



ABN 73 122 948 805

ANNUAL REPORT 2015

CONTENTS

Chairman's Report	3
Corporate governance statement	4
Directors report	10
Auditor independence declaration	20
Statement of profit or loss and other comprehensive Income	21
Statement of financial position	22
Statement of changes in equity	23
Statement of cash flows	24
Notes to the financial statements	25
Directors' declaration	46
Independent auditor's report	47
Additional ASX information	50

Pawnee Energy Limited

ABN 73 122 948 805

**CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Dear Shareholder,

Please find attached the Annual Report for Pawnee Energy Limited (**Company**) for the year ending 31st December 2015.

Since that time the Company has announced that it will be seeking new opportunities in the energy resources and infrastructure areas both in the USA and in Australia. At the time of that announcement the Company was able to enter into an agreement with Resource Capital Limited to provide funding of \$1 million in total by way of convertible notes. The Company has received the first tranche of that funding and the noteholders have now become shareholders by conversion.

Mr Marcus Boland and Mr Bruce Hocking have now joined our board. Mr Boland has already commenced investigations in the USA and has identified some interesting projects for the Company.

The above matters were approved by shareholders at a meeting held in March this year.

As soon as the Company is in a position to proceed further with the proposed acquisitions we will be advising shareholders and will be calling a meeting to approve the transactions with a view to lifting the suspension of quotation of the shares in the Company on the ASX.

We hope that we are now entering an exciting time for shareholders and look forward to your continued support.

Your Sincerely,

A handwritten signature in blue ink, appearing to read 'David Lindh', with a stylized flourish at the end.

David J Lindh OAM
Chairman
29 April 2016

**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015**

The Board of Directors of Pawnee Energy Limited has established corporate governance policies and procedures, where practicable, consistent with the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (**ASX Recommendations**).

The following statement sets out a summary of the Company's corporate governance practices that were in place during the financial year and how those practices relate to the ASX Recommendations.

In ensuring ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company. The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with best practice and which unless otherwise disclosed, were in place during the whole year ended 31 December 2015.

In March 2014, the ASX Corporate Governance Council released the 3rd edition of the *Corporate Governance Principles and Recommendations*, which applies to ASX listed companies in respect of their first full financial year commencing on or after 1 July 2014. Accordingly, the 3rd edition of the Corporate Governance Principles and Recommendations will apply to Pawnee for its financial year ended 31 December 2016. Pawnee will report its compliance against those recommendations in the Company's Corporate Governance Statement for fiscal year 2016.

PRINCIPLE 1 - Lay solid foundations for management and oversight

Recommendation 1.1 – Recommendation followed

The Board is governed by the Corporations Act 2001(Cth), ASX Listing Rules and a formal constitution adopted by the Company in 2007.

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company for the protection and enhancement of long-term shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

The Board has an established framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards. In fulfilling its responsibilities, the Board is supported by an Audit & Risk Committee to deal with internal control, ethical standards and financial reporting.

The Board had a Managing Director responsible for the day to day management of the Company including management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

After the Company's former US subsidiary, Island Sky Corporation Inc., was partly disposed in October 2012, Mr Groden stepped down as Managing Director, but remained a Director of the Company. The position of Managing Director is currently vacant.

The Board has adopted a formal statement of matters reserved to it in a board charter that details its functions and responsibilities.

Recommendation 1.2 – Recommendation followed

The Board takes overall responsibility for monitoring the composition of the Board and reviewing the performance and compensation of the Company's executive directors and senior management with the objective of motivating and appropriately rewarding performance.

A Nomination & Remuneration Committee has been established to:

- review when required, the engagement, performance and remuneration of senior executives of the Company;
- recommend to the Board appropriate terms and conditions of engagement.

The Nomination & Remuneration Committee is comprised of the Board as a whole.

**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015**

Recommendation 1.3 – Recommendation not followed

The current transitional stage in the Company's development does not justify the establishment of a long term written agreement for the directors setting out terms of their appointment.

Recommendation 1.4 – Recommendation followed

The Company Secretary is strictly accountable through the Chairman of the Board.

Recommendation 1.5 – Recommendation not followed

While the Company embraces the concept of diversity, there is no formal diversity policy as the Board believes that given the size of the Company and the stage of the entity's life, the cost of establishing and managing a formal diversity policy cannot be justified.

The Company recognises that each employee brings their own unique capabilities, experiences and characteristics to their work and that the Company values such diversity at all levels of the Company in all that it does. The Company believes in treating people with respect and dignity. The Company strives to create a supportive and understanding environment in which all individuals realise their maximum potential within the Company, regardless of their differences. The Company is committed to employing the best people to do the best job.

Recommendation 1.6 – Recommendation followed

The Board takes overall responsibility for monitoring and reviewing the performance of the Company's directors and its committees with the objective of motivating and appropriately rewarding performance.

Recommendation 1.7 – Recommendation followed

The Board takes overall responsibility for monitoring and reviewing the performance of the Company's senior management with the objective of motivating and appropriately rewarding performance.

PRINCIPLE 2 - Structure the board to add value

Recommendation 2.1 – Recommendation followed

A Nomination & Remuneration Committee has been established, and the Committee has a Charter that sets out its roles and responsibilities, composition and structure.

The Nomination & Remuneration Committee is comprised of the Board as a whole.

**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015**

Recommendation 2.2 – Recommendation followed

Composition of skills and experience of the Board (out of 4 directors) :

Skills and Experience	
Industry Experience <ul style="list-style-type: none">- Resources including oil and gas- Infrastructure- Membership of industry related organisations- Major projects (including mergers and acquisitions)	4
Executive Leadership/Management <ul style="list-style-type: none">- Outside directorships- Senior management positions	4
Financial Acumen <ul style="list-style-type: none">- Financial literacy	4
Governance and Regulation <ul style="list-style-type: none">- Experience in the governance of organisations- Membership of governance industry bodies or organisations	4
Strategy <ul style="list-style-type: none">- Experience to analyse information, think strategically and review and challenge management in order to make informed decisions and assess performance against strategy.	4
Risk <ul style="list-style-type: none">- Experience in risk management and oversight.	4

Recommendation 2.3 – Recommendation followed

During the period, Mr Lindh and Mr Martin were considered by the Board to be independent directors.

The names of the directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of this report.

The Company has no relationships with any of the independent directors which the Company believes would compromise the independence of these directors.

The Company does not currently have any directors which are considered to be independent due to the current transitional stage in the Company's development.

Recommendation 2.4 – Recommendation followed

During the period, the majority of the Board were considered to be independent directors.

The Company does not currently have any directors which are considered to be independent due to the current transitional stage in the Company's development.

Recommendation 2.5 – Recommendation followed

During the period, the Company's Chairman was considered to be an independent director.

Recommendation 2.6 – Recommendation not followed

The Company does not currently have a program for inducting new directors and providing professional development opportunities due to the current transitional stage in the Company's development.

**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015**

PRINCIPLE 3 - Companies should actively promote ethical and responsible decision making

Recommendation 3.1 – Recommendation followed

The Company does have a formal code of conduct. The Company requires all its directors and employees to abide by the standards of behaviour and business ethics in accordance with the law and the code of conduct.

The following standards of behaviour apply:

- Comply with the laws that govern the Company and its operations.
- Act honestly and with integrity and fairness in all dealings with others and each other.
- Avoid or manage conflicts of interest.
- Use Company assets properly and efficiently for the Company's benefit.
- Contribute to the well being of the Company's key stakeholders.
- Seek to be an exemplary corporate citizen.

Directors are also required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

PRINCIPLE 4 - Safeguard integrity in financial reporting

Recommendation 4.1 – Recommendation followed

An Audit & Risk Committee has been established by the Company to oversee corporate governance over internal controls, ethical standards, financial reporting, external accounting and compliance procedures.

The main responsibilities of the Audit & Risk Committee include;

- reviewing, assessing and making recommendations to the Board on the annual and half year financial reports and all other financial information published or released to the market by the Company
- overseeing establishment, maintenance and reviewing the effectiveness of the Company's internal controls and ensuring efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable Accounting Standards and ASX Listing Rules
- liaising with and reviewing reports of the external auditor
- reviewing performance and independence of the external auditor and where necessary making recommendations for appointment and removal of the Company's auditor.

The Company's Audit & Risk Committee has a formal documented charter in place, covering Chairman's qualifications, membership, administrative matters, authority, purpose and responsibilities, and specific duties

Recommendation 4.2 – Recommendation not followed

The Company has not complied with recommendation 4.2 because the positions of Managing Director and Chief Financial Officer are not currently filled.

The Chairman (in place of a Managing Director and Chief Financial Officer) has provided an assurance that the written declarations under s295A of the Corporations Act are founded on a sound system or risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Chairman gave that assurance at the time the s295A declarations were provided to the Board.

Recommendation 4.3 – Recommendation followed

The Company's appointed auditors, Grant Thornton, will attend the Company's 2016 Annual General Meeting and will be available to answer any questions from shareholders.

**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015**

PRINCIPLE 5 - Make timely and balanced disclosure

Recommendation 5.1 – Recommendations followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

The Company's has a formal policy for continuous disclosure, which covers disclosure obligations of the Company and individuals, preparation of ASX releases, notifications to the Board prior to ASX releases, lodgement of ASX releases, media releases and management of the policy.

The Company's Managing Director, when that position is operative (and currently the Chairman), has the responsibility for ensuring that all relevant information is released to the market in a timely manner in consultation with the Board. The Company considers this to be a satisfactory protocol given the size and stage of the Company's development.

PRINCIPLE 6 - Respect the rights of shareholders

Recommendation 6.1, 6.2, 6.3 and 6.4 – Recommendations followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act
- the half yearly financial report lodged with the Australian Stock Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders
- notices of all meetings of shareholders
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's web-site
- disclosure of the Company's corporate governance practices and communications strategy on the entity's web-site.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

PRINCIPLE 7 - Recognise and manage risk

Recommendation 7.1, 7.2 and 7.3 – Recommendations not followed

The Board will regularly review and approve the risk management and oversight of policies of the Company. The risk management and internal control system to manage the Company's material business risks is a responsibility of the Audit and Risk Committee.

Recommendation 7.4 – Recommendation followed

Due to the current transitional stage in the Company's development, the Company does not have any material exposure to economic, environmental and social sustainability risks.

**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015**

PRINCIPLE 8 - Remunerate fairly and responsibly

Recommendation 8.1 – Recommendation followed

The Board has established a Nomination and Remuneration Committee.

Recommendation 8.2 and 8.3 – Recommendation followed

The Board has provided details of the remuneration committee and their attendance at meetings, details of retirement benefit schemes and explained any departures from the recommendations for principle 8 within the Directors report.

The Remuneration Policy, which sets the terms and conditions of the senior executives, has been approved by the Board. Details of that Policy are set out in the Remuneration Report section of the Directors' Report. Those details distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.

The Company's Corporate Governance Statement covers such matters as Board responsibility, Board composition, performance evaluation, Nomination & Remuneration committee, ethical standards, financial reporting, continuous disclosure, investor relations, risk management and remuneration.

Pawnee Energy Limited

ABN 73 122 948 805

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Your Directors present their report on the Company for the financial year ended 31 December 2015.

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 Boland (Appointed on 23 February 2016)

Bruce 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 to retain 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.

During 2015, 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 a binding agreement with Sydney based investment firm Resource Capital Limited (RCL) (see further details in 'Review of Operations').

Operating Results

The loss for the year after income tax amounted to \$127,900 (2014 loss of \$1,288,994). The prior year loss includes the provision for doubtful debt associated with the amount receivable from the sale of Island Sky Corporation.

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 payment of the Company's creditors during the period was satisfied by the provision of unsecured loans by the Directors of the Company.

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

Pawnee Energy Limited

ABN 73 122 948 805

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Financial Position

The net liabilities of the company have increased by \$127,900 since 31 December 2014 to \$835,628 at 31 December 2015.

The financial position of the Company shows that it will 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

As announced to the ASX on 2 February 2016, the Company entered into an agreement with Resource Capital Limited ("RCL") pursuant to which RCL agreed 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. On 24 February 2016, the Company received the first tranche of \$500,000 and subsequently issued 500,000 convertible notes to various sophisticated investor clients of RCL.

Upon the receipt of shareholder approval at the Company's Extraordinary General Meeting on 18 March 2016 ("EGM"), the Board approved the conversion of the first tranche convertible notes into shares and issued 33,333,330 shares to the noteholders.

As also approved by shareholders at the EGM, the Company issued 6,666,667 shares to AE Administrative Services Pty Ltd to extinguish past debts for accounting and company secretarial services and 18,913,333 shares in total to Davan Nominees Pty Ltd (a company associated with David Lindh), Neville Martin and Richard Groden in lieu of accrued directors' fees for 2013, 2014 and half year 2015.

Marcus Boland was appointed an executive director of the Company on 23 February 2016 and Bruce Hocking was appointed a non-executive director on 18 March 2016. Richard Groden resigned as director on 18 March 2016.

Other than as noted above, 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 \$500,000 under the agreement with RCL on or before 30 June 2016 at which time it will issue a further 500,000 convertible notes. Subject to the receipt of shareholder approval, the second tranche convertible notes will automatically convert into shares on or about 31 August 2016.

The funding received from RCL and the other new investors will be used to pay down existing creditors and to seek new opportunities to acquire suitable energy, resources and infrastructure related assets in the USA and elsewhere.

Environmental Issues

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

Pawnee Energy Limited

ABN 73 122 948 805

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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	Independent Non-Executive Chairman
Neville Wayne Martin	Independent 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 ASX listed Enterprise Energy Ltd. Mr Lindh 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. Mr Lindh has been a director of listed public companies over a long period of time and has significant experience with initial public offerings.

Mr Lindh is an Australian citizen and is aged 70 years.

Richard Jay Groden - B. Arts (University of Florida) - Non-Executive Director

Member of Nomination & Remuneration Committee

Mr Groden is one of the two founders of Island Sky and has played an integral part in the development of the Island Sky technology, products and business plan. He is the former president and CEO of Groden-Stamp Construction Inc. a specialist construction company involved with historic renovations of hotels and office buildings. Mr Groden has served on the Miami Shores Code Enforcement Board and the Metro Dade County Historic Preservation Board, is a former President and Chairman for the Dade Heritage Trust, and a member of the National Trust for Historic Preservation. Mr Groden has been involved in the development of the Island Sky technology since 1998.

Mr Groden is a citizen of the USA and is aged 62 years.

Neville Wayne Martin - LLB (University of Adelaide) - Independent 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.

Mr Martin is an Australian citizen and aged 67 years.

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

Mr Lindh has over 10 years' legal and corporate advisory experience. He holds a Bachelor of Laws, a Bachelor of International Studies and post-graduate qualifications in corporate finance and corporate governance. Jonathan is also company secretary of various unlisted private and public companies.

Mr Lindh is an Australian citizen and aged 34 years.

Pawnee Energy Limited
ABN 73 122 948 805

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Since 31 December 2014, 3 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	3	3
Richard Groden	3	3
Neville Martin	3	3

***Audit & Risk Committee
meetings***

	Number eligible to attend	Number attended
Neville Martin	1	1
David Lindh	1	1
Richard Groden	1 (by invitation)	1 (by invitation)

There was 1 Remuneration Committee meeting held and no Nomination Committee meeting held during the year.

Directors' Interests

At the date of this report, the interest of each director in shares of Pawnee Energy Limited are:

	Number of ordinary shares
David Lindh	11,314,606
Richard Groden	2,928,605
Neville Martin	5,607,911

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

REMUNERATION REPORT – AUDITED

This Report details the nature and amount of remuneration for each key management person of Pawnee Energy Limited.

Remuneration policy

(a) Principles used to determine the nature and amount of remuneration

The following summary refers to the Company's policy regarding remuneration. Most of the remuneration policies are not in operation pending a transition to a new business structure.

The remuneration policy of Pawnee Energy Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The Board of Pawnee Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between Directors, Executives and Shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and other key management of the entity is as follows:

- The remuneration policy, setting the terms and conditions for the Executive Directors and other key management, was approved by the Board. The Nomination & Remuneration Committee may seek professional advice from independent external consultants. No advice has been sourced during the year.
- Under the policy, all Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Nomination & Remuneration Committee reviews executive packages from time to time by reference to the Company's performance, executive performance and comparable information from industry sectors.

The performance of Directors is measured against criteria agreed annually and is based predominantly on the forecast growth of the Company's profits and shareholders' value. The Board may exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel and Directors are also entitled to participate in the employee option arrangements.

Under the policy, the key management personnel and Directors are entitled to receive a superannuation guarantee contribution required by the government, which is currently 9% in Australia and 7.5% in the USA, and do not receive any other retirement benefits. The key management personnel have the option to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and key management personnel is valued at the cost to the company and expensed. Shares given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the Director or key management personnel. Options are valued using the Black-Scholes methodology.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

REMUNERATION REPORT – CONT

The Board policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Nomination & Remuneration Committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The current maximum aggregate remuneration of Non-Executive Directors has been set at \$500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The maximum aggregate amount of fees can only be increased with prior approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the company. However, to align Directors' interests with Shareholder interests, the Directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

There were no independent remuneration consultants engaged during the year.

Company performance, Shareholder wealth and Director and key management personnel remuneration

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and key management personnel. The issue of options to the Directors and key management personnel encourages the alignment of personal and Shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Pawnee Energy Limited

ABN 73 122 948 805

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

REMUNERATION REPORT – CONT

(b) Details of Remuneration

Appointed as Director

David Lindh (Chairman) 12 April 2007
Richard Groden 17 January 2007
Neville Martin 17 January 2007

(c) Remuneration

Directors	Short-term Benefits	Share-based payment	Post- employment Benefits	Total	Performance Related
	Salary & fees	Options	Superannuation		
2015	\$	\$	\$	\$	%
David Lindh ⁽¹⁾	80,000	-	-	80,000	-
Richard Groden ⁽³⁾	-	-	-	-	-
Neville Martin ⁽²⁾	40,000	-	-	40,000	-
	120,000	-	-	120,000	-

- (1) Director fees were accrued during the 2015 year; however Mr Lindh did not receive any payment for 2015 director fees during the year. Mr Lindh had outstanding director fees for prior periods of \$123,400.
- (2) Director fees were accrued during the 2015 year; however Mr Martin did not receive any payment for 2015 director fees during the year. Mr Martin had outstanding director fees for prior periods of \$60,000.
- (3) No director fees were accrued during the 2015 year. Mr Groden had outstanding director fees for prior periods of \$40,000.

Pawnee Energy Limited

ABN 73 122 948 805

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

REMUNERATION REPORT – CONT

Directors	Short-term Benefits	Share-based payment	Post-employment Benefits	Total	Performance Related
	Salary & fees	Options	Superannuation		
2014	\$	\$	\$	\$	%
David Lindh ⁽⁴⁾	80,000	-	-	80,000	-
Richard Groden ⁽⁶⁾	20,000	-	-	20,000	-
Neville Martin ⁽⁵⁾	40,000	-	-	40,000	-
	140,000	-	-	140,000	-

(4) Director fees were accrued during the 2014 year; however Mr Lindh did not receive any payment for 2014 director fees during the year. Mr Lindh had outstanding director fees for prior periods of \$43,400.

(5) Director fees were accrued during the 2014 year; however Mr Martin did not receive any payment for 2014 director fees during the year. Mr Martin had outstanding director fees for prior periods of \$20,000.

(6) Director fees were accrued during the 2014 year; however Mr Groden did not receive any payment for 2014 director fees during the year. Mr Groden had outstanding director fees for prior periods of \$20,000.

Shareholdings

Number of Shares held by Key Management Personnel

	Balance on 1 January 2015	Received	Options Exercised	Net Change Other	Balance 31 December 2015
David John Lindh*	397,273	-	-	-	397,273
Richard Jay Groden**	261,938	-	-	-	261,938
Neville Wayne Martin***	275,227	-	-	-	275,227
Total	934,436	-	-	-	934,436

*393,273 shares are held by Davan Nominees Pty Ltd. Mr Lindh is a Director and shareholder of Davan Nominees Pty Ltd.

**Included in the above are 240,000 shares held in joint names of Richard Jay Groden and Susan Groden. Also included are 15,888 shares held in Rhythm & Blues Holdings Inc, a company associated with Richard Groden.

***178,046 shares are held by Houmar Nominees Pty Ltd as trustee for the Martin Superannuation Fund. Mr Martin is a Director and shareholder of Houmar Nominees Pty Ltd and a beneficiary of the Martin Superannuation Trust. Mr Martin is a potential beneficiary of Chaffey Consulting Pty Ltd, which as trustee for Minter Ellison Investment Trust holds 649 shares on behalf of Mr Martin. Stansbury Petroleum Investments Pty Ltd, a company associated with Mr Martin holds 400 shares.

(d) Service Agreements

There were no service agreements in place during the 2015 year.

Pawnee Energy Limited

ABN 73 122 948 805

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

REMUNERATION REPORT – CONT

(e) Other information

	2015 \$	2014 \$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Other Related Parties transactions		
During the year the Company received services from the Adelaide Equity Partners Group for the provision of Corporate Advisory Services, Company Secretarial, Accounting and Administration Services, rent, occupancy costs and reimbursable expenses. Mr Lindh is a shareholder of this Company.	19,619	36,550
In the prior year, the Company used the services of Minter Ellison for the provision of legal services. Mr Martin and Mr Lindh are both consultants to Minter Ellison.	-	157
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 prior year the Company recognised an amount payable to Mr Groden for director's fees	-	20,000
During the year the Company received an amount from Mr Groden for proceeds of sale of Island Sky Corporation	100,000	-
Other Related Parties Balances		
Amount payable to Minter Ellison, of which, Mr Martin and Mr Lindh are both consultants.	55,044	70,160
Amount payable to Adelaide Equity Partners Limited, of which, Mr Lindh is a shareholder.	-	14,905
Amount receivable from Mr Groden for disposal of subsidiary.	954,929	1,054,929
Amount provided for as doubtful in respect of the above receivable	(954,929)	(1,054,929)
Amount payable at year end to Mr Martin for accrued director's fees and capital injected as unsecured loans	198,639	133,000
Amount payable at year end to Mr Lindh for accrued director's fees and capital injected as unsecured loans	292,980	198,358
Amount payable at year end to Richard Groden for accrued director's fees	40,000	40,000

END OF REMUNERATION REPORT

Pawnee Energy Limited

ABN 73 122 948 805

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Indemnifying Officers or Auditor

The company has given an indemnity or entered into an agreement to indemnify the directors and office holders of the company but has not paid insurance premiums during the financial year.

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.

Non-audit Services

No fees for non-audit services were paid/payable to the External Auditors during the year ended 31 December 2015.

Auditor's Independence Declaration

The lead Auditor's Independence Declaration for the year ended 31 December 2015 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.



David Lindh, Director

Dated this 30th Day of March 2016

Pawnee Energy Limited

ABN 73 122 948 805



Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

**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 2015, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 March 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Pawnee Energy Limited

ABN 73 122 948 805

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Other income	2	45	37,084
Administration	2	(57,347)	(80,103)
Professional fees	2	(49,517)	(44,488)
Other expenses	2	(120,411)	(145,656)
Recouped Doubtful Debts	2	100,000	-
Provision for Doubtful Debts	2	-	(1,054,929)
Finance costs		(670)	(902)
(Loss) before income tax		(127,900)	(1,288,994)
Income tax expense	3	-	-
(Loss) for the year		(127,900)	(1,288,994)
Other comprehensive income			
<i>Items that may subsequently be reclassified to profit or loss</i>		-	-
Total comprehensive loss for the year		(127,900)	(1,288,994)
Loss attributable to:			
Members of the company		(127,900)	(1,288,994)
Total comprehensive loss attributable to members of the company:		(127,900)	(1,288,994)
Earnings per share for loss from continuing operations attributable to the members of the company:			
Basic earnings per share from continuing operations (cents per share)	5	(1.7)	(17.3)
Diluted earnings per share from continuing operations (cents per share)	5	(1.7)	(17.3)

The accompanying notes form part of these financial statements.

Pawnee Energy Limited
ABN 73 122 948 805

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	6	549	580
Trade and other receivables	7	340	1,252
TOTAL CURRENT ASSETS		889	1,832
NON-CURRENT ASSETS			
Investment in associate	8	-	-
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		889	1,832
CURRENT LIABILITIES			
Trade and other payables	9	836,517	709,560
TOTAL CURRENT LIABILITIES		836,517	709,560
TOTAL LIABILITIES		836,517	709,560
NET LIABILITIES		(835,628)	(707,728)
EQUITY			
Issued capital	10	12,739,687	12,739,687
Accumulated losses		(13,575,315)	(13,447,415)
TOTAL EQUITY/ (DEFICIT)		(835,628)	(707,728)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital Ordinary	Share Based Payment Reserve	Retained Losses	Total
	\$	\$	\$	\$
Balance at 1 January 2014	12,739,687	82,626	(12,241,047)	581,266
Transfer of expired options to retained losses		(82,626)	82,626	
(Loss) for the year	-	-	(1,288,994)	(1,288,994)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(1,288,994)	(1,288,994)
Balance at 31 December 2014	12,739,687	-	(13,447,415)	(707,728)
(Loss) for the year	-	-	(127,900)	(127,900)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(127,900)	(127,900)
Balance at 31 December 2015	12,739,687	-	(13,575,315)	(835,628)

The accompanying notes form part of these financial statements.

Pawnee Energy Limited

ABN 73 122 948 805

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(99,406)	(180,958)
Interest received		45	193
Finance costs		(670)	(668)
Net cash (used in) operating activities	13	(100,031)	(181,433)
CASH FLOWS FROM INVESTING ACTIVITIES			
Partial recovery of proceeds from sale of investment in Island Sky Corporation		100,000	-
Net cash provided by investing activities		100,000	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Director Loans		-	147,000
Net cash provided by financing activities		-	147,000
Net (decrease) in cash held		(31)	(34,433)
Cash at beginning of financial year		580	35,013
Cash at end of financial year	6	549	580

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2015 were approved and authorised for issue by the Board of Directors on 30 March 2016.

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 2015**

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 25.

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 2015**

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 2015**

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.

Earnings per Share

(i) Basic Earnings per Share

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

(ii) Diluted Earnings per Share

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2015. Information on the more significant standard(s) is presented below.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards Annual Improvements to IFRSs 2010–2012 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010–2012 Cycle:

- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Company as they are largely of the nature of clarification of existing requirements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – CONT

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The accounting standards that have not been early adopted for the year ended 31 December 2015, but will be applicable to the Company in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Company.

(i) AASB 9 Financial Instruments (December 2014)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
- the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14).

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

When these amendments become effective for the first time for the year ending 31 December 2016, they will not have any impact on the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – CONT

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company – Cont

(iii) *AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments).*

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 *Financial Instruments: Disclosures* and AASB 101 *Presentation of Financial Statements*.

Refer to AASB9 above.

(iv) *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.*

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- a. The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- b. When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the transactions and balances recognised in the financial statements.

(v) *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.*

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – CONT

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company - Cont

- (vi) *AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.*

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

When this Standard is first adopted for the year ending 31 December 2016, there will be no impact on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2: (LOSS) FOR THE YEAR FROM OPERATIONS

	2015	2014
	\$	\$
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	182
Interest from long term receivable	-	36,888
Other	-	14
Total interest revenue	45	37,084
<hr/>		
Administration		
— Office expenses	57,347	80,103
Total administration costs	57,347	80,103
<hr/>		
Provision for Doubtful Debts		
— Recouped Doubtful Debts	(100,000)	-
— Provision for Doubtful Debts	-	1,054,929
Total Doubtful Debts	(100,000)	1,054,929
<hr/>		
Professional Fees:		
— Accounting and audit fees	21,500	16,000
— Legal	-	157
— Corporate advisory fees	-	9,325
— Other consulting fees	28,017	19,006
Total professional fees	49,517	44,488
<hr/>		
Other Expenses		
— Salaries, director fees and other related costs	120,411	145,656
	120,411	145,656
<hr/>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 3: INCOME TAX EXPENSE

	2015	2014
	\$	\$
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% (2014: 30%)	<hr/> (38,370)	<hr/> (386,698)
Add/(Less):		
Tax effect of:		
— Other non-allowable items	-	-
	<hr/> (38,370)	<hr/> (386,698)
Deferred tax assets recognised direct to equity and not meeting the recognition criteria of AASB 112	-	-
Tax effect of tax losses not brought into accounts as they do not meet the recognition criteria	<hr/> 38,370	<hr/> 386,698
Income tax attributable to entity	<hr/> <hr/> -	<hr/> <hr/> -

NOTE 4: AUDITORS' REMUNERATION

	2015	2014
	\$	\$
Remuneration of the auditor of the company for:		
— auditing or reviewing the financial report	17,500	16,000
	<hr/> 17,500	<hr/> 16,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 5: EARNINGS PER SHARE

	2015	2014
	\$	\$
Reconciliation of earnings to loss from operations		
Earnings used in the calculation of basic and diluted EPS from operations	(127,900)	(1,288,994)
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS.	7,428,250	7,428,250

In accordance with AASB 133 there were no dilutive securities.

NOTE 6: CASH AND CASH EQUIVALENTS

	2015	2014
	\$	\$
Cash at bank and in hand	549	580
	549	580

The effective interest rate on short-term bank deposits was 1.50% (2014: 1.55%); 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	549	580
---------------------------	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 7: TRADE AND OTHER RECEIVABLES

		2015 \$	2014 \$
CURRENT			
Receivable from related party	(a)	954,929	1,054,929
Provision for Doubtful Debts	(b)	(954,929)	(1,054,929)
WorkCover		133	133
GST Receivable		207	1,119
Total Receivables		<u>340</u>	<u>1,252</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 2015 from the related party is as follows:

Consideration for 933,077 shares:	1,154,929
Less: Deposit paid in prior periods	(100,000)
Less: Partial proceeds received in current year	(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 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.

Pawnee Energy Limited

ABN 73 122 948 805

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 8: INVESTMENT IN ASSOCIATE

	2015 \$	2014 \$
Unlisted investments		
— Shares – Island Sky Corporation	116,800	116,800
— Provision for Impairment	(116,800)	(116,800)
Investment in associate	-	-

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 9: TRADE AND OTHER PAYABLES

	2015 \$	2014 \$
CURRENT		
Trade payables	274,063	322,964
Sundry payables and accrued expenses	562,454	386,596
	836,517	709,560

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

NOTE 10: ISSUED CAPITAL

	2015 \$	2014 \$
a. Ordinary Shares		
At the beginning of the year	12,739,687	12,739,687
Shares issued during the year	-	-
At the end of the year	12,739,687	12,739,687

	2015 No.	2014 No.
b. Ordinary shares		
At the beginning of the year	7,428,340	371,412,496
Shares issued during the year	-	-
Share consolidation during the period	-	(363,984,156)
At the end of the year	7,428,340	7,428,340

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 10: ISSUED CAPITAL – CONT

In January 2014, as previously approved by shareholders, the Company completed a 50:1 share consolidation, resulting in a reduction in the issued ordinary shares.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

c. Unlisted Options

2014 Unlisted Options

	2015	2014
	No.	No.
At the beginning of the year	-	5,000,000
Effect of Share Consolidation during the period	-	(4,900,000)
Options Expired during the period	-	(100,000)
At the end of the reporting period	-	-

(i) The unlisted options had an exercise price of \$0.25 and expired on 4 August 2014.

d. Unlisted Options

2014 A Class Options

	2015	2014
	No.	No.
At the beginning of the year	-	300,000
Options issued during the year	-	-
Effect of Share Consolidation during the period	-	(294,000)
Options Expired during the period	-	(6,000)
At the end of the reporting period	-	-

(i) The unlisted options had an exercise price of \$20.00 and expired on 30 April 2014

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 11: RESERVES

Share Based Payment Reserve

The share based payments reserve recorded items recognised as expenses on valuation of employee share options. As the options have lapsed, the reserve has been reversed.

NOTE 12: OPERATING SEGMENTS

Identification of reportable segments

Following the disposal of the company's operating subsidiary Island Sky Corporation (based in the USA), the directors are of the view that there is no longer distinguishable operating segments which require disclosure.

NOTE 13: CASH FLOW INFORMATION

	2015 \$	2014 \$
Reconciliation of Cash Flow from Operations with (Loss) after Income Tax		
(Loss) after income tax from continuing operations	(127,900)	(1,288,994)
Reversal of provision of impairment of receivables	(100,000)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/Decrease in trade and term receivables	912	1,019,969
Increase/(Decrease) in trade payables and accruals	126,957	87,592
Cashflow from operating activities	<u>(100,031)</u>	<u>(181,433)</u>

NOTE 14: SHARE-BASED PAYMENTS

There were no share based payments during the 2015 year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 15: EVENTS AFTER THE REPORTING DATE

As announced to the ASX on 2 February 2016, the Company entered into an agreement with Resource Capital Limited ("RCL") pursuant to which RCL agreed 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. On 24 February 2016, the Company received the first tranche of \$500,000 and subsequently issued 500,000 convertible notes to various sophisticated investor clients of RCL.

Upon the receipt of shareholder approval at the Company's Extraordinary General Meeting on 18 March 2016 ("EGM"), the Board approved the conversion of the first tranche convertible notes into shares and issued 33,333,330 shares to the noteholders.

As also approved by shareholders at the EGM, the Company issued 6,666,667 shares to AE Administrative Services Pty Ltd to extinguish past debts for accounting and company secretarial services and 18,913,333 shares in total to Davan Nominees Pty Ltd (a company associated with David Lindh), Neville Martin and Richard Groden in lieu of accrued directors' fees.

Marcus Boland was appointed an executive director of the Company on 23 February 2016 and Bruce Hocking was appointed a non-executive director on 18 March 2016. Richard Groden resigned as director on 18 March 2016.

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 2015

NOTE 16: RELATED PARTY TRANSACTIONS

	2015	2014
	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Other Related Parties transactions		
During the year the Company received services from the Adelaide Equity Partners Group for the provision of Corporate Advisory Services, Company Secretarial, Accounting and Administration Services, rent, occupancy costs and reimbursable expenses. Mr Lindh is a shareholder of this Company.	19,619	36,550
In the prior year, the Company used the services of Minter Ellison for the provision of legal services. Mr Martin and Mr Lindh are both consultants to Minter Ellison.	-	157
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 prior year the Company recognised an amount payable to Mr Groden for director's fees	-	20,000
During the year the Company received an amount from Mr Groden for proceeds of sale of Island Sky Corporation	100,000	-
Other Related Parties Balances		
Amount payable to Minter Ellison, of which, Mr Martin and Mr Lindh are both consultants.	55,044	70,160
Amount payable to Adelaide Equity Partners Limited, of which, Mr Lindh is a shareholder.	-	14,905
Amount receivable from Mr Groden for disposal of subsidiary.	954,929	1,054,929
Amount provided for as doubtful in respect of the above receivable	(954,929)	(1,054,929)
Amount payable at year end to Mr Martin for accrued director's fees and capital injected as unsecured loans	198,639	133,000
Amount payable at year end to Mr Lindh for accrued director's fees and capital injected as unsecured loans	292,980	198,358
Amount payable at year end to Richard Groden for accrued director's fees	40,000	40,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 17: 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 2015**

NOTE 17: 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:

	Fixed Interest Rate			
	Weighted Average Effective Interest Rate		Total	
	2015	2014	2015	2014
			\$	\$
Financial Assets:				
Cash and cash equivalents	1.50%	1.55%	549	580
Total Financial Assets			549	580
	Floating Interest Rate Within 1 Year		Non-Interest Bearing	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	549	580	-	-
Receivables	-	-	340	1,252
Total Financial Assets	549	580	340	1,252
Financial Liabilities				
Trade and sundry payables	-	-	836,517	709,560
Total Financial Liabilities	-	-	836,517	709,560

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.

	2015		2014	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	549	549	580	580
Receivables	340	340	1,252	1,252
	889	889	1,832	1,832
Financial Liabilities				
Other liabilities and payables	836,517	836,517	709,560	709,560
	836,517	836,517	709,560	709,560
Net financial assets	(835,628)	(835,628)	(707,728)	(707,728)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 17: FINANCIAL INSTRUMENTS – CONT

Sensitivity analysis

Interest rate sensitivity analysis

At 31 December 2015, 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:

	2015	2014
	\$	\$
Less than 6 months	-	496,692
6 months to 1 year	836,517	212,868
1 to 5 years	-	-
Over 5 years	-	-
	<hr/>	<hr/>
	836,517	709,560
	<hr/>	<hr/>

NOTE 18: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent assets or liabilities at 31 December 2015 or 31 December 2014.

NOTE 19: COMMITMENTS

The Company had no commitments as at 31 December 2015 (2014: nil).

NOTE 20: GOING CONCERN BASIS OF ACCOUNTING

The financial report has been prepared on the basis of going concern. The Company incurred a loss of \$127,900 during the year and has net liabilities of \$835,628 at 31 December 2015.

The Company remains reliant upon the continued financial support of the directors and/or completion of the RCL transaction (Note 15) for the provision of working capital to continue as a going concern. 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

Pawnee Energy Limited

ABN 73 122 948 805

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 21: 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 22 to 46, 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 2015 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 30th day of March 2016

Pawnee Energy Limited

ABN 73 122 948 805



Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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

Report on the financial report

We have audited the accompanying financial report of Pawnee Energy Limited (the "Company"), which comprises the statement of financial position as at 31 December 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Pawnee Energy Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern

Without qualifying our opinion, we draw attention to Note 20 in the financial report which indicates that the company incurred a net loss of \$127,900 during the year ended 31 December 2015 and, as of that date, the company's current liabilities exceeded its current assets by \$835,628. These conditions, along with other matters as set forth in Note 20, 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.



Report on the remuneration report

We have audited the remuneration report included in pages 8 to 12 of the directors' report for the year ended 31 December 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Pawnee Energy Limited for the year ended 31 December 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 March 2016

Pawnee Energy Limited

ABN 73 122 948 805

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only and is not disclosed elsewhere in this report. The information is as at 29 April 2016.

1. Shareholdings as at 29 April 2016

a. Substantial Shareholders

Shareholder	Number of Shares
Davan Nominees Pty Ltd	11,220,213
AE Administrative Services Pty Ltd	6,666,667
AXL Financial Pty Ltd <The Opportunities A/C>	6,666,666
Financial Market Infrastructure Fund Pty Ltd	6,666,666
Hocar Limited <George Street Family A/C>	6,666,666
Mr Bruce Percy Hocking	6,666,666
Savasci Pty Ltd	6,666,666
Mr Neville Wayne Martin	5,428,465

b. Distribution and number of equity security holders

Category	Holders	Ordinary Shares
1 – 1,000	374	118,906
1,001 – 5,000	150	371,991
5,001 – 10,000	37	258,402
10,001 – 100,000	63	2,265,801
100,001 – and over	21	63,326,570
	645	66,341,670

c. Marketable Parcels

The number of shareholders holding less than a marketable parcel of ordinary shares is 625.

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each fully paid ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

- No voting rights.

Pawnee Energy Limited

ABN 73 122 948 805

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

TOP 20 HOLDERS OF ORDINARY SHARES AS AT 29 APRIL 2016

Rank	Name	Shares	% of Shares
1.	DAVAN NOMINEES PTY LTD	11,220,213	16.91
2.	AE ADMINISTRATIVE SERVICES PTY LTD	6,666,667	10.05
3.	AXL FINANCIAL PTY LTD <THE OPPORTUNITIES A/C>	6,666,666	10.05
4.	FINANCIAL MARKET INFRASTRUCTURE FUND PTY LTD	6,666,666	10.05
5.	HOCAR LIMITED <GEORGE STREET FAMILY A/C>	6,666,666	10.05
6.	MR BRUCE PERCY HOCKING	6,666,666	10.05
7.	SAVAS CI PTY LTD	6,666,666	10.05
8.	MR NEVILLE WAYNE MARTIN	5,428,465	8.18
9.	MR RICHARD GRODEN	2,671,451	4.03
10.	CHESSER NOMINEES PTY LTD	1,433,060	2.16
11.	GXB PTY LTD	359,625	0.54
12.	APPLICA WATER PRODUCTS LLC	338,266	0.51
13.	NURRAGI INVESTMENTS PTY LTD	334,826	0.50
14.	MR RICHARD GRODEN + MS SUSAN GRODEN	240,000	0.36
15.	CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	236,302	0.36
16.	MR BRIAN STAMP + MS BRENDA MAYER	229,295	0.35
17.	CORPORATE PROPERTY SERVICES PTY LTD <K W SHARE A/C>	216,667	0.33
18.	MR DOUGLAS COX	208,614	0.31
19.	HOUMAR NOMINEES PTY LTD <MARTIN SUPER FUND A/C>	170,147	0.26
20.	MOUSETRAP NOMINEES PTY LTD	129,642	0.20
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		63,216,570	95.29
Total Remaining Holders Balance		3,125,100	4.71

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

1. **Company Secretary**

Mr Jonathan Lindh

2. **Registered office**

Level 3,
100 Pirie Street,
Adelaide SA 5000
Telephone (08) 8232 2550
Facsimile (08) 8232 2540

3. **Registers of securities are held at the following addresses**

Adelaide

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide 5000
South Australia

Abbotsford

Computershare Limited Yarra Falls
452 Johnston Street
Abbotsford
Vic 3067

Enquiries within Australia	1300 556 161
Enquiries outside Australia	61 3 9415 4000
Email	Web.queries@computershare .com.au
Website	www.computershare.com.au

4. **Australian Securities Exchange**

The Company listed on the Australian Securities Exchange on 7 December 2007. The home exchange is Adelaide.

5. **On-market buy-back**

There is no current on-market buy back.

6. **Restricted/Escrow Shares & Options**

There are no securities currently on issue subject to escrow restrictions.

7. **Unquoted Securities**

There are no unquoted securities currently on issue.