



**AND CONTROLLED ENTITIES**

**ABN 99 124 734 961**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2014**

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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 the year ended 30 June 2014 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*.

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## Corporate Information

This financial report includes the consolidated financial statements and notes of Red Emperor Resources NL and Controlled entities ("the 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 Directors' report on pages 2 and 3. The Directors' report is not part of the financial report.

### Directors

Mr Greg Bandy  
Mr Jason Bontempo  
Mr Nathan Rayner

### Company Secretary

Mr Aaron Bertolatti

### Registered Office

Level 1, 35 Richardson Street  
West Perth WA 6005

### Principal Place of Business

Level 1, 35 Richardson Street  
West Perth WA 6005

### Website

[www.redemperorresources.com](http://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)

AIM 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 ("Red Emperor" or "the Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2014.

### Directors

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

Mr Greg Bandy (Managing Director)

Mr Jason Bontempo (Non-Executive Director)

Mr Nathan Rayner (Non-Executive Director) – appointed 23 October 2014

Mr Stephen Brockhurst (Non-Executive Director) – resigned 23 October 2014

### Review of Operations for the Half Year ended 31 December 2014

The Consolidated Statement of Profit or loss and Other Comprehensive Income shows a consolidated net loss for the half year ended 31 December 2014 to members of \$15,344,470 (2013: net loss of \$307,914).

#### Georgian Project

During the period, Strait Oil and Gas ("Strait") stepped up on-ground activities in preparation for the scheduled drilling program, which was to see the JV commence the drilling of a well on Block VIb by the end of March 2015. The drilling of this well is to be funded by Range Resources Limited ("Range") as part of the Subscription Agreement signed between the two companies in 2011. Strait Oil & Gas advised that the drilling program had been agreed with the Georgian Oil & Gas Ministry who also confirmed that a valid drilling license is in place. All technical aspects of the well, along with the cost budget, have been approved with a drill rig and all required services on standby. Range advised Red Emperor that it is negotiating a financing deal with a third party that is designed to reduce its financial exposure to the well.

#### Puntland Project

During the reporting period, the Somalian Federal Government hardened its position with regards to the requirement of contracts to flow through the Federal Ministry of Energy, as evidenced by the statement of the Federal Minister at the Somalia Oil & Gas Conference in late October 2014. As a result, and subsequent to the period end, the JV significantly reduced its presence in Bosaso, Puntland and will refrain from any operational activity and associated expenditures pending a resolution of the political situation and the legitimacy of oil concession contracts. As a result the Directors are of the view that exploration and evaluation expenditure should be written down to nil.

Given the considerable efforts taken by the JV to date in Puntland (Somalia), the JV has requested a two year extension to the current exploration period from the Government of Puntland to allow time for these political challenges to be resolved.

Red Emperor continued to review new opportunities throughout the period in accordance with its outlined strategic philosophy.

#### Corporate

On 23 October 2014 the Company announced the appointment of Nathan Rayner to the Board of Directors following the resignation of Stephen Brockhurst.

### Events subsequent to Reporting Date

On 16 February 2015 the Company announced that it had recently sold its direct equity investment in Highfield Resources Limited (ASX: HFR) in accordance with its treasury management strategy. The shares were sold at price of \$0.80 per share, which netted the Company \$798,279 after brokerage, a 66% return on its \$480,000 investment.

#### SC55

On 2 March 2015 Red Emperor announced that it had signed a Farmin Agreement with Otto Energy Philippines Inc. (a wholly owned subsidiary of Otto Energy Ltd) to farm in to the highly prospective offshore Philippines Block, Service Contract 55 ("SC55").

## Directors' Report (continued)

SC55 is located in the southwest Palawan Basin, covers an area of 9,880km<sup>2</sup> and was awarded to Otto Energy Investments Ltd (formerly NorAsian Energy Ltd) in 2005. It is a deep-water block in the middle of a proven regional oil and gas fairway that extends from the productive offshore Borneo region in the southwest to the offshore Philippine production assets northwest of Palawan.

SC55 contains a number of distinct exploration play types including the Hawkeye turbidite clastic prospect and the material Cinco carbonate gas/condensate prospect, as well as a number of follow-up leads. The permit provides a material opportunity and a series of possible drill targets in an exploration campaign that will be undertaken during the remaining term of the service contract.

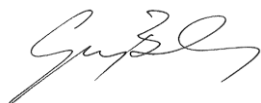
The Company has the right to earn a 15% working interest in SC55 in consideration for paying, in cash, 15% of the Well Costs for the drilling and testing of the Hawkeye – 1 exploration well. Red Emperor's well cost exposure is capped at US\$5.625m, beyond which Red Emperor has the option to reduce equity from the 15% working interest level.

To ensure that Red Emperor maintains a strong cash position throughout its 2015 work program, the Company agreed to place 66,558,555 shares at A\$0.032 per share (£0.016) to raise approximately A\$2.13m (£1.06m) from sophisticated investors both in Australia and the UK. 708 Capital Limited, a Sydney based full service investment advisory firm, was lead manager to the issue and were appointed as Red Emperor's Australian broker. Brandon Hill Capital (formerly Fox Davies Limited) remains the Company's UK broker. The funds raised from the placement will be used for purposes associated with the Company's share of upcoming drilling costs in the Philippines.

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, to provide the Directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this Directors' report for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Greg Bandy  
Managing Director

Perth, Western Australia,  
13 March 2015

DECLARATION OF INDEPENDENCE BY JARRAD PRUE 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 2014,  
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.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2015

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2014

	Note	31 December 2014 \$	31 December 2013 \$
<b>Continuing Operations</b>			
Interest income		182,854	215,743
Unrealised gain on investment	5	150,000	-
Gain on derivative liability		783	19,573
Administration expenses		(162,636)	(165,931)
Compliance and regulatory expenses		(103,681)	(167,908)
Director fees		(139,749)	(130,800)
Exploration expenditure written off	6	(15,203,814)	-
Occupancy expense		(10,233)	(15,559)
Corporate advisory		(60,000)	(60,000)
Unrealised FX gain/(loss)		2,006	(3,032)
<b>Loss from continuing operations before income tax</b>		<b>(15,344,470)</b>	<b>(307,914)</b>
Income tax expense		-	-
<b>Loss from continuing operations after income tax</b>		<b>(15,344,470)</b>	<b>(307,914)</b>
<b>Net Loss for the period</b>		<b>(15,344,470)</b>	<b>(307,914)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
Exchange difference on translation of foreign operations		(243)	903,756
<b>Other comprehensive income for the period net of tax</b>		<b>(243)</b>	<b>903,756</b>
<b>Total comprehensive income for the period</b>		<b>(15,344,713)</b>	<b>595,842</b>
Basic loss per share (cents)		(5.76)	(0.001)

*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 as at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		9,525,726	10,321,349
Trade and other receivables	4	36,297	54,991
<b>Total Current Assets</b>		<b>9,562,023</b>	<b>10,376,340</b>
<b>Non-Current Assets</b>			
Financial assets at fair value through profit and loss	5	630,400	298,101
Exploration and evaluation expenditure	6	-	15,000,000
Investment accounted for using the equity method	7	6,987,315	6,928,175
<b>Total Non-current Assets</b>		<b>7,617,715</b>	<b>22,226,276</b>
<b>TOTAL ASSETS</b>		<b>17,179,738</b>	<b>32,602,616</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		63,340	140,722
Derivative financial liability		-	783
<b>Total Current Liabilities</b>		<b>63,340</b>	<b>141,505</b>
<b>TOTAL LIABILITIES</b>		<b>63,340</b>	<b>141,505</b>
<b>NET ASSETS</b>		<b>17,116,398</b>	<b>32,461,111</b>
<b>EQUITY</b>			
Issued capital	8	49,646,733	49,646,733
Accumulated losses		(36,333,073)	(20,988,603)
Reserves	9	3,802,738	3,802,981
<b>TOTAL EQUITY</b>		<b>17,116,398</b>	<b>32,461,111</b>

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



**Consolidated Statement of Changes in Equity**  
*for the half-year ended 31 December 2014*

	Issued capital	Accumulated losses	Foreign exchange translation reserve	Share based payments reserve	Total
	\$	\$		\$	\$
<b>Balance at 1 July 2013</b>	<b>49,646,733</b>	<b>(10,756,800)</b>	<b>2,386,817</b>	<b>3,831,386</b>	<b>45,108,136</b>
Loss for the period	-	(307,914)	-	-	(307,914)
Comprehensive income for the period	-	-	903,756	-	903,756
Total comprehensive income for the period	-	(307,914)	903,756	-	595,842
<b>Transactions with their owners in their capacity as owners:</b>					
<b>Balance at 31 December 2013</b>	<b>49,646,733</b>	<b>(11,064,714)</b>	<b>3,290,573</b>	<b>3,831,386</b>	<b>45,703,978</b>
<b>Balance at 1 July 2014</b>	<b>49,646,733</b>	<b>(20,988,603)</b>	<b>(28,405)</b>	<b>3,831,386</b>	<b>32,461,111</b>
Loss for the period	-	(15,344,470)	-	-	(15,344,470)
Comprehensive income for the period	-	-	(243)	-	(243)
Total comprehensive income for the period	-	(15,344,470)	(243)	-	(15,344,713)
<b>Transactions with their owners in their capacity as owners:</b>					
<b>Balance at 31 December 2014</b>	<b>49,646,733</b>	<b>(36,333,073)</b>	<b>(28,648)</b>	<b>3,831,386</b>	<b>17,116,398</b>

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

## Consolidated Statement of Cash Flows for the half-year ended 31 December 2014

	31 December 2014	31 December 2013
Note	\$	\$
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers and employees	(521,111)	(543,921)
Finance and interest costs	(961)	(385)
Interest received	182,854	215,743
<b>Net cash used in operating activities</b>	<b>(339,218)</b>	<b>(328,563)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for exploration and evaluation	(214,966)	(558,549)
Payments for purchase of equities	(182,299)	-
Payments for investment in associate	(59,140)	-
<b>Net cash used in investing activities</b>	<b>(456,405)</b>	<b>(558,549)</b>
<b>Net decrease in cash held</b>	<b>(795,623)</b>	<b>(887,112)</b>
Cash and cash equivalents at the beginning of the half-year	10,321,349	11,984,410
<b>Cash and cash equivalents at end of half-year</b>	<b>9,525,726</b>	<b>11,097,298</b>

*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 2014 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 2014, together with any public announcements made during the half-year.

In the half year ended 31 December 2014, 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 2014. 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 2014. 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 (2013: Nil).

### 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.

## Notes to the Consolidated Financial Statements (continued)

### 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.

### 3. SEGMENT REPORTING

<u>Segment Performance</u>	Australian Exploration & Evaluation	Georgian Exploration & Evaluation	Puntland Exploration & Evaluation	Treasury	Total
Half year ended 31 December 2014	\$	\$	\$	\$	\$
Revenue					
Interest revenue	-	-	-	182,854	182,854
Total segment revenue	-	-	-	<b>182,854</b>	<b>182,854</b>
Total Group revenue	-	-	-	182,854	182,854
<b>Segment net loss before tax</b>	-	-	-	<b>182,854</b>	<b>182,854</b>

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

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

Unrealised gain on Investment	150,000
Gain on derivative liability	783

### Unallocated items:

Foreign exchange gain	2,006
Employee and director benefits expense	(139,749)
Other	(15,540,607)

**Net loss before tax from continuing operations** **(15,344,713)**

	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	-	-	-	<b>215,743</b>	<b>215,743</b>
Total Group revenue	-	-	-	215,743	215,743
<b>Segment net loss before tax</b>	-	-	-	<b>215,743</b>	<b>215,743</b>

### 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
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### Unallocated items:

Foreign exchange 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 Consolidated Financial Statements (continued)

<u>Segment Assets</u>	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
<b>31 December 2014</b>					
<b>Segment assets</b>	-	6,987,315	-	630,400	7,617,715
<i>Segment assets increases/ (decreases) for the half year:</i>					
- capital expenditure	-	-	-	-	-
- investment accounted for using equity method	-	6,987,315	-	-	6,987,315
- financial assets at fair value through profit and loss	-	-	-	630,400	630,400
<i>Reconciliation of segment assets to Group assets</i>	-	6,987,315	-	630,400	7,617,715
Unallocated items:					
Cash and cash equivalents					9,525,726
Trade and other receivables					36,297
<b>Total Group assets from continuing operations</b>					<b>17,179,738</b>

	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
<b>30 June 2014</b>					
<b>Segment assets</b>	-	6,928,175	15,000,000	298,101	22,226,276
<i>Segment assets for the year:</i>					
- capital expenditure	-	-	15,000,000	-	15,000,000
- Investment accounted for using equity method	-	6,928,175	-	-	6,928,175
- financial assets at fair value through profit and loss	-	-	-	298,101	298,101
<i>Reconciliation of segment assets to Group assets</i>	-	6,928,175	15,000,000	298,101	22,226,276
Unallocated items:					
Cash and cash equivalents					10,321,349
Trade and other receivables					54,991
<b>Total Group assets from continuing operations</b>					<b>32,602,616</b>

<u>Segment Liabilities</u>	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
<b>31 December 2014</b>					
<b>Segment liabilities</b>	-	-	-	-	-
<i>Reconciliation of segment liabilities to Group assets</i>					
Unallocated items:					
Trade and other payables					63,340
Derivative financial liability					-
<b>Total Group liabilities from continuing operations</b>					<b>63,340</b>

## Notes to the Consolidated Financial Statements (continued)

30 June 2014	Australian Exploration & Evaluation \$	Georgian Exploration & Evaluation \$	Puntland Exploration & Evaluation \$	Treasury \$	Total \$
<b>Segment liabilities</b>	-	-	-	-	-
<i>Reconciliation of segment liabilities to Group assets</i>					
Unallocated items:					
Trade and other payables					140,722
Derivative financial liability					783
<b>Total Group liabilities from continuing operations</b>					<b>141,505</b>

	31 December 2014 \$	30 June 2014 \$
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Prepaid Insurance	-	2,893
Trade debtors	9,271	43,245
GST receivable	27,026	8,853
	<b>36,297</b>	<b>54,991</b>
<b>5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>		
Opening Balance	298,101	400
Acquisition of listed investments	182,299 <sup>1</sup>	297,701
Unrealised gain on investments	150,000	-
Closing balance	<b>630,400</b>	<b>298,101</b>

<sup>1</sup> On 22 September 2014 the Company was issued 379,790 Tranche 2 shares in Highfield Resources Limited at \$0.48 per share.

Financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

### 6. EXPLORATION AND EVALUATION EXPENDITURE

Opening Balance	15,000,000	26,486,004
Exploration and evaluation expenditure capitalised during the period	204,057	101,440
FX difference	(243)	(1,999,089)
Exploration expenditure written off	(15,203,814) <sup>1</sup>	(9,588,355)
Closing balance	-	<b>15,000,000</b>

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

<sup>1</sup> The Joint Venture has informed the Government of Puntland (Somalia) that it will be significantly reducing its presence in Bosaso, Puntland and will refrain from any operational activity and associated expenditures pending a resolution of the political situation between the Regional Government of Puntland and the Federal Government of Somalia regarding the legitimacy of oil concession contracts. As a result the Directors are of the view that exploration and evaluation expenditure should be written down to nil.

### 7. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Opening Balance	6,928,175	6,628,472
Cost of investment, net of transaction costs	59,140	299,703
Closing balance	<b>6,987,315</b>	<b>6,928,175</b>

The Company has a 20% ownership interest in Strait Oil and Gas (UK) Ltd, a consolidated entity, and as a consequence has significant influence but not control over the group. Red Emperor has not been provided with financial statements for the period and consequently has recorded the contribution to the investment during the current year at cost and a gain/loss after income tax of Nil for the period.

## Notes to the Consolidated Financial Statements (continued)

	31 December 2014		30 June 2014	
	\$		\$	
<b>8. ISSUED CAPITAL</b>				
<b>(a) Issued and paid up capital</b>				
Issued and fully paid	49,646,733		49,646,733	
	31 December 2014		31 December 2013	
	No.	\$	No.	\$
<b>(b) Movements in ordinary shares on issue</b>				
Opening balance	266,234,221	49,646,733	266,234,221	49,646,733
Closing balance	266,234,221	49,646,733	266,234,221	49,646,733
	31 December 2014		30 June 2014	
	\$		\$	
<b>9. RESERVES</b>				
Share based payment reserve <sup>1</sup>	3,831,386		3,831,386	
Foreign translation reserve <sup>2</sup>	(28,648)		(28,405)	
	<b>3,802,738</b>		<b>3,802,981</b>	

<sup>1</sup> The share based payment reserve is used to record the value of equity benefits provided to Directors, executives and employees as part of their remuneration and non-employees for their goods and services.

<sup>2</sup> The foreign exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

### 10. COMMITMENT AND CONTINGENT LIABILITIES

Pursuant to the Farmin Agreement with Otto Energy Philippines, Red Emperor has the right to earn a 15% working interest in Service Contract SC55 in consideration for paying, in cash, 15% of the Well Costs for the drilling and testing of the Hawkeye – 1 exploration well. Red Emperor's well cost exposure is capped at US\$5.625m, beyond which Red Emperor has the option to reduce equity from the 15% working interest level.

The Directors are not aware of any other commitments and contingent liabilities as at 31 December 2014.

### 11. Financial Instruments Measured at Fair Value

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 fair value through profit or loss, 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.

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).

## Notes to the Consolidated Financial Statements (continued)

31 December 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	630,400	-	-	<b>630,400</b>
	<u>630,400</u>	<u>-</u>	<u>-</u>	<u><b>630,400</b></u>

31 December 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Finance Liability</b>				
Derivative finance liability	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	298,101	-	-	<b>298,101</b>
	<u>298,101</u>	<u>-</u>	<u>-</u>	<u><b>298,101</b></u>

30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Finance Liability</b>				
Derivative finance liability	-	783	-	<b>783</b>
	<u>-</u>	<u>783</u>	<u>-</u>	<u><b>783</b></u>

### 12. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 February 2015 the Company announced that it had recently sold its direct equity investment in Highfield Resources Limited (ASX: HFR) in accordance with its treasury management strategy. The shares were sold at price of \$0.80 per share, which netted the Company \$798,279 after brokerage, a 66% return on its \$480,000 investment.

On 2 March 2015 Red Emperor announced that it had signed a Farmin Agreement with Otto Energy Philippines Inc. (a wholly owned subsidiary of Otto Energy Ltd) to farm in to the highly prospective offshore Philippines Block, Service Contract 55 (SC55). To ensure that Red Emperor maintains a strong cash position throughout its 2015 work program, the Company agreed to place 66,558,555 shares at A\$0.032 per share (£0.016) to raise approximately A\$2.13m (£1.06m) from sophisticated investors both in Australia and the UK. 708 Capital Limited, a Sydney based full service investment advisory firm, was lead manager to the issue and were appointed as Red Emperor's Australian broker. Brandon Hill Capital (formerly Fox Davies Limited) remains the Company's UK broker. The funds raised from the placement will be used for purposes associated with the Company's share of upcoming drilling costs in the Philippines.



## Directors' Declaration

In the opinion of the Directors of Red Emperor Resources NL ('the Company'):

1. The financial statements and notes thereto, as set out on pages 5 to 14, are in accordance with the Corporations Act 2001 including:
  - a. complying with accounting standard AASB134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional standards; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year then ended.
2. 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.295A of the Corporations Act 2001.



Greg Bandy  
Managing Director

Perth, Western Australia,  
13 March 2015

## 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 2014, 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 2014 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 2014 is an investment in associate entity, Strait Oil and Gas (UK) Limited, which is accounted for under the equity method and is carried at \$6,987,315. Red Emperor Resources NL has recorded its share of the net income as nil in the consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2014. We were unable to obtain sufficient appropriate review evidence about the carrying value of the investment and the share of net income/loss brought to account for the period because management were unable to obtain access to financial information and management of Strait Oil and Gas (UK) Limited. 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 basis for qualified conclusion 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 2014 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

A handwritten signature in blue ink, consisting of the letters 'BDO' above the name 'J Prue'.

Jarrad Prue

Director

Perth, 13 March 2015