Interpose Holdings Ltd

(formerly Sunbird Energy Limited)

ACN 21 150 956 773

Half-Year Financial Report

31 December 2016

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Corporate directory

Directors	Mr Barnaby Egerton-Warburton *Non-executive director* *Appointed 28/07/2016* Mr Gabriel Chiappini *Non-executive director* Mr Justin Barton *Non-executive director* *Appointed 10/01/2017* Mr Marcus Gracey *Executive director* Resigned 10/01/2017 Mr Kerwin Rana *Executive director* Resigned 28/07/2016 Mr Dorian Wrigley *Executive director* Resigned 28/07/2016
Company Secretary	Mr Richard Barker Resigned 21/02/2017 Mr Gabriel Chiappini Appointed 21/02/2017
Registered Office	Level 1, 50 Ord Street West Perth WA 6005
Share Register	Link Market Services Limited Ground Floor Level 4 Central Park 152 St Georges Terrace Perth WA 6000
Stock Exchange Listings	Australian Securities Exchange (ASX: IHS)
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Solicitors	DLA Piper Australia 31/152-158 St Georges Terrace Perth WA 6000
Website	www.interposeholdings.com

Directors' report

The Directors present their report together with the financial statements for the half-year period ending on 31 December 2016.

Directors

The names of the Directors of Interpose Holdings Ltd (hereafter "Interpose" or "the company") throughout the reporting period and at the date of this report are as set out above in the Corporate Directory.

Principal Activities

The principal activities of the consolidated entity carried out during the period consisted of

- Completion of conditions precedent and subsequent sale of the African Subsidiaries,
- Recapitalisation of the Company via a non- renounceable rights issues, and
- Ongoing evaluation of the business opportunities.

Results of Operations and Dividends

The net loss from continuing operations for the half-year period to 31 December 2016 was $3,084,881 (31 December 2015: $1,564,814).

No dividends have been paid or declared by the Company during the period ended 31 December 2016 (December 2015: nil).

Review of Operations

Completion of sale of African Subsidiaries

On the 18 April 2016 Interpose Holdings Ltd announced that the Company would be disposing of its African subsidiaries. The Disposal was completed on 28 July 2016 at which point the Company ceased to have any control and equity interests in African subsidiaries.

The African subsidiaries were sold in consideration for a total of AU$8,349,449 comprising of:

(a) a cash payment of A$802,371;

(b) the buyback and cancellation of 55 million existing shares from the purchaser for nil consideration with a fair value of AU$2,200,000 ($0.04 per share being the share price on the date the transaction became unconditional) in the Company held by parties associated with the Purchaser; and

(c) assignment of all of the Company's debt, totalling A$5,347,078, to the Purchaser.

A breakdown of the gain on sale of the African Subsidiaries is as follows:

Consideration received or receivable:	
- Cash	802,371
- Buy back and cancellation of 55,000,000 shares	2,200,000
- Assignment of debt	5,347,078
Total disposal consideration	**8,349,449**
Carrying amount of net assets sold	(3,496,376)
Gain on sale before income tax and reclassification of foreign currency translation reserve and non- controlling interest	**4,853,073**
Reclassification of foreign currency translation reserve	(643,813)
Reclassification of non- controlling interest	(858,210)
Gain on sale after income tax	**3,351,050**

Board restructure

Pursuant to the terms of the sale of the African Subsidiaries, Dorian Wrigley and Kerwin Rana resigned as directors of the Company effective 28 July 2016.

On 29 July 2016 Mr Barnaby Egerton-Warburton was appointed as a director of the Company.

On 10 January 2017 Mr Justin Barton was appointed and Mr Marcus Gracey resigned as directors of the Company.

Change of Name

Effective 11 August 2016 and pursuant to the ordinary resolution passed by shareholders at the General Meeting held on 9 June 2016, the Company changed its name to “Interpose Holdings Limited”. On 12 August 2016 the Company began trading under the name of “Interpose Holdings Limited” (ASX: IHS).

Non-Renounceable Rights Issue

As announced 23 September 2016 the company carried out a non-renounceable rights issue, to issue 1 new fully paid ordinary share for every 2 fully paid ordinary shares held on the record date at $0.02. The rights issue was to issue up to a total of 42,296,064 new shares and raise up to $845,921 (subject to no options being exercised). The rights issue offer document was released 23 September 2016 and the offer closed 19 October 2016. No brokerage was paid on the funds raised.

Post close of the Non-Renounceable Rights Issue a total of 19,129,402 entitlement shares and all 23,241,662 Shortfall shares were issued.

During the period the Company received gross proceeds of $513,369. Subsequent to period end a further $332,552 gross proceeds were received.

Subsequent Events

Acquisition of the Gallatin Gas- Condensate Project and Director Changes

As announced on 10 January 2017 the company acquired a 7.5% working Interest (WI) in the Gallatin gas/condensate project located in central Cherokee County, in the southern portion of the East Texas Basin from BMNW Resources LLC ("BMNW") of Dallas Texas. BMNW are an accomplished geological group and the generator of the Gallatin Gas- Condensate Project (the "Project").

The Project will test the production prospectivity of a productive section of the Pettit formation that lies across the prospect area, and will be operated by F.W Rabalais Inc from Fort Worth, Texas. Rabalais operate wells in multiple counties across Texas.

This same formation produces at approximately 9,000 feet from the Anne Field (discovered in 2010) and Buffkin Field (discovered in 2009) both of which lie directly to the south-east of the Gallatin Prospect. Wells in these fields produce from 6-10ft zones with 18% porosity at rates up to 1.3 mmcfpd and 15 bopd. .

Key terms of the transactions:

- 7.5% working interest with a 25% back in after payout to the project generator;
- Interpose portion of the dry hole cost is estimated to be USD$73,762;
- Completion costs are estimated to be USD$23,000 if a successful well is identified;
- Interpose will earn a 7.5% WI in 1,074 acres covering the project; and
- Net Revenue Interest of 75%.

The drill rig commenced drilling in the month of March 2017, on 15 March 2017 the company announced to the Australian Securities Exchange that it had completed logging of Christine Keahey #1 well. Analysis has revealed a narrower than expected Petit formation section with low porosity (< 6%). As a result, the decision has been made to plug and abandon the well. Interpose and the operator of the Gallatin project will work to ascertain if a second well at the project is warranted.

Following the resignation of Mr Marcus Gracey on 10 January 2017 the company welcomed Mr Justin Barton to its board as a non-executive director. Mr Barton is an experienced CFO in the mining and energy sector and brings with him invaluable experience.

Non-Renounceable Rights Issue

Subsequent to period end further $332,552 gross proceeds were received under the Non-Renounceable Rights Issue.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of this report.

This report is made in accordance with a resolution of directors.

Barnaby Egerton-Warburton
Director
15 March 2017

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Australia

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF INTERPOSE HOLDINGS LIMITED

As lead auditor for the review of Interpose Holdings Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Interpose Holdings Limited and the entities it controlled during the period.

Yours sincerely

Neil Smith
Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Interpose Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Interpose Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Interpose Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Interpose Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 15 March 2017

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2016

	Note	31-Dec-16 A$	31-Dec-15 A$
Interest revenue		2,770	9,303
Corporate costs	3	(142,370)	(653,395)
Professional fees		(35,875)	(97,026)
Director fees		(27,091)	(48,333)
Share-based payment expense	8	(192,000)	(24,154)
Finance costs	7	(65,719)	(376,331)
Reversal of prior period provisions		200,210	-
Loss on disposal of assets		(6,094)	-
Loss before income tax		**(266,169)**	**(1,189,936)**
Income tax expense		-	-
Loss from continuing operations after income tax		**(266,169)**	**(1,189,936)**
Profit/(loss) from discontinued operation (attributable to equity holders of the company	12	3,351,050	(374,878)
Profit/ (loss) for the period		**3,084,881**	**(1,564,814)**
Profit /(loss) for the year attributable to:			
Members of the parent entity		3,084,881	(1,519,796)
Non-controlling interest		-	(45,018)
Total profit/ (loss) for the period		**3,084,881**	**(1,564,814)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation - members of the parent entity		-	(1,151,219)
Foreign currency translation - non-controlling interest		-	154,221
Total other comprehensive profit/ (loss) for the year		**-**	**(996,998)**
Total comprehensive loss for the period attributable to:			
Members of the parent entity		3,084,881	(2,671,015)
Non-controlling interest		-	109,203
Profit /(loss) for the period attributable to owners of the parent		**3,084,881**	**(2,561,812)**
Profit/ (loss) per share from continuing operation attributable to the ordinary equity holders of the Company			
Basic and diluted earnings/ (loss) per share (cents)	4	(0.2)	(0.9)
Profit/ (loss) per share attributable to the ordinary equity holders of the Company			
Basic and diluted earnings/ (loss) per share (cents)	4	2.6	(1.1)

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

Consolidated statement of financial position

As at 31 December 2016

	Note	31-Dec-16 A$	30-Jun-16 A$
ASSETS			
Current assets			
Cash and cash equivalents	5	1,055,675	8,676
Trade and other receivable	6	13,455	-
Assets held for sale	12	-	3,543,546
Total current assets		**1,069,130**	**3,552,221**
Non-current assets			
Property, plant and equipment		-	6,094
Total non-current assets		**-**	**6,094**
Total assets		**1,069,130**	**3,558,315**
LIABILITIES			
Current liabilities			
Trade and other payables		41,047	293,982
Borrowings	7	-	5,281,363
Liabilities held for sale	12	-	145,891
Total current liabilities		**41,047**	**5,721,236**
Total liabilities		**41,047**	**5,721,236**
Net assets		**1,028,083**	**(2,162,920)**
EQUITY			
Share capital	8	17,825,873	19,320,504
Reserves	9	16,851	5,999,665
Accumulated losses		(16,814,641)	(26,624,879)
Total equity attributable to owners of Interpose Holdings Ltd		**1,028,083**	**(1,304,710)**
Non-controlling interest		-	(858,210)
Total equity		**1,028,083**	**(2,162,920)**

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

Consolidated statement of changes in equity

For the half year ended 31 December 2016

	Share capital	Foreign currency translation reserve	Share-based payment reserve	Total reserves	Accumulated loss	Total attributable to equity holders of the group/ company	Non-controlling interest	Total equity
	A$	A$	A$	A$	A$	A$	A$	A$
Balance at 1 July 2015	**19,320,504**	**201,293**	**6,712,014**	**6,913,307**	**(23,356,561)**	**2,877,250**	**(908,695)**	**1,968,555**
Loss for the year	-	-	-	-	(1,512,584)	(1,512,586)	(45,018)	(1,557,604)
Foreign currency translation	-	(1,151,219)	-	(1,151,219)	-	(1,151,219)	154,221	(996,998)
Total comprehensive loss for the year	-	(1,151,219)	-	(1,151,219)	(1,512,584)	(2,663,805)	109,203	(2,554,602)
Issue of shares	-	-	-	-	-	-	-	-
Issuance costs	-	-	-	-	-	-	-	-
Share-based payments	-	-	24,154	24,154	-	24,154	-	24,154
Total distributions to owners of Company recognised directly in equity	-	-	24,154	24,154	-	24,154	-	24,154
Balance at 31 December 2015	**19,320,504**	**(949,926)**	**6,736,168**	**5,786,242**	**(24,869,145)**	**237,599**	**(799,492)**	**(561,893)**
Balance at 1 July 2016	**19,320,504**	**(742,543)**	**6,742,208**	**5,999,665**	**(26,624,879)**	**(1,304,710)**	**(858,210)**	**(2,162,920)**
Profit for the year	-	-	-	-	3,084,881	3,084,881	-	3,084,881
Foreign currency translation	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	3,084,881	3,084,881	-	3,084,881
Issue of shares	513,369	-	-	-	-	513,369	-	513,369
Issuance costs	-	-	-	-	-	-	-	-
Share-based payments	192,000	-	-	-	-	192,000	-	192,000
Cancellation of shares	(2,200,000)	-	-	-	-	(2,200,000)	-	(2,200,000)
De- recognition on disposal of subsidiaries	-	742,543	-	742,543	-	742,543	858,210	1,600,753
Transfer to accumulated losses	-	-	(6,725,357)	(6,725,357)	6,725,357	-	-	-
Total distributions to owners of Company recognised directly in equity	(1,494,631)	742,543	(6,725,357)	(5,982,814)	6,725,357	(752,088)	858,210	106,122
Balance at 31 December 2016	**17,825,873**	**-**	**16,851**	**16,851**	**(16,814,641)**	**1,028,083**	**-**	**1,028,083**

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

Consolidated statement of cash flows

For the half year ended 31 December 2016

	Note	31-Dec-16 A$	31-Dec-15 A$
Cash flows from operating activities			
Receipts from JV partners		-	179,416
Interest received		2,770	4,670
Payments to suppliers and employees		(271,511)	(828,694)
Exploration payments		-	(753,683)
Net cash used in operating activities		**(268,741)**	**(1,398,291)**
Cash flows from investing activities			
Proceeds from sale of motor vehicles		-	11,400
Proceeds from disposal of subsidiaries	12	802,371	-
Cash relinquished on disposal of subsidiaries	12	(237,033)	-
Net cash from investing activities		**565,338**	**11,400**
Cash flows from financing activities			
Proceeds from issue of shares		513,369	-
Share issue costs		-	-
Proceeds from interest-bearing loans net of raising cost		-	1,542,707
Finance lease payments		-	(3,801)
Net cash from financing activities		**513,369**	**1,538,906**
Total cash movement for the period		**809,966**	**152,015**
Cash and Cash Equivalents at 1 July		8,676	690,654
Cash classified as held for sale at 1 July		230,341	-
Exchange rate adjustment		6,692	(129,368)
Total cash at end of the period	5	**1,055,675**	**713,301**

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

1. Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB *134 Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Interpose Holdings Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Effective 11 August 2016 and pursuant to the ordinary resolution passed by shareholders at the General Meeting held on 9 June 2016, the Company changed its name to "Interpose Holdings Limited". On 12 August 2016 the Company began trading under the name of "Interpose Holdings Limited" (ASX: IHS).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, except as set out below.

a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

b) New standards issued but not yet adopted

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

2. Segment information

Description of segments

The Company's Board of Directors, who are collectively the "Chief Operating Decision Maker", receives financial information for two reportable segments being "Corporate" and "Exploration".

Segment information

For the half year ended 31 December 2016	**Discontinued Operations A$**	**Corporate A$**	**Consolidated A$**
Total segment revenue	-	2,770	2,770
Loss from continuing operations	-	(266,169)	(266,169)
Profit from discontinued operation	3,351,050	-	3,351,050
Profit (loss) before income tax	**3,351,050**	**(266,169)**	**(3,084,881)**
Segment Assets			
Cash and cash equivalents	-	1,055,675	1,055,675
Other	-	13,455	13,455
Total Segment Assets	**-**	**1,069,130**	**1,069,130**
Segment Liabilities			
Trade and other payable	-	41,047	41,047
Total Segment Liabilities	**-**	**41,047**	**41,047**

For the half year ended 31 December 2015	**A$**	**A$**	**A$**
Total segment revenue	-	9,303	9,303
Loss from continuing operations	-	(1,189,936)	(1,189,936)
Loss from discontinued operation	(374,878)	-	(374,878)
Profit (loss) before income tax	**(374,878)**	**(1,189,936)**	**(1,564,814)**
Segment Assets			
Property, plant and equipment	5,136	15,202	20,338
Exploration and evaluation property	3,222,561	-	3,222,561
Cash and cash equivalents	582,687	130,614	713,301
Other	127,766	101,721	229,487
Total Segment Assets	3,938,150	247,537	4,185,687
Segment Liabilities			
Finance lease obligation	11,326	-	11,326
Trade and other payable	142,135	181,158	323,293
Other	-	4,412,963	4,412,963
Total Segment Liabilities	153,461	4,594,121	4,747,582

3. Corporate costs

	31-Dec-16 A$	31-Dec-15 A$
Corporate compliance and communication costs	111,880	42,198
Office and other costs	-	86,942
Consultants	-	488,466
Occupancy	30,490	23,465
Travel	-	10,461
Depreciation	-	1,863
	142,370	**653,395**

4. Earnings per share

The calculation of basic and diluted earnings (loss) per share at 31 December 2016 was calculated as follows:

	31-Dec-16 A$	31-Dec-15 A$
Loss attributable to ordinary shareholders		
Profit (loss) for the period from continuing operations	(266,169)	(1,189,936)
Profit (loss) for the period from discontinued operations	3,351,050	(374,878)
Profit (loss) for the period	**3,084,881**	**(1,519,796)**
Weighted average number of ordinary shares		
Issued ordinary shares at the beginning of the period	139,592,127	138,592,127
Effect of shares cancelled during the year	(55,000,000)	-
Effect of shares issued during the year	73,889,516	-
Weighted average number of ordinary shares at 31 December	**119,665,317**	**125,512,345**
Earnings (loss) per share		
Basic and diluted earnings (loss) per share from:		
- continuing operations attributable to the ordinary equity holders of the Company (cents per share)	(0.2)	(0.9)
- discontinued operations attributable to the ordinary equity holders of the Company (cents per share)	2.8	(0.2)
Total earnings (loss) per share	**2.6**	**(1.1)**

Diluted loss per share

Potential ordinary shares are not considered dilutive, thus diluted loss per share is the same as basic loss per share.

5. Cash and cash equivalents

	31-Dec-16 A$	30-Jun-16 A$
Cash on hand and at bank	1,055,675	8,676
Cash at bank attributable to discontinued operations	-	230,340
	1,055,675	**239,016**

6. Trade and other receivable

	31-Dec-16 A$	30-Jun-16 A$
GST and VAT receivable	10,454	-
Other receivables	3,001	-
	13,455	**-**

7. Borrowings

	31-Dec-16 A$	30-Jun-16 A$
Umbono Loan Facility used	-	959,470
Umbono Loan Facility - capitalised interest	-	451,778
Total borrowing under Umbono Loan Facility	**-**	**1,411,248**
New Loan Facility used	-	2,763,775
New Loan Facility - capitalised interest	-	638,232
Total borrowing under New Loan Facility	**-**	**3,402,007**
MUSA Facility used	-	448,156
MUSA Facility - capitalised interest	-	19,952
Total borrowing under MUSA Facility	**-**	**468,108**
	-	**5,281,363**
Unused facilities available		
Umbono Loan Facility	-	-
New Loan Facility	-	-
MUSA Facility	-	-
	-	**-**

During the period interest totalling AU$65,719 was accrued against the loan facility.

On 28 July 2016 the principle and capitalised interest of the Umbono, New and MUSA loan facilities were assigned to Umbono Partners as part consideration for sale of the African subsidiaries. Refer to note 12 for further details.

8. Contributed equity

	31-Dec-16 A$	30-Jun-16 A$
Shares on issue	19,671,616	21,166,647
Issuance costs	(1,845,743)	(1,845,743)
	17,825,873	**19,320,504**

Reconciliation of movement in share capital	**Notes**	**Number of shares**	**A$**
Balance at 1 July 2016		**139,592,127**	**19,320,504**
Cancellation of shares	12	(55,000,000)	(2,200,000)
Issue of shares – Rights issue and short fall (1)		25,668,452	513,369
Issue of shares – Director remuneration	11	6,000,000	192,000
Balance at 31 December 2016		**116,260,579**	**17,825,873**
Balance at 1 July 2015		139,592,127	19,320,504
Balance at 31 December 2015		**139,592,127**	**19,320,504**

Issue of shares – Rights issue and short fall (1)
As announced 23 September 2016 the company carried out a non-renounceable rights issue, to issue 1 new fully paid ordinary share for every 2 fully paid ordinary shares held on the record date at $0.02. The rights issue was to issue up to a total of 42,296,064 new shares and raise up to $845,921 (subject to no options being exercised). The rights issue offer document was released 23 September 2016 and the offer closed 19 October 2016. No brokerage was paid on the funds raised.

Post close of the Non-Renounceable Rights Issue a total of 19,129,402 entitlement shares and all 23,241,662 Shortfall shares were issued.

During the period the Company received gross proceeds of $513,369. Subsequent to period end a further $332,552 gross proceeds were received.

9. Reserves

	31-Dec 16 A$	30-Jun-16 A$
Share-based payment reserve	16,851	6,742,208
Foreign currency translation reserve	-	(742,543)
	16,851	**5,999,665**

9. Reserves (continued)

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Reconciliation of movement in reserves		
Share-based payments reserve		
Balance – opening	6,742,208	6,736,168
Equity settled share-based payment transactions	-	6,040
Transferred to retained earnings upon expiry of options	(6,725,357)	-
Balance – closing	**16,851**	**6,742,208**
Foreign currency translation reserve		
Balance – opening	(742,543)	(949,926)
Effect of translation of foreign currency operation to group presentation currency	98,730	207,383
De- recognition on disposal of subsidiaries	643,813	-
Balance – closing	**-**	(742,543)
	16,851	**5,999,665**

10. Fair value of financial instruments

As at 31 December 2016	**Carrying amount A$**	**Fair amount A$**
Current Assets		
Trade and other receivable	13,455	13,455
Current Liabilities		
Trade and other payable	41,047	41,047

10. Fair value of financial instruments (continued)

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

The fair values of borrowings are the same as their carrying accounts since they are repayable within 12 months. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

11. Related party transactions

On 30 November 2016 shareholders in General Meeting passed an ordinary resolution approving the issue of 4,000,000 ordinary shares to Mr Marcus Gracey and 2,000,000 ordinary shares to Mr Gabriel Chiappini for past consulting services provided by both directors. The shares were allotted on the 16 December 2016.

The shares were issued for nil cash consideration at a deemed issue price of $0.02 per share, being the issue price of new shares under the Company's October 2016 non-renounceable pro rata entitlement offer. For accounting purposes the shares were valued $0.032 per share being the market value per share at the date shareholder approval was obtained. An amount of $192,000 was recognised in the statement of financial performance in the current reporting period.

Notes to the consolidated financial statements

12. Disposal of Subsidiaries

12.1 Description

On the 18 April 2016 Interpose Holdings Ltd announced that the Company would be disposing of its African subsidiaries. The Disposal became unconditional and was completed on 28 July 2016 at which point the Company ceased to have any control and equity interests in African subsidiaries.

The African subsidiaries were sold in consideration for a total of AU$8,349,449 comprising of:

(a) a cash payment of A$802,371;

(b) the buyback and cancellation of 55 million existing shares from the purchaser for nil consideration with a fair value of AU$2,200,000 ($0.04 per share being the share price on the date the transaction became unconditional) in the Company held by parties associated with the Purchaser; and

(c) assignment of all of the Company's debt, totalling A$5,347,078, to the Purchaser.

The results of the African subsidiaries are presented in the consolidated financial statements as discontinued operation in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income and consolidated statement of cash flows distinguish discontinued operations from continuing operations. Comparative figures have been restated.

The associated assets and liabilities were consequently presented as held for sale in the 2016 financial statements. The subsidiaries were sold on 28 July 2016 and is reported in the current year as a discontinued operation. Financial information relating to the discontinued operation is set out below.

12.2 Cash flows from discontinued operations

The cash flow information presented is for the period 1 July to 28 July 2016 and the comparatives are the 6 months ended 31 December 2015.

	28 July 2016 A$	**31 December 2015 A$**
Net cash flows from operating activities	-	(574,267)
Net cash flows from investing activities	(237,033)	-
Net cash flows from financing activities	-	-
	(237,033)	**(**574,267**)**

Notes to the consolidated financial statements

12.3 Loss for the year from discontinued operations

The financial performance information presented is for the period 1 July to 28 July 2016 and the comparatives are the 6 months ended 31 December 2015.

	28 July 2016 A$	31 December 2015 A$
Discontinued operations		
Exploration expenses	-	(374,878)
Loss from discontinued operations before income tax	**-**	**(374,878)**
Income tax expense	-	-
Loss from discontinued operations after income tax	**-**	**(374,878)**

12.4 Details of the sale of subsidiary

	2016 A$
Consideration received or receivable:	
- Cash	802,371
- Buy back and cancellation of 55,000,000 shares	2,200,000
- Assignment of debt	5,347,078
Total disposal consideration	**8,349,449**
Carrying amount of net assets sold	(3,496,376)
Gain on sale before income tax and reclassification of foreign currency translation reserve and non- controlling interest	**4,853,073**
Reclassification of foreign currency translation reserve	(643,813)
Reclassification of non- controlling interest	(858,210)
Gain on sale after income tax	**3,351,050**

Notes to the consolidated financial statements

12.5 Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation:

	31 December 2016 A$	28 July 2016 A$	30 June 2016 A$
Cash and cash equivalents	-	237,033	230,341
Exploration and evaluation expenditure	-	3,409,477	3,313,205
	-	3,646,510	3,543,546
Trade and other payables	-	(150,134)	(145,891)
	-	(150,134)	(145,891)
Net Assets	**-**	**3,496,376**	**3,397,655**

13. Commitments

There were no commitments in the Group at 31 December 2016.

14. Contingencies

There were no contingent assets or liabilities in the Group at 31 December 2016.

15. Dividends

No dividends were paid by the Group during the half year ended 31 December 2016 (2015: nil).

16. Events occurring after the reporting period

Asset Acquisition

As announced on 10 January 2017 the company has acquired a 7.5% Working Interest (WI) in the Gallatin gas/condensate project located in central Cherokee County, in the southern portion of the East Texas Basin from BMNW Resources LLC of Dallas Texas. BMNW are an accomplished geological group and the generator of the Gallatin Project. The project will test the possibility of a potentially productive section of the Pettit formation that lies across the prospect area, and will be operated by F.W Rabalais Inc from Fort Worth, Texas. Rabalais operate wells in multiple counties across Texas.

Notes to the consolidated financial statements

Key terms of the transaction:

- 7.5% working interest with a 25% back in after payout to the project generator;
- IHS dry hole cost estimated at USD$73,762;
- Completion costs USD$23,000 if a successful well is drilled;
- IHS will earn a 7.5% WI in 1,074 acres covering the project; and
- Net Revenue Interest of 75%.

The drill rig commenced drilling in the month of March 2017, on 15 March 2017 the company announced to the Australian Securities Exchange that it had completed logging of Christine Keahey #1 well. Analysis has revealed a narrower than expected Petit formation section with low porosity (< 6%). As a result, the decision has been made to plug and abandon the well. Interpose and the operator of the Gallatin project will work to ascertain if a second well at the project is warranted.

The company's forward looking strategy is to remain in the oil and gas sector and pursue low risk project participation with reputable and proven operators to build a portfolio or producing projects while asset values remain depressed due to the oil price cycle. The Gallatin project provides a first step in building on this approach at a reasonable entry and risk cost.

<u>Director Changes</u>

Following the resignation of Mr Marcus Gracey on 10 January 2017 the company welcomed Mr Justin Barton to its board as a non-executive director. Mr Barton is an experienced CFO in the mining and energy sector and brings with him invaluable experience.

<u>Non- renounceable rights issues</u>

Subsequent to year end a further $332,552 gross proceeds were received by the Company in relation to the non- renounceable rights issues (refer to note 8).

Other than the above, no other matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations, results or state of affairs of the group in future financial periods which have not been disclosed publicly at the date of this report.

Notes to the consolidated financial statements

Director's Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 10 to 24 are in accordance with the *Corporations Act 2001*, including:
   (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date and

(b) There are reasonable grounds to believe that Interpose Holdings Ltd 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 directors.

Barnaby Egerton-Warburton

Non- executive Director

Perth

15 March 2017