Nil in the consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2013. We were unable to obtain sufficient appropriate audit evidence to verify the carrying value of the investment and the share of net income/loss brought to account for the half-year because audited financial information was not available. Consequently we were unable to determine whether any adjustments to these amounts are necessary.

Qualified Conclusion

Based on our review, which is not an audit, with the exception of the possible effects of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Red Emperor Resources NL is not in accordance with the *Corporations Act 2001* including:

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

BDO Audit (WA) Pty Ltd

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Peter Toll
Director

Perth, 13 March 2014