



**ABN 73 122 948 805**

## **FINANCIAL REPORT 2016**

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**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

Your Directors present their report on the Company for the financial year ended 31 December 2016.

**Directors**

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

David John Lindh

Richard Jay Groden (Resigned on 18 March 2016)

Neville Wayne Martin

Marcus Stephen Boland (Appointed on 23 February 2016)

Bruce Percy Hocking (Appointed on 18 March 2016)

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

**Company Secretary**

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

Jonathan Lindh

**Principal Activities**

The principal activity of the Company was investment in the oil & gas and energy sectors in the USA and elsewhere.

During 2016, the Company engaged in discussions with a number of interested parties regarding potential business opportunities. These discussions proved to be successful and resulted in the Company signing an agreement with Sydney based investment firm Resource Capital Limited (RCL) (see further details in 'Review of Operations') to identify and pursue the acquisition of suitable energy & energy infrastructure-related assets for the purposes of re-listing the Company on the ASX.

The Company also held a 25% interest in Island Sky Corporation, which markets and develops a USA Patented, high capacity, energy efficient air-to-water making machine which draws water vapour from the air and converts it into drinking water.

**Operating Results**

The loss for the year after income tax amounted to \$531,398 (2015 loss of \$127,900).

**Dividends Paid or Recommended**

No dividends were paid or declared for payment in the financial year.

**Review of Operations**

During the period, the Board engaged in discussions with a number of interested parties regarding potential business opportunities including RCL. In the current financial year, these discussions resulted in RCL agreeing to provide \$1 million of funding to the Company in two tranches in exchange for the issue of 1 million convertible notes to RCL and independent clients of RCL. Full details of the agreement with RCL were provided in the Company's ASX announcement dated 2 February 2016.

The Company has maintained its 25% interest in Island Sky Corporation and continued discussions with that company to receive the balance of the purchase price under the Stock Purchase Agreement dated 18 June 2012.

# Pawnee Energy Limited

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

### Financial Position

The net liabilities of the company have decreased by \$352,302 since 31 December 2015 to \$483,326 at 31 December 2016.

The financial position of the Company shows that it may require additional capital to continue its operation.

### Significant Changes in State of Affairs

There no significant changes in the state of affairs of the Company during the financial year, other than mentioned in this report.

### Matters Subsequent to the End of the Financial Year

There were no events that have occurred subsequent to the financial statement that would materially affect the financial report.

### Likely Development and Expected Results of Operations

The Company is expecting to receive a further tranche of \$250,000 under the agreement with RCL as soon as practicable, at which time it will issue a further 250,000 convertible notes. Subject to receiving shareholder approval, the Company expects the second tranche convertible notes will be automatically converted into shares on or about 31 August 2017.

The funding received from RCL and the other new investors will be used to secure the assets and acquisitions being pursued as well as due diligence and compliance costs associated with same and the re-listing of the Company, as well as pursuing other opportunities to acquire suitable energy, resources and infrastructure related assets in the USA and overseas.

### Environmental Issues

The Company's operations are not subject to significant environmental regulations.

# Pawnee Energy Limited

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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

Key Management Personnel	Position
David John Lindh	Non-Executive Chairman
Marcus Stephen Boland	Executive Director
Neville Wayne Martin	Non-Executive Director
Bruce Percy Hocking	Non-Executive Director
Richard Jay Groden	Non-Executive Director
Jonathan Lindh	Company Secretary

### **David John Lindh - LLB (University of Adelaide), OAM – Chairman**

Member of Audit & Risk Committee and Chairman of Nomination & Remuneration Committee

Mr Lindh is a consultant in corporate and commercial matters, with over 30 years' experience both as a lawyer and a company director. Mr Lindh was Chairman of ASX listed Centrex Metals Limited (appointed 23 March 2001 and resigned 21 January 2010) and was a non-executive director of ASX listed Bass Strait Oil Company Ltd until 16 December 2014. Mr Lindh is also a director of various private companies and is a consultant with the Adelaide law firm, Minter Ellison. Mr Lindh has been a director of listed public companies over a long period of time and has significant experience with initial public offerings.

### **Marcus Stephen Boland – Executive Director**

Marcus Boland has a background in commerce, law and finance, with more than 20 years' experience in corporate advisory and public market listing transactions in the mining and energy, medical and IT sectors, and including both IPOs and back-door listings. Mr Boland is a director of Resource Capital Limited as well as a number of private energy and infrastructure-related development and investment companies in Australia and overseas. In particular, Mr Boland has held both Board and executive positions encompassing specific responsibility for deal origination and the identification of appropriate assets and acquisitions as a Director of Corporate Development and Strategy.

### **Neville Wayne Martin - LLB (University of Adelaide) - Non-Executive Director**

*Chairman of Audit & Risk Committee and Member of Nomination & Remuneration Committee*

Neville Martin is a consultant with the law firm Minter Ellison and has over 40 years' experience in corporate and commercial law. He is a former director of Stuart Petroleum Limited and Austin Exploration Limited (both listed at the time on the ASX), and was also Chairman of Adelaide Energy Limited (was ASX listed) from September 2005 to November 2011. He is currently a non-executive director of ASX listed company Sundance Energy Australia Limited and he is also a director of several unlisted public companies.

### **Bruce Percy Hocking - LLB - Non-Executive Director**

Bruce Hocking is a Sydney-based solicitor with wide-ranging business experience in several sectors in both Australia and the US, previously holding senior executive positions in pharmaceutical, health and energy-related businesses. For 10 years, Mr Hocking was the Managing Director of the Australasian arm of a large health-related company based in New York and listed on the American Stock Exchange. Mr Hocking is also the founder and a Director and Secretary of the Australian Medical Co-operative Ltd of general practitioners.

### **Jonathan Lindh LLB B Int. St. (University of Adelaide) – Company Secretary**

Jonathan Lindh is an Australian qualified lawyer with over 10 years' legal and corporate advisory experience. Mr Lindh has worked in private practice for Australian and international law firms and for a boutique corporate advisory business. He holds a Bachelor of Laws, a Bachelor of International Studies and post-graduate qualifications in corporate finance and corporate governance. Mr Lindh also serves as company secretary of various listed and unlisted private and public companies.

# Pawnee Energy Limited

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Since 31 December 2015, 2 meetings of Directors were held. Attendances by each Director during the year were as follows:

### Meetings of Directors

	Number eligible to attend	Number attended
David Lindh	2	2
Richard Groden	2	2
Neville Martin	2	2
Marcus Boland	1	1
Bruce Hocking	-	-

### Service Agreements

There were no service agreements in place during the 2016 year.

### Indemnifying Officers or Auditor

The company has given an indemnity or entered into an agreement to indemnify the directors and office holders to the extent permitted by law. The liabilities incurred insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or information to gain advantage for themselves or someone else or to cause detriment to the Company.

### Options

At the date of this Report there are no unissued ordinary shares of Pawnee Energy Limited under option.

### Proceedings on Behalf of Company

No person has applied to the court under section 237 of the Corporation Act 2001 for leave to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

# Pawnee Energy Limited

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

### Non-audit Services

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the years are set out in Note 4 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 9 of this financial report and forms part of this Directors' Report.

### Auditor's Independence Declaration

The lead Auditor's Independence Declaration for the year ended 31 December 2016 has been received and can be found on the following page of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.



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David Lindh, Director

Dated 8 May 2017

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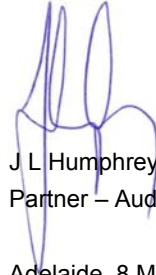
## **AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PAWNEE ENERGY LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Pawnee Energy Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 8 May 2017

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# Pawnee Energy Limited

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		\$	\$
Other income	2	43	45
Administration	2	(46,126)	(57,347)
Professional fees	2	(339,426)	(49,517)
Other expenses	2	(145,182)	(120,411)
Recouped Doubtful Debts	2	-	100,000
Finance costs		(707)	(670)
(Loss) before income tax		(531,398)	(127,900)
Income tax expense	3	-	-
(Loss) for the year		(531,398)	(127,900)
<b>Other comprehensive income</b>		-	-
Total comprehensive loss for the year		(531,398)	(127,900)
Loss attributable to:			
Members of the company		(531,398)	(127,900)
Total comprehensive loss attributable to members of the company:		(531,398)	(127,900)

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

**Pawnee Energy Limited**  
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**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	185,163	549
Trade and other receivables	6	6,303	340
<b>TOTAL CURRENT ASSETS</b>		191,466	889
<b>NON-CURRENT ASSETS</b>			
Investment in associate	7	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		-	-
<b>TOTAL ASSETS</b>		191,466	889
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	674,792	836,517
<b>TOTAL CURRENT LIABILITIES</b>		674,792	836,517
<b>TOTAL LIABILITIES</b>		674,792	836,517
<b>NET LIABILITIES</b>		(483,326)	(835,628)
<b>EQUITY</b>			
Issued capital	9	13,623,387	12,739,687
Accumulated losses		(14,106,713)	(13,575,315)
<b>TOTAL EQUITY</b>		(483,326)	(835,628)

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

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share Capital Ordinary	Retained Losses	Total
	\$	\$	\$
<b>Balance at 1 January 2015</b>	<b>12,739,687</b>	<b>(13,447,415)</b>	<b>(707,728)</b>
(Loss) for the year	-	(127,900)	(127,900)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year		(127,900)	(127,900)
<b>Balance at 31 December 2015</b>	<b>12,739,687</b>	<b>(13,575,315)</b>	<b>(835,628)</b>
Issue of share capital	883,700	-	883,700
(Loss) for the year	-	(531,398)	(531,398)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(531,398)	(531,398)
<b>Balance at 31 December 2016</b>	<b>13,623,387</b>	<b>(14,106,713)</b>	<b>(483,326)</b>

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

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(500,429)	(99,406)
Interest received		43	45
Finance costs		-	(670)
Net cash (used in) operating activities	10	<u>(500,386)</u>	<u>(100,031)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment in Island Sky Corporation		-	100,000
Net cash provided by investing activities		<u>-</u>	<u>100,000</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from convertible notes (yet to be issued)		250,000	-
Repayment of borrowings		(65,000)	-
Proceeds from issue of shares		500,000	-
Net cash provided by financing activities		<u>685,000</u>	<u>-</u>
Net increase/(decrease) in cash held		184,614	(31)
Cash at beginning of financial year		549	580
Cash at end of financial year	5	<u>185,163</u>	<u>549</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report includes the financial statements and notes of Pawnee Energy Limited.

Pawnee Energy is a public company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 3, 100 Pirie Street, Adelaide SA 5000.

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of Australian Accounting Standards Board and the Corporations Act 2001. The company is a for-profit company for the purpose of preparing these financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated. Pawnee Energy Limited is a for-profit company for the purpose of preparing financial statements.

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

The financial statements for the year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 8 May 2017.

**Accounting Policies**

**Income Tax**

The income tax expense (revenue) for the year comprises of current income tax expense (income) and deferred tax expense (income).

Current income tax expense charges to the profit and loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – CONT**

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

**Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the company prior to the period end, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition

**Financial Instruments**

**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transactions costs related to instruments classified as at fair value through profit and loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out on page 26.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits, associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – CONT**

**Classification and Subsequent Measurement**

**(i) Loans Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

**(ii) Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**(iii) Fair Value**

Fair value is determined based on the current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**(iv) Impairment**

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of profit or loss.

**Impairment of Non-financial Assets**

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss.

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

**Contributed Equity**

Ordinary Shares are classified as equity with incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

**Provisions**

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

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – CONT**

**Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

**Goods and Services Tax (GST)**

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

**Comparative Figures**

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

*Key Estimates — Impairment*

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – CONT**

**Associates and Joint Ventures**

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Company's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

The carrying amount of the investments in associates is increased or decreased to recognise the Company's share of the profit or loss of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

Unrealised gains and losses on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

**Functional and presentation currency translation**

The financial statements are presented in Australian dollars (AUD), which is also the functional currency of the company.

***Foreign currency transactions and balances***

Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

***New and Amended Standards Adopted***

The Company has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2016.

None of the amendments have had a significant impact on the Company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – CONT**  
*Accounting Standards issued but not yet effective and not been adopted early by the Company*

**AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative:  
Amendments to AASB 107 (1 January 2017)**

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing both changes arising from cash flows and non-cash changes.

When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.

**AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of  
Share-based Payment Transactions (1 January 2018)**

This Standard amends AASB 2 Share-based Payment to address:

- a. The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 2: (LOSS) FOR THE YEAR FROM OPERATIONS**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
The following revenue and expense items are relevant in explaining the financial performance for the annual period from continuing operations:		
Other income		
Interest from Bank deposits	-	45
Other	43	-
Total interest revenue	<u>43</u>	<u>45</u>
Administration		
— Office expenses	46,126	57,347
Total administration costs	<u>46,126</u>	<u>57,347</u>
Provision for Doubtful Debts		
— Recouped Doubtful Debts	-	(100,000)
Total Doubtful Debts	<u>-</u>	<u>(100,000)</u>
Professional Fees:		
— ASX and share registry fees	54,916	28,017
— Accounting and audit fees	18,850	21,500
— Legal	16,748	-
— Other consulting fees	248,912	-
Total professional fees	<u>339,426</u>	<u>49,517</u>
Other Expenses		
— Salaries, director fees and other related costs	145,182	120,411
	<u>145,182</u>	<u>120,411</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 3: INCOME TAX EXPENSE**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-
The prima facie tax on (loss) from before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on (loss) before income tax at 30% (2015: 30%)	(159,419)	(38,370)
	<hr/>	<hr/>
Add/(Less):		
Tax effect of:		
— Other non-allowable items		-
	<hr/>	<hr/>
	(159,419)	(38,370)
Tax effect of tax losses not brought into accounts as they do not meet the recognition criteria	159,419	38,370
	<hr/>	<hr/>
Income tax attributable to entity	-	-
	<hr/>	<hr/>

**NOTE 4: AUDITORS' REMUNERATION**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor of the company for:		
- auditing or reviewing the financial report	12,000	17,500
- non audit services	9,000	-
	<hr/>	<hr/>
	21,000	17,500
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 5: CASH AND CASH EQUIVALENTS**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	185,163	549
	<b>185,163</b>	<b>549</b>

The effective interest rate on short-term bank deposits was 1.00% (2015: 1.50%); these deposits have an average maturity of 30 days.

**Reconciliation of cash**

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	185,163	549
---------------------------	---------	-----

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 6: TRADE AND OTHER RECEIVABLES**

		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
CURRENT			
Receivable from related party	(a)	954,929	954,929
Provision for Doubtful Debts	(b)	(954,929)	(954,929)
WorkCover		133	133
GST Receivable		6,170	207
Total Receivables		<u>6,303</u>	<u>340</u>

- (a) On 15 June 2012 the Company signed a Stock Purchase Agreement (SPA) with Mr Richard Groden to sell 933,077 shares in Island Sky Corporation for \$1,154,929. \$100,000 was received following shareholders' approval of the SPA; with the balance \$1,054,929 payable within 2 years after the SPA was approved. As the receivable was interest free a discount of 6.6% was applied against the balance to reflect the time value of money. This discount unwound over the term of the receivable.

A breakdown of the receivable as at 31 December 2016 from the related party is as follows:

Consideration for 933,077 shares:	1,154,929
Less: Deposit paid	(100,000)
Less: Partial proceeds received	(100,000)
	<u>954,929</u>

The Company entered into a Stock Pledge and Security Agreement with Mr Richard Groden to secure the remaining payment to the Company by granting a first priority senior lien and security interest in the 933,077 shares in Island Sky Corporation.

- (b) As at 31 December 2014, the balance of the receivable had not been received and discussions with Mr Groden are continuing to arrange payment. A provision for doubtful debts has been recognised to in accordance with the company's accounting policies.
- During the year ended 31 December 2015, \$100,000 was received from Mr Groden in relation to the Stock Purchase Agreement (SPA) above.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 7: INVESTMENT IN ASSOCIATE**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Unlisted investments		
— Shares – Island Sky Corporation	116,800	116,800
— Provision for Impairment	(116,800)	(116,800)
Investment in associate	<u>-</u>	<u>-</u>

The company holds a 25% voting power and equity interest in Island Sky Corporation which manufactures and distributes water-making machines. The investment is accounted for under the equity method. The associate has a reporting date of 31 December.

The shares are not publicly listed on a stock exchange and hence published price quotes are not available.

**NOTE 8: TRADE AND OTHER PAYABLES**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
Trade payables	70,459	274,063
Funds received in advance – convertible notes	250,000	-
Directors loans - unsecured	123,222	187,319
Sundry payables and accrued expenses	231,111	375,135
	<u>674,792</u>	<u>836,517</u>

All amounts are short-term in nature. The carrying values are considered to be a reasonable approximation of fair value.

**NOTE 9: ISSUED CAPITAL**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>a. Ordinary Shares</b>		
At the beginning of the year	12,739,687	12,739,687
Shares issued during the year	883,700	-
At the end of the year	<u>13,623,387</u>	<u>12,739,687</u>

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
<b>b. Ordinary shares</b>		
At the beginning of the year	7,428,340	371,412,496
Shares issued during the year	58,913,330	-
Share consolidation during the period	-	(363,984,156)
At the end of the year	<u>66,341,670</u>	<u>7,428,340</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 9: ISSUED CAPITAL – CONT**

**Capital Management**

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues

**NOTE 10: CASH FLOW INFORMATION**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of Cash Flow from Operations with (Loss) after Income Tax</b>		
(Loss) after income tax from continuing operations	(531,398)	(127,900)
Reversal of provision of impairment of receivables	-	(100,000)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease in trade receivables	5,963	912
Increase in trade payables and accruals	25,049	126,957
Cash-flow from operating activities	<u>(500,386)</u>	<u>(100,031)</u>

**NOTE 11: SHARE-BASED PAYMENTS**

In the year ending 31 December 2016, 18,913,333 shares were issued to 3 directors to settle accrued directors' fees totaling \$283,700.

**NOTE 12: EVENTS AFTER THE REPORTING DATE**

No events have occurred subsequent to the financial statement that would materially affect the financial report. Other than as noted above, there were no events that have occurred subsequent to the financial statement that would materially affect the financial report.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 13: RELATED PARTY TRANSACTIONS**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
<b>Related Parties transactions</b>		
During the year the Company received services from the Adelaide Equity Partners Group for the provision Accounting and Administration Services, rent, occupancy costs and reimbursable expenses. Mr Lindh's son is a shareholder of this Company.	2,150	19,619
During the year the Company received services from JWL Corporate Pty Ltd Corporate Advisory Services, Company Secretarial and reimbursable expenses – Mr Lindh's son is a shareholder of this Company.	18,849	-
During the year the Company recognised an amount payable to Mr Martin for director's fees.	40,000	40,000
During the year the Company recognised an amount payable to Mr Lindh for director's fees.	80,000	80,000
During the year the Company incurred consultancy fees from Mr Boland (director)	54,545	-
In the prior the year the Company received an amount from Mr Groden (former director) for proceeds of sale of Island Sky Corporation	-	100,000
<b>Related Parties Balances</b>		
Amount payable to Minter Ellison, of which, Mr Martin and Mr Lindh are both consultants.	-	55,044
Amount payable to Adelaide Equity Partners Limited, of which, Mr Lindh is a shareholder.	44,536	-
Amount receivable from Mr Groden (former director) for disposal of subsidiary.	-	954,929
Amount provided for as doubtful in respect of the above receivable	-	(954,929)
Amount payable at year end to Mr Martin for accrued director's fees and capital injected as unsecured loans	126,542	198,639
Amount payable at year end to Mr Lindh for accrued director's fees and capital injected as unsecured loans	177,338	292,980
Amount payable at year end to Richard Groden (former director) for accrued director's fees	-	40,000

**NOTE 14: KEY MANAGEMENT PERSONNEL**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Key management personnel remuneration includes the following.		
Short term employee benefits	120,000	120,000
	<u>120,000</u>	<u>120,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 15: FINANCIAL INSTRUMENTS**

**Financial Risk Management Policies**

The Company's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable. The main risks the company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

**Treasury Risk Management**

The Board of the company meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies. The Board of the company regularly analyse interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

*Foreign Currency Risk*

The company will be exposed to fluctuations in foreign currencies arising from sales and purchase of goods and services in currencies other than the company's functional currency. The company potentially may have sales in foreign locations which will require risk management policies to be implemented to minimise the foreign currency risk.

*Interest Rate Risk*

The company had no long term financial assets or liabilities upon which it earns or pays interest. Cash is held in an interest yielding cheque account and on short-term call deposits where the interest rate can vary from day to day.

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. It is the policy of the company to keep surplus cash in high yielding deposits. For further details on interest rate risk refer below.

*Liquidity Risk*

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages liquidity risk by monitoring forecast cash flows.

*Credit Risk*

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and represents the potential financial loss if counterparties fail to perform as contracted. Management monitors credit risk on an ongoing basis by maintenance of procedures. Such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties.

**Provision for Impairment of Receivables**

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 15: FINANCIAL INSTRUMENTS - CONT**

**Interest Rate Risk**

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	<b>Fixed Interest Rate</b>			
	<b>Weighted Average Effective Interest Rate</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
			<b>\$</b>	<b>\$</b>
<b>Financial Assets:</b>				
Cash and cash equivalents	1.00%	1.50%	185,163	549
<b>Total Financial Assets</b>			185,163	549
	<b>Floating Interest Rate Within 1 Year</b>		<b>Non-Interest Bearing</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	185,163	549	-	-
Receivables	-	-	6,303	340
<b>Total Financial Assets</b>	185,163	549	6,303	340
<b>Financial Liabilities</b>				
Trade and sundry payables	-	-	674,792	836,517
<b>Total Financial Liabilities</b>	-	-	674,792	836,517

**Net Fair Values**

Aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the financial statements at balance date. Fair values are materially in line with carrying values.

	<b>2016</b>		<b>2015</b>	
	<b>Carrying Amount</b>	<b>Net Fair Value</b>	<b>Carrying Amount</b>	<b>Net Fair Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	185,163	185,163	549	549
Receivables	6,303	6,303	340	340
	191,466	191,466	889	889
<b>Financial Liabilities</b>				
Other liabilities and payables	674,792	674,792	836,517	836,517
	674,792	674,792	836,517	836,517
Net financial liabilities	(483,326)	(483,326)	(835,628)	(835,628)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 15: FINANCIAL INSTRUMENTS - CONT**

**Sensitivity analysis**

*Interest rate sensitivity analysis*

At 31 December 2016, the effect on profit/loss and equity as a result of changes in the interest rate, with all other variables remaining constant is immaterial to the company's operations.

**Financial Instrument Composition and maturity analysis**

The table below reflects the undiscounted contracted settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

Trade and sundry payables are expected to be paid as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Less than 6 months	-	-
6 months to 1 year	674,792	836,517
1 to 5 years	-	-
Over 5 years	-	-
	<hr/> <b>674,792</b>	<hr/> <b>836,517</b>

**NOTE 16: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Company had no contingent assets or liabilities at 31 December 2016 or 31 December 2015.

**NOTE 17: COMMITMENTS**

The Company had no commitments as at 31 December 2016 (2015: nil).

**NOTE 18: GOING CONCERN BASIS OF ACCOUNTING**

The financial report has been prepared on the basis of going concern. The Company incurred a loss of \$531,398 during the year and has net liabilities of \$483,326 at 31 December 2016.

The Company remains reliant upon the continued financial support of the directors for the provision of working capital to continue as a going concern. We understand that once a suitable business is found to be acquired the company will seek to raise the additional capital required through a disclosure document.

If the continued financial support of the directors is not forthcoming, the RCL transaction is not completed and/or additional funds are not raised, the going concern basis may not be appropriate, with the result that the Company may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the Annual Financial Report. No allowance for such circumstances has been made in the Annual Financial Report

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 19: COMPANY DETAILS**

The registered office of the company is:

Pawnee Energy Limited

Level 3

100 Pirie Street

Adelaide SA 5000

Telephone (08) 8232 2550

Facsimile (08) 8232 2540

# Pawnee Energy Limited

ABN 73 122 948 805

## Director's declaration

### DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 29, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 31 December 2016 and of the performance for the period ended on that date of the consolidated group;
2. A declaration as required by Section 295A of the Corporations Act has been received.
3. 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.



David Lindh OAM

Chairman

Dated this 8th day of May 2017

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Adelaide, SA 5000  
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Adelaide SA 5001

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAWNEE ENERGY LIMITED**

### **Auditor's Opinion**

We have audited the financial report of Pawnee Energy Limited (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Pawnee Energy Limited is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### **Material Uncertainty related to Going Concern**

We draw attention to Note 18 in the financial report which indicates that the company incurred a net loss of \$531,398 during the year ended 31 December 2016 and, as of that date, the company's current liabilities exceeded its current assets by \$483,326.

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These conditions, along with other matters as set forth in Note 18, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Our opinion is not modified in relation to this matter.

#### **Information other than the Financial Report and Auditor's Report**

Those charged with governance are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Directors 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*. The Directors responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Report**

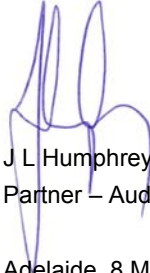
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf) . This description forms part of our auditor's report.

Grant Thornton,

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 8 May 2017