



Annual Report

30 June 2016

ABN 68 079 432 796

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| | |
|--|--|
| Directors | Charles Morgan (Non-executive Chairman) Stephen Keenihan (Managing Director) David Messina (Executive Director) |
| Company Secretary | Jo-Ann Long |
| Principal registered office in Australia | Level 2 6 Thelma Street West Perth WA 6005 Tel: +61 8 6555 6000 Fax: +61 8 6555 6099 |
| Auditors | Grant Thornton Audit Pty Ltd Level 1, 10 Kings Park Road West Perth WA 6005 |
| Solicitors to the Company | GTP Legal Level 1, 28 Ord Street West Perth WA 6005 |
| Share Registry | Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace Perth WA 6000 Tel: +61 3 9415 4000 |
| Banker | ANZ |
| Stock exchange | Transerv Energy Limited shares are listed on the Australian Securities Exchange (ASX: TSV) |
| Company website | www.transerv.com.au |

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Review of Operations

During the period ended 30 June 2016, the key corporate activities undertaken are set out below and detailed in the Review of Operations.

2015/16 HIGHLIGHTS

Warro Gas Project

- Successful drilling, stimulation and well testing of Warro 5 and 6 without any HSE incidents.
- Warro 5 & 6 flowed gas naturally, with a peak gas flow of 0.55MMscf/d with 270 bwpd and 0.84MMscf/d with 430 bwpd respectively.
- Re-entry and testing of Warro-4, which flowed naturally with a peak gas flow of 1MMscf/d with 1400 bwpd.
- Demonstrated produced water can be managed with the use of a jet pump.
- Independent Resource review revised P10 estimated gas in place to 11.6 trillion cubic feet (Tcf), an increase of 15%.
- Through the CSIRO/UWA independent project, demonstrated no impact to water, soil, atmosphere or seismic activity during the drilling and stimulation of W5 and W6.
- Continuing environmental baseline studies over the Warro Field area and its environs.
- While Warro-5 and 6 did not achieve commercially viable gas flow rates, further detailed technical evaluation work is underway to determine if the field resources can be exploited using alternative drilling and stimulation methods.

Sale of Leucrotta Shares

- Share sale generated A\$2.01m.

Canadian Operations

- Demerger of Canadian Assets to allow Transerv to focus on Warro and the Perth Basin.

Subsequent Events

- Post Completion Analysis of Warro ongoing to determine strategies to attempt to increase gas flow rates to commercial quantities.
- Strategic Alliance with Norwest Energy Ltd (NWE) with plans to drill the 160mmBBLs Xanadu oil prospect in 2017.
- Transerv confirms participation in Origin Perth Basin Asset Sale process which is ongoing.

Warro Project Update

Warro-5 is located approximately 3.5 km south from the previous Warro wells and represents a step-out that has significantly extended the proven extent of the gas field.

Drilling at Warro-5 commenced on 15 August 2015. The well was side-tracked at 1867m RT.

Warro-5ST reached TD of 4422m MD (4327m TVD) on 23 September 2015. Strong gas shows were encountered over a gross interval of 175m with approximately 130m of net gas pay in massive stacked sands between 4247m MD (4152m TVD) and 4408m MD (4313m TVD). A gas-water contact was not observed in the well, but gas-on-rock was seen on logs at the base of the lowest pay section.

Warro-5 Stage 1 reservoir stimulation was completed during the second quarter but these operations were suspended when proppant from the initial stimulation phase back-filled the borehole. Warro-5 reservoir stimulation operations were recommenced after the drilling and fracture stimulation of Warro-6 and completed on 7th January and all the equipment demobilized from site. The final, second stage at Warro-5 resulted in 305,000 pounds (138,400kg) of

proppant being placed in the gas reservoir. Combined with the deeper Stage 1, Warro-5 had successfully injected 385,000 pounds (175,000kg) of proppant over an interval 4330 – 4410mRT.

Warro-6, located approximately 3km to the northwest of Warro-5, commenced drilling in the first week of October 2015. Warro-6 reached total depth of 4520m RT and ran wireline logs prior to setting 5 ½" casing. Warro-6 logs show the presence of a 315.5m gas interval from 4147m to 4462.5m RT in the main reservoir unit. Additional hydrocarbon bearing sands are also present between 4483m – 4520m (well TD). The table below presents a summary of Warro-5 and Warro-6:

| | Warro-5 | Warro-6 |
|-----------------------------|---------|---------|
| Well Total Depth TVD | 4327m | 4520m |
| Top Gas Pay | 4152m | 4147m |
| Gross Pay | 161m | 315.5m |
| Net Pay | 95m | 210m |
| Average Porosity | 9.80% | 9.50% |

Warro-6 completed three stages of reservoir stimulation resulting in the successful emplacement of over 715,000 pounds (325,000kg) of proppant. Only the deeper 50% of the gross reservoir section was targeted by these three stages. Initial flow back operations commenced at Warro-6 on December 17 and resulted in the recovery of a substantial portion of the stimulation fluids.

Following a short period when a jet pump in each well was used to assist flow, Warro-5 and 6 established stable, slowly declining, natural flow of gas with water. The maximum gas flow achieved in each well was 0.55MMscf/d and 0.84MMscf/d respectively and at the end of the flow periods, Warro-5 gas flow rate was averaging 0.42 mmcfd with an accompanying water rate of 165 bwpd and Warro-6 gas flow rate was averaging 0.53 mmcfd with an accompanying water rate of 210 bwpd. A PLT was run in Warro-6 to provide more information on the flow capacity of each zone in the well. Warro-5 was shut in for pressure build-up at the end of the quarter and Warro-6 was prepared for further testing.

Following an analysis of the Warro-5 and 6 results, the decision was taken to retest Warro-4. This commenced in June 2016 once requisite approvals were obtained.

Warro-4 retesting operations were completed in July 2016. Gas flows from the "C" sand were maintained at rates between 0.7 and 0.95 mmcfd with associated water rates ranging from 950 to 1500 bwpd. In-well pressure and temperature logging was successfully carried out while the well was flowing to determine the nature and source of the reservoir fluids.

The flow rates achieved during the retest of Warro-4 were two to three times greater than those observed when the well was tested immediately after drilling in 2011.

The results of Warro-5 and 6, as well as the retesting of Warro-4, confirmed the widespread nature of the gas accumulation, although none of the wells attained gas flow rates sufficient to be commercially viable at this time. These outcomes suggest that the Warro Project requires more evaluation in order to be considered commercially feasible based on presently available information.

Resource Review

An independent review by RISC Advisory during the year before the drilling of Warro-5 and 6 increased the total Resource estimate to 11.6 trillion cubic feet (Tcf) of gas in place which is an addition of over 15 per cent to the upside GIIP figure of approximately 10 Tcf provided by the Shanley Review.

Warro Field Gas-In-Place Tcf

| | P90 | P50 | P10 |
|-------------|------------|------------|-------------|
| Contingent | 2.4 | 3.2 | 4.3 |
| Prospective | 2.0 | 4.1 | 7.3 |
| GIIP | 4.4 | 7.3 | 11.6 |

Environmental Monitoring and Community Consultation

Water and soil sampling was ongoing during operations as part of the agreement to participate in a water, soil/atmospheric gas and seismic monitoring project with CSIRO and UWA and other Perth Basin Operators.

This work did not detect any anomalous gas readings around the Warro area and also could not detect any seismic activity associated with the fracture stimulation work at surface.

Local community meetings were held in Badgingarra and Dandaragan during the year. The local community, surrounding shires and stakeholders were invited to tour site in December. Opportunities to view the stimulation equipment, learn more about the project and view the footprint of the well sites was well received by those that attended.

Update meetings have also been held with representatives from Local Shires, DMP and DoW. The Warro Joint Venture was also represented at the Irwin Shire Oil & Gas day on 23 September.

Warro Project Background

The Warro field lies 200km north of Perth in the Perth Basin and is one of the largest undeveloped onshore gas fields in Australia. The Warro reservoir section is about 3,750m below surface and has a thickness of approximately 500m. The gas is held within low porosity and low permeability Jurassic sandstones. The field is located 31km east of both the Dampier-to-Bunbury Natural Gas Pipeline and the Dongara-to-Perth Parmelia Pipeline.

Warro field is located in RL-7 and RL-6 and covers an area of approximately 7,000ha. These Retention Leases were granted over the Warro Field location during FY15. The remainder of EP321 was renewed on 5 December 2014 after the relinquishment of four graticular blocks in line with State Government requirements. The remainder of EP407, outside the RL7, was surrendered completely. The interest holders in the permits are currently Transerv Energy (57%) and Alcoa Australia (43%).

Under the farm-in agreement, Alcoa may earn a 65% interest in the permits by spending \$100 million on a staged programme comprising exploration and development activities. To date, the Warro Joint Venture (WJV) has drilled four wells (Warro-3, 4, 5 and 6) and acquired the Warro 3D seismic survey.

Corporate**Leucrotta Shares**

2,199,077 Leucrotta shares held by Transerv were sold in February 2016 in a number of tranches and resulted in the company receiving approximately A\$2.01 million.

Canadian Demerger

In September 2015 shareholders' approval was received for the demerger of the Company's remaining Canadian assets, primarily comprising its 60% interest in the Montney Acreage JV with Tamaska and the demerger was effective as of 20th October 2015 having gained a ruling from the ATO.

1. Directors' Report

1.1 Directors' Meetings

Board meetings held during the year and the number of meetings attended by each Director was as follows:

| Director | Board of Directors | |
|-------------------|--------------------|------|
| | Present | Held |
| Craig Burton* | 3 | 3 |
| Stephen Keenihan | 8 | 8 |
| Ian Cockerill* | 3 | 3 |
| Charles Morgan** | 5 | 5 |
| Brett Lawrence*** | 4 | 4 |
| David Messina**** | 1 | 1 |

* Resigned 9th October 2015

**Appointed 9th October 2015

***Appointed 9th October 2015 Resigned 20th April 2016

****Appointed 20th April 2016

Board and Management Committees

In view of the current composition of the Board (which comprises a non-executive chairman and two executive directors) and the nature and scale of the Company's activities, the Board has considered that establishing formally constituted committees for audit, board nominations, remuneration and general management functions would contribute little to its effective management.

1.2 Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Transerv Energy Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation of a junior listed resource Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

1.3 Directors' Information

Charles Morgan | Non-executive Chairman

Appointed 9 October 2015

Experience and expertise:

Mr Morgan is an experienced resources venture capitalist who has successfully identified early stage opportunities, acquired strategic assets and positions and partnered with regional and technology experts to develop those positions. Mr Morgan has extensive experience in equity capital markets and has been involved with numerous projects over a 25 year period. The bulk of these were in the resources/oil & gas industries and in the technology sector.

Mr Morgan is an Executive chairman of Grand Gulf Energy Limited, chairman of Hutton Energy Plc, Non-executive director of Gateway Capital Limited and Non-executive director of ADG Global Supply Limited. In the past three years Mr Morgan has been the Non-executive Chairman of Tamaska Oil and Gas Limited and Non-executive Chairman/director of Alcyone Resources Ltd.

Stephen Keenihan BSc (Hons) | Managing Director

Appointed 23 March 2011 as Managing Director; Appointed 20 August 2013 as Executive Director; Appointed 9 October 2015 as Managing Director

Experience and expertise:

Mr Keenihan has more than 38 years' experience in the energy industry, within and outside Australia. He has primarily been involved with oil and gas activities but also a broad range of experience in other energy and electricity projects including coal, gas, wind, biofuels and geothermal. He has previously held management roles with Apache Energy, Griffin Energy, Novus Petroleum, WMC Petroleum and LASMO. He has extensive expertise in oil and gas exploration activities and experience covering a broad range of disciplines including development, operations, commercial and marketing activities both operated and non-operated. Prior to March 2011, Mr Keenihan led a small team of oil and gas

professionals who acquired the Warro Gas Field in Western Australia. The Warro operator, Latent Petroleum, merged in 2011 with Transerv Energy, with Mr Keenihan leading the company and extending its interests internationally in oil and gas in Canada since that date until 20 August 2013. Mr Keenihan is also a Non-Executive Director of Grand Gulf Energy Limited, which is an active oil and gas explorer and producer in the USA.

David Messina | Executive Director

Appointed 20 April 2016

Experience and expertise:

Highly successful and experienced international executive with proven entrepreneurial skills and solid track record in developing and managing a diverse range of businesses, raising finance, stakeholder engagement and delivering results to shareholders.

Mr Messina has over twenty years' multi-sector experience in the Energy and Agricultural industries, holding senior positions at the board and executive management level. Having lived and worked in numerous countries he has acquired global management experience with both start-up and mature businesses.

Mr Messina is the Managing Director of Hutton Energy Plc.

Jo-Ann Long FCA, BComm, GAICD | Chief Financial Officer | Appointed 23 March 2011 | Company Secretary

Appointed 12 February 2014

Experience and expertise:

Ms Long has more than 25 years' experience as a finance professional with 18 years in the oil and gas industry. After graduating from the University of Western Australia, Ms Long joined Deloitte Touche Tomatsu and qualified as a Chartered Accountant in 1990 and was admitted as a Fellow of the Institute of Chartered Accountants in 2010. Ms Long has extensive business experience in a number of industries including live sheep exporting, property development and construction services before joining Woodside Energy in 1998. Ms Long worked primarily in Finance, Internal Audit and Business Risk leading audits on non-operated Joint Ventures world-wide in United Kingdom, Spain, Algeria and the USA as well as audits of Health, Safety and Environment. In 2008 Ms Long joined the Transerv Group and has worked on the Warro Joint Venture in both financial and operational capacity as well as the company's expansion into Alberta and British Columbia in Canada. Ms Long has been a Regional Councillor and Chairman of the Chartered Accountants in Business for the Institute of Chartered Accountants. Ms Long is also a Graduate of the Australian Institute of Company Directors.

Craig Burton | Executive Chairman

Appointed 20 August 2013; Resigned 9 October 2015

Experience and expertise:

Craig Burton is an experienced and active investor in emerging businesses, both publicly listed and private. Over the last 25 years, he has co-founded numerous new projects, with a focus on the resources, oil and gas, and mining services sectors. Mr Burton is currently Chairman of Cradle Resources Limited and a Director of Capital Drilling Limited and Hutton Energy Limited. In the past three years Mr Burton has been Director of Hughes Drilling Limited.

Ian Cockerill | Executive Director

Appointed 20 August 2013; Resigned 9 October 2015

Experience and expertise:

Mr Cockerill is a petroleum geologist and geophysicist with 20 years' industry experience. He has previously worked for Hunt Oil and Apache Energy. He has extensive global experience from working in Canada, US, South Africa, UK, Singapore and Australia, primarily in new venture development. Mr Cockerill does not sit on the Board of Directors of any other listed companies.

Brett Lawrence | Non-executive Director

Appointed 9 October 2015; Resigned 20 April 2016

Experience and expertise:

Mr Lawrence has 12 years of experience in the oil and gas industry, performing roles in drilling engineering, reservoir engineering, project development and commercial management.

Mr Lawrence is Managing Director of Verus Investments Ltd, Executive Director of Tamaska Oil and Gas Limited and Managing Director of Macro Energy Ltd. In the past three years Mr Lawrence has been a Director of Digital CC Limited.

Remuneration Report (Audited)

This Remuneration Report outlines the remuneration arrangements which were in place during the period, and remain in place as at the date of this report, for the key management personnel of Transerv Energy Limited. For the purposes of this report, “key management personnel” is defined as persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

1.4 Remuneration Policy

Key management personnel remuneration is based on commercial rates and the existing level of activities in the Group at this point of time. Should the extent of those activities change, the remuneration of key management personnel would be amended to reflect that change.

1.5 Principles of compensation

Remuneration is referred to as compensation throughout this report.

Under overall authority of the Board, key management personnel and other executives have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. Key management personnel include the most highly remunerated executives for the Company and the consolidated entity.

Compensation levels for key management personnel of the Company and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced key management personnel. The Company obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated entity given trends in comparative companies both locally and internationally and the objectives of the Company’s compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel;
- The key management personnel’s ability to control the relevant assets’ performance;
- The amount of incentives within each key management person’s compensation.

Compensation packages may include a mix of fixed and variable compensation and short and long-term performance-based incentives.

In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel.

1.5.1 Fixed compensation

Fixed compensation consists of base compensation, which is calculated on a total cost basis and includes any FBT charges related to employee benefits.

1.5.2 Performance-linked compensation

The Company currently has no performance based remuneration built into key management personnel remuneration packages.

1.5.3 Long-term incentive

Incentive options have been issued in the past to key management personnel and other employees of the Company. The ability to exercise the options is conditional upon the key management personnel and other employees achieving certain vesting conditions. These vesting conditions are set for each key management personnel and employee and are based primarily on the length of time spent providing their services to the Company.

1.5.4 Service contracts

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the terms, including compensation, relevant to the office of the director.

Remuneration and other terms of employment for the executive directors and other non-director key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of bonuses, other benefits including health and superannuation, and participation in the issuance of options. Other major provisions of the agreement relating to remuneration are set out below (expressed in AUD unless otherwise stated).

| Directors and Key Personnel | Term of agreement | Base fee or salary including superannuation | Termination benefit |
|--|--|---|---------------------|
| Directors | | | |
| Craig Burton | Commencing 1 December 2014 and terminating on 9 October 2015 | \$120,000 | Nil |
| Stephen Keenihan Managing Director | On-going commencing 23 March 2011 | \$2,300 per day | Nil |
| Ian Cockerill Executive Director | Commencing 20 August 2013 and terminating 31 October 2015 | \$400,000 | Nil |
| Charles Morgan Non-Executive Chairman | On-going commencing 9 October 2015 | \$75,000 | Nil |
| Brett Lawrence | Commencing 9 October 2015 and terminating 20 April 2016 | \$36,000 | Nil |
| Non-Executive Director | | | |
| David Messina Executive Director | On-going commencing 20 April 2016 | \$1,200 per day | Nil |
| Key Management Personnel | | | |
| Jo-Ann Long Chief Financial Officer | Commencing 23 March 2011 to 31 January 2015 | \$218,000 | Nil |
| Company Secretary | On-going commencing 1 February 2015 | \$300,000 | |

Non-Executive Directors

Total compensation for all non-executive Directors is to be approved by the Company in general meeting as detailed in the Company's Constitution.

2. Directors and executive officers' remuneration (Consolidated entity)

The following table sets out remuneration paid to Directors and key executive personnel of the Company and the consolidated entity during the reporting period:

| <i>Remuneration 2016</i> | Salary and Fees | Cash Bonus | Superannuation | Share based payments | Total | Value of options as a proportion of remuneration |
|--------------------------------|------------------|--------------|----------------|----------------------|------------------|--|
| | AUD | AUD | AUD | AUD | AUD | |
| Executive directors | | | | | | |
| Craig Burton* | 60,000 | - | - | - | 60,000 | 0% |
| Stephen Keenihan | 394,226 | - | - | - | 394,226 | 0% |
| Ian Cockerill* | 188,387 | - | 16,749 | - | 205,136 | 0% |
| David Messina** | 97,800 | - | - | - | 97,800 | |
| Non-Executive Directors | | | | | | |
| Charles Morgan*** | 54,605 | - | - | - | 54,605 | 0% |
| Brett Lawrence**** | 18,000 | - | - | - | 18,000 | 0% |
| Executive officers | | | | | | |
| Jo-Ann Long | 297,473 | 7,500 | 26,363 | - | 331,336 | 0% |
| Total | 1,110,491 | 7,500 | 43,112 | - | 1,161,103 | |

*Resigned 9 October 2015

**Appointed 20 April 2016

***Appointed 9 October 2015

****Appointed 9 October 2015; Resigned 20 April 2016

The cash bonus paid to Mrs Jo-Ann Long was granted on the 21 December 2015. The bonus was paid at the Boards discretion.

| <i>Remuneration 2015</i> | Salary and Fees | Cash Bonus | Superannuation | Share based payments | Total | Value of options as a proportion of remuneration |
|----------------------------|------------------|---------------|----------------|----------------------|------------------|--|
| | AUD | AUD | AUD | AUD | AUD | |
| Executive directors | | | | | | |
| Craig Burton | 166,063 | - | - | - | 166,063 | 0% |
| Stephen Keenihan | 348,610 | - | - | - | 348,610 | 0% |
| Ian Cockerill | 376,533 | 45,000 | 28,839 | 278,520 | 728,892 | 38% |
| Executive officers | | | | | | |
| Terry Meek | 21,065 | - | - | - | 21,065 | 0% |
| Jo-Ann Long | 227,277 | - | 33,583 | 46,420 | 307,280 | 15% |
| Total | 1,139,548 | 45,000 | 62,422 | 324,940 | 1,571,910 | |

The cash bonus paid to Mr Ian Cockerill was granted on the 18 December 2014. The bonus was paid on successful negotiation and completion of the asset sales to Leucrotta Exploration Inc.

3. Equity instruments

3.1 Options granted as compensation

There were no options granted as compensation during the year.

3.2 Options and rights over equity instruments granted as compensation

1,675,000 advisor options were granted as consideration for services.

3.3 Option Holdings of Key Management Personnel (Consolidated Entity)

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

| | Balance at beginning of year 1-Jul-15 | Granted as Remuneration | Net Other Changes | Balance at end of year 30-Jun-16 | Total | Not Exercisable |
|---------------------------------|---|----------------------------|----------------------|--|-------|--------------------|
| 30-Jun-16 | | | | | | |
| Directors | | | | | | |
| Ian Cockerill | 24,000,000 | - | (24,000,000) | - | - | - |
| Key Management Personnel | | | | | | |
| Jo-Ann Long | 4,000,000 | - | (4,000,000) | - | - | - |
| | 28,000,000 | - | (28,000,000) | - | - | - |

As at financial year ended 30 June 2016, there were no options issued to directors and key management personnel.

3.4 Other transactions of Key Management Personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Shares held in Transerv Energy Ltd

| | Balance at beginning of year 1-Jul-15 | Granted as Remuneration | On Exercise of Options | Net Other Changes | Balance at end of year 30-Jun-16 |
|---------------------------------|---|----------------------------|---------------------------|----------------------|--|
| 30-Jun-16 | | | | | |
| Directors | | | | | |
| Craig Burton | 100,711,112 | - | - | (100,711,112) | - |
| Stephen Keenihan | 72,947,334 | - | - | - | 72,947,334 |
| Ian Cockerill | - | - | 24,000,000 | (24,000,000) | - |
| Brett Lawrence | - | - | - | - | - |
| Charles Morgan | 72,100,294 | - | - | (10,000,000) | 62,100,294 |
| David Messina | 362,000 | - | - | - | 362,000 |
| Key Management Personnel | | | | | |
| Jo-Ann Long | 2,050,880 | - | 4,000,000 | - | 6,050,880 |
| | 248,171,620 | - | 28,000,000 | (134,711,112) | 141,460,508 |

No other key management personnel held shares during the financial year ended 30 June 2016.

The aggregate amounts recognised during the year relating to directors and their related parties were as follows:

| | Transactions value year end | | Balance outstanding as at | |
|-------------------------------|-----------------------------|-----------|---------------------------|-----------|
| | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 |
| TB & S Consulting Pty Ltd (i) | 394,226 | 383,471 | 104,268 | - |
| Saval Consulting Pty Ltd (ii) | 30,000 | 182,669 | - | (51,900) |
| Verona Capital Pty Ltd (ii) | 30,000 | - | - | - |
| Leopard Energy Pty Ltd (iii) | 18,000 | - | - | - |
| Mtani Pty Ltd (iv) | 97,800 | - | 25,200 | - |
| | 570,026 | 566,140 | 129,468 | (51,900) |

- i. TB and S Consulting Pty Ltd is a company associated with Mr Stephen Keenihan. The charges from TB and S Consulting were for consultancy fees and reimbursement for travel costs incurred in the ordinary course of business.
- ii. Saval Consulting Pty Ltd and Verona Capital Pty Ltd are companies associated with Mr Craig Burton. The charges from Saval Consulting Pty Ltd are for director's fees and the charges from Verona Capital Pty Ltd are for consulting fees.
- iii. Leopard Energy Pty Ltd is a company associated with Mr Brett Lawrence. The charges from Leopard Energy Pty Ltd are for directors fees.
- iv. Mtani Pty Ltd is a company associated with Mr David Messina. The charges from Mtani Pty Ltd are for director's fees and consulting fees.

The terms and conditions of the transactions were no more favourable than those available, or which might be reasonably available, on similar transactions to non-director related entities on an arms-length basis.

4. Company performance, shareholder wealth and Director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between the shareholders, key management personnel, and other employees. However, the Company continues to investigate alternative means for achieving this goal to the benefit of all stakeholders. There is no direct relationship between the remuneration policy and company performance.

5. Voting and comments made at the Company's 2015 Annual General Meeting

Transerv Energy Ltd received more than 55% of "yes" votes on its remuneration report for the 2015 financial year. The company did not receive any specific feedback at the AGM on its remuneration report.

6. Use of remuneration consultants

During the financial year ended 30 June 2016, the Company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') program and long-term incentives ('LTI') program.

End of Audited Remuneration Report

7. Principal Activities

The principal activity of the consolidated entity during the course of the financial period was the evaluation of oil and gas exploration projects in Western Australia.

8. Results and Dividends

The consolidated entity's profit after tax attributable to members of the Company for the financial year ending 30 June 2016 was \$3,332,981 (30 June 2015: \$7,484,902 loss). No dividends have been paid or declared by the Company during the period ended 30 June 2016.

9. Financial Position

The net assets of the consolidated entity at 30 June 2016 were \$50,960,471 (30 June 2015: \$61,103,578) of which \$3,321,814 (30 June 2015: \$2,255,635) represents cash and cash equivalents.

The Directors believe that the consolidated entity is in a stable financial position with sufficient cash to fund its current operations and commitments expected to occur in the next financial year.

10. Earnings/ (Loss) Per Share

The basic earnings/(loss) per share for continuing operations of the consolidated entity for the financial year ending 30 June 2016 was 0.3095 cents per share (30 June 2015: 0.4080 cents loss per share).

11. Events subsequent to reporting date

During July 2016 Transerv Energy Ltd formed a strategic alliance with Norwest Energy Ltd (NWE) to facilitate the farmout and drilling of the 160 million barrel Xanadu Prospect in TP/15. The alliance also involves the other onshore permits in which NWE has an interest in the Perth Basin – which include EP368, EP426, EP413, L14 and EP492. Both companies plan to accelerate the exploration of these areas through farmout drilling.

Under a term sheet signed on 7 July 2016, Transerv will contribute 20% of the costs to earn a 15% interest in TP/15. The intent is for the farmout to be completed by 31 December 2016 or such later date as agreed. If the farmout process has not delivered farmout agreements that fund 100% of the drilling costs of Xanadu-1 by the agreed time, Transerv shall have no further obligations under the term sheets with respect to TP/15 and will not earn an interest in the Permit.

As part of this Alliance, TSV acquired via a share placement 100m shares for \$200,000 in NWE and have the right to participate in farmout wells and earn a material interest in all the Perth Basin areas in which NWE is a participant on the successful completion of appropriate farmout arrangements.

Other than the above, no material matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity.

12. Likely Developments and Expected Results

The consolidated entity will continue to pursue activities within its corporate objectives. Further information about likely developments in the operations of the Company and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Company.

13. Environmental regulations

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However the Board believes there are adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply.

14. Directors and executives interests

As at the date of this report, the interests of the Directors and Executives at any time during the financial year in the shares and options of Transerv Energy Limited ("the Company") were:

Directors' and Executives' Interests

| | Shares | Options |
|---------------------------------|------------|---------|
| Directors | | |
| Charles Morgan* | 62,100,294 | - |
| Stephen Keenihan** | 72,947,334 | - |
| David Messina | 362,000 | - |
| Craig Burton | - | - |
| Ian Cockerill | - | - |
| Brett Lawrence | - | - |
| Key Management Personnel | | |
| Jo-Ann Long*** | 6,050,878 | - |

* Held in the name of Seaspin Pty Ltd <The Aphrodite A/C>.

** Held in the name of Stephen Leslie Keenihan & Sheridan Jay Keenihan <SL & SJ Keenihan S/Fund A/C>.

*** Held in the name of Long JPJ Pty Ltd <Long Super Fund A/C>.

15. Share options

15.1 Options granted to officers of the Company

No options have been granted to officers of the Company during the financial year.

No options have been granted since the end of the financial year to the date of this Directors' report.

Unissued shares under options

As at the date of the report, there were 1,675,000 unlisted options on issue detailed as follows:

| Grant Date | Exercisable | Expiry date | Exercise price | Number of options |
|------------|-------------|-------------|----------------|-------------------|
| 17-Nov-15 | 17-Nov-15 | 10-Jul-18 | \$0.060 | 1,675,000 |
| | | | | <u>1,675,000</u> |

All options expire on the earlier of their expiry date or termination of employment. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

15.2 Shares issued on exercise of options

During the financial year the Company issued 28,000,000 ordinary shares as a result of the exercise of options.

16. Indemnification and Insurance of Officers and Auditors

16.1 Indemnification

An indemnity agreement has been entered into with each of the Directors and Company Secretary of the Company named earlier in this report. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

16.2 Insurance premiums

During the financial year the Company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses' insurance contracts, for current Directors and officers. The insurance premiums relate to costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome and other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the following Directors and officers: Stephen Keenihan, Craig Burton, Jo-Ann Long, Ian Cockerill, Brett Lawrence, Charles Morgan and David Messina.

There were no legal proceedings entered into on behalf of the Company or the consolidated entity by any of the Directors or executive officers of the Company.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

17. Corporate Structure

Transerv Energy Limited is a Company limited by shares that is incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange under code TSV.

18. Non-audit services

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

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

All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Directors to ensure they do not impact upon the impartiality and objectivity of the auditor; and

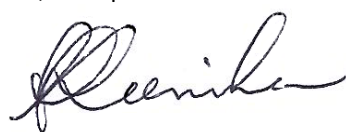
The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

19. Auditor's independence declaration

The auditor's Independence Declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.

Perth, 27 September 2016



Stephen Keenihan
Managing Director



Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7767
E info.wa@eu.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To the Directors of Transerv Energy Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Transerv Energy Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in dark ink, appearing to read "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in dark ink, appearing to read "C A Becker".

C A Becker
Partner - Audit & Assurance

Perth, 27 September 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

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Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.us@au.gt.com
W www.grantthornton.com.au

**Independent Auditor's Report
To the Members of Transerv Energy Limited**

Report on the financial report

We have audited the accompanying financial report of Transerv Energy Limited (the 'Company'), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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.

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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 Transerv Energy Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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.

Report on the remuneration report

We have audited the remuneration report included in pages 9 to 13 of the directors' report for the year ended 30 June 2016. 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 Transerv Energy Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink that reads 'Grant Thornton'.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to be 'C A Becker'.

C A Becker
Partner - Audit & Assurance

Perth, 27 September 2016

| | | Consolidated | |
|---|--------------|---------------------|--------------------|
| | | 30-Jun-16 | 30-Jun-15 |
| | Notes | AUD | AUD |
| Revenue | 6 | 34,790 | 501,270 |
| Cost of sales | 7 | (33,533) | (384,309) |
| Gross profit | | 1,257 | 116,961 |
| Other income/(loss) | 8 | 485,524 | 97,904 |
| Loss on disposal of available for sale financial assets | 9 | (546,389) | (3,912,940) |
| Profit/(loss) on disposal of assets | 10 | (20,019) | (1,246,210) |
| Expenses | | | |
| Administrative expenses | 11 | (1,597,501) | (2,485,990) |
| Finance costs | 12 | (79,565) | (9,306) |
| Impairment expense | 21 | (3,938,165) | - |
| Other expenses | 13 | (838,121) | (81,327) |
| Loss before income tax expense from continuing operations | | (6,532,979) | (7,520,908) |
| Income tax benefit/(expense) | 14 | 1,135,659 | 274,841 |
| Loss after income tax expense for the period | | (5,397,320) | (7,246,067) |
| Discontinued operations | | | |
| Profit/(loss) for the year from discontinued operations | 15 | 8,730,301 | (238,835) |
| Profit/(loss) for the year | | 3,332,981 | (7,484,902) |
| Loss attributable to: | | | |
| Members of the parent entity | | 2,551,079 | (8,666,725) |
| Non-controlling interests | 29 | 781,902 | 1,181,823 |
| | | 3,332,981 | (7,484,902) |
| Other comprehensive income, net of tax | | | |
| Items reclassified through profit and loss: | | | |
| Foreign currency translation | | 293,619 | 373,092 |
| Total other comprehensive income for the period | | 293,619 | 373,092 |
| Total comprehensive income/(loss) for the period | | 3,626,600 | (7,111,810) |
| Total comprehensive income/(loss) for the year attributable to: | | | |
| Members of the parent entity | | 2,844,698 | (8,293,633) |
| Non-controlling interest | | 781,902 | 1,181,823 |
| | | 3,626,600 | (7,111,810) |
| Total comprehensive income/(loss) attributable to owners of the parent: | | | |
| Continuing operations | | (5,103,701) | (6,872,975) |
| Discontinued operations | | 8,730,301 | (238,835) |
| | | 3,626,600 | (7,111,810) |
| Earnings/(loss) per share | | | |
| Basic/diluted (cents per share) | | | |
| Continuing operations | 16 | 0.3095 | (0.4080) |
| Discontinued operations | 16 | 0.0948 | 0.0556 |

The accompanying notes form part of these financial statements.

| | Note | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---|------|-------------------|-------------------|
| Assets | | | |
| <i>Current Assets</i> | | | |
| Cash and cash equivalents | 17 | 3,321,814 | 2,255,635 |
| Trade and other receivables | 18 | 143,562 | 855,810 |
| Other current assets | 19 | 88,329 | 132,797 |
| Total current assets | | 3,553,705 | 3,244,242 |
| <i>Non-current Assets</i> | | | |
| Property, plant and equipment | 20 | 100,004 | 150,791 |
| Exploration and evaluation assets | 21 | 48,012,854 | 57,269,040 |
| Other financial assets | 22 | - | 3,312,135 |
| Total non-current assets | | 48,112,858 | 60,731,966 |
| Total assets | | 51,666,563 | 63,976,208 |
| Liabilities | | | |
| <i>Current Liabilities</i> | | | |
| Trade and other payables | 23 | 554,036 | 1,048,817 |
| Provisions | 24 | 112,112 | 81,224 |
| Total current liabilities | | 666,148 | 1,130,041 |
| <i>Non-current liabilities</i> | | | |
| Financial liabilities | 25 | - | 1,344,490 |
| Deferred tax liability | 26 | - | 220,806 |
| Provisions | 24 | 39,944 | 177,293 |
| Total non-current liabilities | | 39,944 | 1,742,589 |
| Total liabilities | | 706,092 | 2,872,630 |
| Net assets | | 50,960,471 | 61,103,578 |
| Equity | | | |
| Issued capital | 27 | 52,646,771 | 66,952,804 |
| Reserves | 28 | 1,448,984 | 1,412,938 |
| Non-controlling interest | 29 | 3,957,445 | 2,706,584 |
| Accumulated losses | | (7,092,729) | (9,968,748) |
| Total equity attributable to equity holders of the Consolidated Entity | | 50,960,471 | 61,103,578 |

The accompanying notes form part of these financial statements.

For the year ended 30 June 2016

| | Note | Share Capital | Reserves | Accumulated Losses | Non-controlling interest | Total Equity |
|--|------|---------------|-----------|--------------------|--------------------------|--------------|
| | | AUD | AUD | AUD | AUD | AUD |
| Balance at 1 July 2015 | | 66,952,804 | 1,412,938 | (9,968,748) | 2,706,585 | 61,103,579 |
| Total comprehensive income for the period | | | | | | |
| Profit attributable to members of the parent entity | | - | - | 2,551,079 | - | 2,551,079 |
| Profit attributable to non-controlling interests | | - | - | - | 781,902 | 781,902 |
| Foreign currency translation differences | | - | 293,619 | - | - | 293,619 |
| Total other comprehensive income | | - | 293,619 | - | - | 293,619 |
| Total comprehensive income for period | | - | 293,619 | 2,551,079 | 781,902 | 3,626,600 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Contributions by and distributions to owners | | | | | | |
| Accrued interest on shareholder loans | | - | - | - | 468,958 | 468,958 |
| Demerger of Woma Energy Ltd share capital | 15 | (14,522,033) | - | - | - | (14,522,033) |
| Options exercised | | 196,000 | - | - | - | 196,000 |
| Shares Issued | | 20,000 | - | - | - | 20,000 |
| Share options vested | | - | 67,367 | - | - | 67,367 |
| Share options expired | | - | (324,940) | 324,940 | - | - |
| Total contributions by and distributions to owners | | (14,306,033) | (257,573) | 324,940 | 468,958 | (13,769,708) |
| Balance at 30 June 2016 | | 52,646,771 | 1,448,984 | (7,092,729) | 3,957,445 | 50,960,471 |

For the year ended 30 June 2015

| | Share Capital | Reserves | Accumulated Losses | Non-controlling interest | Total Equity |
|--|---------------|-------------|--------------------|--------------------------|--------------|
| | AUD | AUD | AUD | AUD | AUD |
| Balance at 1 July 2014 | 66,952,804 | 9,110,795 | (9,574,397) | 1,597,155 | 68,086,357 |
| Total comprehensive income for the period | | | | | - |
| Loss attributable to members of the parent entity | - | - | (8,666,724) | - | (8,666,724) |
| Gain attributable to non-controlling interests | - | - | - | 1,181,823 | 1,181,823 |
| Recognition of change in loss attributable to change in non-controlling interest (note 33) | - | - | (123,517) | 123,517 | - |
| Other comprehensive income | | | | | |
| Foreign currency translation differences | - | 373,092 | - | - | 373,092 |
| Total other comprehensive income | - | 373,092 | - | - | 373,092 |
| Total comprehensive income for period | - | 373,092 | (8,790,241) | 1,305,340 | (7,111,809) |
| Transactions with owners, recorded directly in equity | | | | | |
| Contributions by and distributions to owners | | | | | |
| Recognition of non-controlling interest of Carnaby Energy Ltd | - | - | - | (195,910) | (195,910) |
| Transactions with non-controlling interests | | | | | |
| Share options expired | | (8,395,889) | 8,395,890 | - | - |
| Share options vested | - | 324,940 | - | - | 324,940 |
| Total contributions by and distributions to owners | - | (8,070,949) | 8,395,890 | (195,910) | 129,030 |
| Balance at 30 June 2015 | 66,952,804 | 1,412,938 | (9,968,748) | 2,706,585 | 61,103,578 |

The accompanying notes form part of these financial statements.

| | Note | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---|------|------------------|--------------------|
| <i>Cash flows from operating activities</i> | | | |
| Receipts from customers | | 652,339 | 782,280 |
| Interest received | | 3,670 | 9,449 |
| Receipt for Research and Development Rebate | | 1,135,659 | 284,800 |
| Payment to suppliers and employees | | (2,350,889) | (2,294,370) |
| Net cash used in operating activities | 30 | (559,221) | (1,217,841) |
| <i>Cash flows from investing activities</i> | | | |
| Proceeds from sale of securities | | 2,042,693 | - |
| Payment for exploration and evaluation expenditure | | - | (543,261) |
| Payment for property, plant & equipment | | - | (100,004) |
| Proceeds from sale of Galleon assets | | - | 6,781,494 |
| Proceeds from sale of Genesee lands | | - | 864,588 |
| Payment for exploration assets | | (613,293) | (4,732,216) |
| Payment for tax on investment income | | - | 11,317 |
| Net cash used in investing activities | | 1,429,400 | 2,281,918 |
| <i>Cash flows from financing activities</i> | | | |
| Proceeds from borrowings | | - | 840,612 |
| Repayment of borrowings | | - | (3,219,293) |
| Proceeds from exercise of options | | 196,000 | - |
| Net cash from financing activities | | 196,000 | (2,378,681) |
| Net increase/ (decrease) in cash and cash equivalents | | 1,066,179 | (1,314,604) |
| Cash and cash equivalents at beginning of year | | 2,255,635 | 3,570,239 |
| Effect of exchange rate fluctuations on cash held | | - | - |
| Cash and cash equivalents at 30 June 2016 | | 3,321,814 | 2,255,635 |

The accompanying notes form part of these financial statements.

1. Reporting entity

Transerv Energy Limited (the 'Company') is a for-profit Company domiciled and incorporated in Australia. The address of the Company's registered office is Level 2, 6 Thelma Street, West Perth WA 6005. The consolidated financial report of the consolidated entity for the period ended 30 June 2016 comprises the Company and its subsidiaries. The consolidated entity is involved in oil and gas exploration and production in Western Australia.

The financial report was authorised for issue by the directors on 27 September 2016.

2. Basis of preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. 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 the International Financial Reporting Standards (IFRS).

(b) Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Consolidated Entity earned a profit after tax of \$3,332,981 for the year ended 30 June 2016 (2015: loss of \$7,484,902). Included within this loss was the exploration and development expenditure write off or impairment of \$3,938,165. The net working capital surplus of the Consolidated Entity at 30 June 2016 was \$2,887,557 (2015: surplus of \$2,114,201) and the net increase in cash held during the year was \$1,066,179 (2015: decrease of \$1,314,604).

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- The Company has \$3.3m in cash reserves: and
- The Directors also have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

In the event that the consolidated entity is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in its financial report.

(c) Basis of measurement

The financial report is prepared on an accruals basis and is based on the historical costs except that the following assets and liabilities are stated at their fair value: financial instruments held for trading and financial instruments classified as available-for-sale.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company. The functional currency of the Company's United States of American subsidiary is USD and CAD for the Canadian subsidiary.

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

(e) Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated group.

The Company's accounting policy for the recognition of rehabilitation provisions requires significant estimates including the magnitude of possible works for removal or treatment of waste materials and the extent of work required and the associated costs of rehabilitation work. These uncertainties may result in future actual expenditure, different from the amounts currently provided.

The provision recognised for each production well is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimate future costs for operating sites are recognised in the balance sheet by adjusting the rehabilitation asset and provision.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 21 – Impairment expense (see note 3(i))

Note 24 – Provisions (see note 3(m))

Note 32 – Share-based payment (see note 3(l))

(f) New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2015. Information on these new standards is presented below.

* AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (applicable for annual reporting periods commencing on or after 1 July 2015).

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

Adoption of this standard has had no impact on the entity.

* AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments) (applicable for annual reporting periods commencing on or after 1 January 2015).

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: Disclosure and AASB 101 Presentation of Financial Statements.

Adoption of this standard has had no impact on the entity.

3. Summary of accounting policies

(a) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(b) Business Combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the statement of comprehensive income upon disposal.

(d) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences and the costs of acquiring the rights to explore, are capitalised as exploration and evaluation assets on an area of interest basis.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of petroleum resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mineral property and development assets.

Depreciation is recognized on a straight-line basis to write down the cost of the Exploration and Evaluation expenditure. The following useful lives are applied:

- Permit Amortisation: 30 years

(e) Restoration, rehabilitation and environmental costs

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

Restoration, rehabilitation and environmental obligations recognised include the costs of reclamation and subsequent monitoring of the environment.

Costs are estimated on the basis of current assessed costs, current legal requirements and current technology, which are discounted to their present value. Estimates are reassessed at least annually. Changes in estimates are dealt with prospectively, with any amounts that would have been written off or provided against under accounting policy for exploration and evaluation immediately written off.

(f) Development Expenditure

Development expenditure represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of hydrocarbon resource has commenced.

When further development expenditure is incurred in respect of an asset after commencement of production, such expenditure is carried forward as part of the asset only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each hydrocarbon resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Development and land expenditure still to be incurred in relation to the current reserves are included in the amortisation calculation. Where the life of the assets are shorter than the reserves life their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of the development and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted.

(g) Other receivables

Other receivables are recorded at amounts due less any allowance for doubtful debts.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

(i) Impairment of non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Share capital

(i) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for the 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 financing 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.

(k) Property, plant and equipment

Buildings, IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Buildings and IT equipment also include leasehold property held under a finance lease (see note 37). Buildings, IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of buildings, IT equipment and other equipment. The following useful lives are applied:

- Buildings: 40 years
- IT equipment: 4 years
- Other equipment: 4-5 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit and loss.

(l) Employee Benefits

Long Term Employee Benefits

The Company's liabilities for long service leave are included in both short term employee benefits and other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related services. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Short Term Employee Benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Share-based payment transactions

The share option program allows the consolidated entity's employees and consultants to acquire shares of the Company. The fair value of options granted is recognised as an employee benefit or consultant expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Binomial and Black Scholes option-pricing models, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(m) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present, legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(n) Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

- Net financial income

Net financial income comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and dividend income.

Interest income is recognised in the profit and loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

- Sales revenue

Sales revenue comprises revenue earned from the sale of gas to external entities. Sales revenue is recognised upon delivery of products to customers.

(p) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Included in the income tax benefit are research and development grants provided during the year.

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 tax 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 the end of the reporting period. 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.

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 and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred 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.

Amounts receivable from the Australian Tax Office in respect of research and development tax concession claims are recognised as a tax benefit at the time the claim is lodged and received with the Australian Tax Office.

(q) Segment reporting

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. Based on the information used for internal reporting purposes by the chief operating decision maker, being the executive management that makes strategic decisions, at 30 June 2016 the group's assets are in two reportable geographical segments being Australia and Canada.

(r) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(s) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Loans and 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. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Financial Liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost.

Impairment

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in

profit or loss - is removed from equity and recognised in the profit and loss. Impairment losses recognised in the profit and loss on equity instruments classified as available-for-sale are not reversed through the profit and loss.

If there is evidence of impairment for any of the consolidated entity's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the profit and loss.

Fair value

Fair value is determined based on 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.

De-recognition

Financial assets are de-recognised 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 de-recognised where the related obligations are either discharged, cancelled or expired. 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 profit or loss.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for net finance income is discussed in note 3(o).

(t) Adoption of new and revised accounting standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2016, but have not been applied in preparing this financial report.

* AASB 9 Financial Instruments (2014) (applicable for annual reporting periods commencing on or after 1 January 2018).

This standard introduces new requirements for the classification and measurement of financial assets and liabilities.

The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only.

Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

- * AASB 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).
 - Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations
 - Establishes a new revenue recognition model
 - Changes the basis for deciding whether revenue is to be recognised over time or at a point in time
 - Provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
 - Expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

- * AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable for annual reporting periods commencing on or after 1 January 2016).

The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should:

- Apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. The existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 January 2016).

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:

- 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
- 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 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2016).

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable for annual reporting periods commencing on or after 1 January 2016).

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011).

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable for annual reporting periods commencing on or after 1 January 2016).

These amendments arise from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle in September 2014 by the IASB.

Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016).

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 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception (applicable for annual reporting periods commencing on or after 1 January 2016).

The narrow-scope amendments to AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities and AASB 128 Investments in Associates and Joint Ventures introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 1057 Application of Australian Accounting Standards (applicable for annual reporting periods beginning on or after 1 January 2016).

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 *Application of Australian Accounting Standards*.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

The new pronouncement replaces AASB 117 Leases and some lease-related Interpretations. It requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. The standard provides new guidance on the application of the definition of lease and on sale and lease back accounting whilst largely retaining the existing lessor accounting requirement from AASB 117. It also requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

- * AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB incorporates the consequential amendments arising from the issuance of AASB 15.

The entity is yet to undertake a detailed assessment of the impact of AASB 2014-5. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

- * AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014). (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

The entity is yet to undertake a detailed assessment of the impact of AASB 2014-7. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

- * AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2017).

AASB 2015-8 amends the mandatory application date of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

- * AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs (applicable for annual reporting periods commencing on or after 1 January 2016).

AASB 2015-9 inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings per Share in place of application paragraph text in AASB 1057.

In July and August 2015, the AASB reissued AASB 8, AASB 133 and most of the Australian Accounting Standards that incorporate IFRSs to make editorial changes. The application paragraphs in the previous versions of AASB 8 and AASB 133 covered scope paragraphs that appear separately in the corresponding IFRS 8 and IAS 33. In moving those application paragraphs to AASB 1057 when AASB 8 and AASB 133 were reissued in August, the AASB inadvertently deleted the scope details from AASB 8 and AASB 133. This amending Standard puts the scope details into those Standards, and removes the related text from AASB 1057. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

When this Standard is first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.

- * AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 (applicable for annual reporting periods commencing on or after 1 January 2016).

This Standard defers the mandatory application date of amendments to AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures that were originally made in AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.

The amendments have been deferred as the IASB is planning to address them as part of its longer term Equity Accounting project. However, early application of the amendments is still permitted.

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

- * AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual reporting periods commencing on or after 1 January 2017).

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

* AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

4. Estimates

In preparing this consolidated financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2016.

5. Segment reporting

During the period the group operated in two business segments (two geographical areas) – exploration, development and production of oil and gas – Australia and Canada.

The group has identified its operating segment based on the internal report that is reviewed and used by the Board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

2016

| | Australia 30-Jun-16 | Canada 30-Jun-16 | Discontinued 30-Jun-16 | Total Segment 30-Jun-16 | USA 30-Jun-16 | Consolidated 30-Jun-16 |
|---|------------------------|---------------------|---------------------------|----------------------------|------------------|---------------------------|
| Revenue | | | | | | |
| Sales to external customers | - | 34,790 | - | 34,790 | - | 34,790 |
| Total Sales Revenue | - | 34,790 | - | 34,790 | - | 34,790 |
| Financial income | 3,641 | 2 | 27 | 3,670 | - | 3,670 |
| Other income | 481,881 | - | - | 481,881 | - | 481,881 |
| Total Revenue | 485,522 | 34,792 | 27 | 520,341 | - | 520,341 |
| Segment result | - | 1,663,119 | - | 375,588 | 8,732,321 | 6,693,614 |
| Loss on disposal of available for sale financial assets | - | - | - | 546,389 | - | 546,389 |
| Depreciation and amortisation | - | 21,473 | - | 2,202 | 1,885 | 25,560 |
| Impairment of assets | - | 3,938,165 | - | - | 135 | 3,938,300 |
| Profit before income tax expense | - | 5,622,757 | - | 924,179 | 8,730,301 | 2,183,365 |
| Income tax | - | - | - | - | - | 13,957 |
| Profit after income tax expense | - | - | - | - | - | 2,197,322 |
| | | | | | | 1,135,659 |
| | | | | | | 3,332,981 |
| Assets | | | | | | |
| Total current assets | 3,382,863 | 170,842 | - | 3,553,705 | - | 3,553,705 |
| Total non-current assets | 48,112,858 | - | - | 48,112,858 | - | 48,112,858 |
| Total assets | 51,495,721 | 170,842 | - | 51,666,563 | - | 51,666,563 |
| Liabilities | | | | | | |
| Total current liabilities | - | 663,887 | - | 2,261 | - | 666,148 |
| Total non-current liabilities | - | 39,944 | - | - | - | 39,944 |
| Total liabilities | - | 703,831 | - | 2,261 | - | 706,092 |

2015

| | Australia 30-Jun-15 | Canada 30-Jun-15 | Discontinued 30-Jun-15 | Total Segment 30-Jun-15 | USA 30-Jun-15 | Consolidated 30-Jun-15 |
|---|------------------------|---------------------|---------------------------|----------------------------|------------------|---------------------------|
| Revenue | | | | | | |
| Sales to external customers | - | 501,270 | - | 501,270 | - | 501,270 |
| Total Sales Revenue | - | 501,270 | - | 501,270 | - | 501,270 |
| Financial income | 523 | 8,598 | 328 | 9,449 | - | 9,449 |
| Other income | 48,773 | 6,704 | 33,306 | 88,783 | - | 88,783 |
| Total Revenue | 49,296 | 516,572 | 33,634 | 599,502 | - | 599,502 |
| Segment result | | | | | | |
| Loss on disposal of available for sale financial assets | (1,495,341) | (813,337) | (238,494) | (2,547,172) | (3,112) | (2,550,284) |
| Loss on disposal of assets | - | (3,912,940) | - | (3,912,940) | - | (3,912,940) |
| Depreciation and amortisation | - | (1,246,210) | 33,306 | (1,212,904) | - | (1,212,904) |
| Impairment of assets | (26,033) | (23,935) | (11,769) | (61,737) | - | (61,737) |
| Profit before income tax expense | - | - | (21,878) | (21,878) | - | (21,878) |
| Income tax | (1,521,374) | (5,996,422) | (238,835) | (7,756,631) | (3,112) | (7,759,743) |
| Profit after income tax expense | | | | | | 274,841 |
| | | | | | | (7,484,902) |
| Assets | | | | | | |
| Total current assets | 1,573,526 | 243,825 | 1,426,891 | 3,244,242 | - | 3,244,242 |
| Total non-current assets | 51,998,181 | 2,695,804 | 6,037,981 | 60,731,966 | - | 60,731,966 |
| Total assets | 53,571,707 | 2,939,629 | 7,464,872 | 63,976,208 | - | 63,976,208 |
| Liabilities | | | | | | |
| Total current liabilities | (431,757) | (624,611) | (73,673) | (1,130,041) | - | (1,130,041) |
| Total non-current liabilities | - | (1,393,735) | (348,854) | (1,742,589) | - | (1,742,589) |
| Total liabilities | (431,757) | (2,018,346) | (422,527) | (2,872,630) | - | (2,872,630) |

6. Revenue from continuing operations

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|----------------------|------------------|------------------|
| Sales revenue | | |
| Product sales | 34,790 | 501,270 |
| | <u>34,790</u> | <u>501,270</u> |

7. Cost of goods and services sold

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|------------------------|------------------|------------------|
| Production expenditure | (35,471) | (334,006) |
| Royalties | 1,938 | (50,303) |
| | <u>(33,533)</u> | <u>(384,309)</u> |

8. Other income

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--------------------|------------------|------------------|
| Interest income | 3,643 | 9,121 |
| Insurance proceeds | - | 412 |
| Indirect overhead | 481,881 | 88,371 |
| | <u>485,524</u> | <u>97,904</u> |

9. Loss on disposal of available-for-sale financial assets

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--|------------------|--------------------|
| Loss on disposal of financial assets - Leucrotta Exploration Inc | (546,389) | (3,912,940) |
| | <u>(546,389)</u> | <u>(3,912,940)</u> |

10. Profit/ (loss) on disposal of assets

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--|------------------|--------------------|
| Gain on sale of leased lands to Leucrotta | - | 44,072 |
| Loss on disposal of leased lands to Chinook Energy | (1,282) | - |
| Loss on write off of depreciable assets - Carnaby Energy Ltd | (18,737) | - |
| (Loss) on disposal of Galleon assets | - | (1,290,282) |
| | <u>(20,019)</u> | <u>(1,246,210)</u> |

11. Administration expenses

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---------------------------------------|--------------------|--------------------|
| Audit and review of financial reports | (96,446) | (101,359) |
| Directors' fees | (144,605) | (202,063) |
| Executive fees | (498,652) | (97,121) |
| Administration and finance support | (333,100) | (580,796) |
| Share based payments expense | (67,367) | (324,940) |
| Corporate costs | (43,474) | (29,838) |
| Insurance | (14,396) | (10,243) |
| Office costs | (86,839) | (332,621) |
| General and administration | (312,622) | (807,009) |
| | <u>(1,597,501)</u> | <u>(2,485,990)</u> |

12. Finance costs

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|------------------------------|------------------|------------------|
| Interest expense | (212) | (4,767) |
| Establishment fee - facility | (148,125) | - |
| Foreign currency loss | 68,772 | (4,539) |
| | <u>(79,565)</u> | <u>(9,306)</u> |

13. Other expenses

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|-------------------------------|------------------|------------------|
| Depreciation and amortisation | (23,675) | (49,968) |
| Project costs | (202,651) | - |
| Legal fees | (61,750) | (12,250) |
| Commissions expense | (5,038) | - |
| Bad debt expense | (67,048) | - |
| Tax advisory services | (119,065) | (22,400) |
| Accountancy services | (32,050) | (49,480) |
| Consultancy fees | (326,844) | 52,771 |
| | <u>(838,121)</u> | <u>(81,327)</u> |

14. Income tax expense

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---|--------------------|--------------------|
| Income tax expense/(benefit) | (1,135,659) | (284,800) |
| Income tax benefit - discontinued operations | 15 (572,549) | |
| Deferred tax - origination and reversal of temporary differences | - | 9,954 |
| Under/overprovision for tax - prior year | - | 5 |
| Aggregate income tax expense/(benefit) | <u>(1,708,208)</u> | <u>(274,841)</u> |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax liabilities | - | 9,954 |
| Increase in deferred tax assets | - | - |
| Deferred tax - origination and reversal of temporary differences | <u>-</u> | <u>9,954</u> |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax from continuing operations | <u>1,624,769</u> | <u>(7,759,743)</u> |
| Tax at the statutory rate of 30% | 487,431 | (2,327,923) |
| Adjustment for tax rate difference (Canada 25%) | <u>42,141</u> | <u>311,762</u> |
| | 529,572 | (2,016,161) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Share-based payments | 20,210 | 97,482 |
| Debt forgiveness | 842,167 | - |
| Gain on consolidation | (2,427,962) | - |
| Sundry items | <u>142,563</u> | <u>947</u> |
| | (893,450) | (1,917,732) |
| Deferred tax asset on losses not recognised - Australia | (619,816) | 371,758 |
| Deferred tax asset on losses not recognised - Canada | 62,397 | 266,732 |
| Deferred tax asset on temporary differences not recognised - Australia | 1,244,078 | (14,774) |
| Deferred tax asset on temporary differences not recognised - Canada | 206,791 | 1,330,499 |
| Deferred tax liability on temporary differences not previously recognised | - | - |
| Recoupment of losses not previously recognised | (572,549) | (26,529) |
| Research and development tax offset | (1,135,659) | (284,800) |
| Under/overprovision for tax - prior year | <u>-</u> | <u>5</u> |
| Income tax benefit | <u>(1,708,208)</u> | <u>(274,841)</u> |

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. It is in the opinion of management of the Company that there will be no taxable profits generated in the near future and the deferred tax asset is not to be recognised.

Closing balance of unrecognised Deferred Tax Assets on tax losses carried forward and temporary differences:

Australian Operations

| | | |
|--|------------------|--------------------|
| Deferred tax assets - temporary differences | 151,190 | 74,547 |
| Deferred tax assets - tax losses | 11,967,810 | 13,530,231 |
| Deferred tax liabilities - temporary differences | <u>(490,804)</u> | <u>(1,653,635)</u> |
| Net deferred tax asset | 11,628,196 | 11,951,143 |

Overseas Operations

| | | |
|--|----------|----------|
| Deferred tax assets - temporary differences | - | - |
| Deferred tax assets - tax losses | 39,152 | 515,567 |
| Deferred tax assets - capital losses | 19,012 | 31,317 |
| Deferred tax liabilities - temporary differences | <u>-</u> | <u>-</u> |
| Net deferred tax asset | 58,164 | 546,884 |

15. Discontinued operations

The demerger of Transerv's Canadian Assets was completed on 20 October 2015. To effect the demerger, Transerv incorporated a new Australian subsidiary, TSV Montney Limited. TSV Montney was transferred 100% of Woma Energy Ltd (Transerv's subsidiary which owns the Canadian assets). All the issued shares in TSV Montney (80,816,989 shares) have been distributed by Transerv to its shareholders on a 1 for 10 basis (an in-specie distribution).

The end result is Transerv shareholders will directly own TSV Montney, an unlisted Australian public company, which will own the Canadian assets through Woma Energy Ltd.

The results of the discontinued operations included in the statement of profit or loss and other comprehensive income are set out below. Results of the discontinued operations for the period:

| | Note | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--|------|------------------|------------------|
| Revenue | | 239,343 | 369,212 |
| Expenses | | (174,796) | (608,047) |
| Profit before tax | | 64,547 | (238,835) |
| Attributable income tax benefit | 14 | 572,549 | - |
| | | 637,096 | (238,835) |
| Gain on sale of discontinued operations | | 8,093,205 | - |
| Attributable income tax benefit | | - | - |
| Gain on sale of discontinued operations | | 8,730,301 | (238,835) |
| Cash flows from discontinued operations | | | |
| Net cash flows from operating activities | | (372,878) | (80,082) |
| Net cash flows from investing activities | | (625,023) | - |
| Net cash flows from financing activities | | - | (183,881) |
| Net cash flows | | (997,901) | (263,964) |
| Effects on disposal on the financial position of the group | | | 30-Jun-16 |
| Current assets | | | |
| Cash and cash equivalents | | | (255,757) |
| Trade and other receivables | | | (1,062,501) |
| Other receivables | | | (31,706) |
| Non-current assets | | | |
| Property, plant and equipment | | | - |
| Exploration and evaluation assets | | | (6,044,748) |
| Investments | | | (657,680) |
| Current Liabilities | | | |
| Trade and other payables | | | 209,085 |
| Non-current liabilities | | | |
| Deferred tax liability | | | 221,761 |
| Net assets and liabilities disposed of | | | (7,621,546) |
| Latent Investment in Woma disposed | | | (14,112,910) |
| Reduction of share capital | | | 14,522,033 |
| Disposal of ordinary share capital | | | 15,305,628 |
| Gain on sale of discontinued operation | | | 8,093,205 |

16. Earnings per share

The calculation of basic gain per share at 30 June 2016 of 0.4043 cents per share (30 June 2015 basic loss: 0.3524 cents per share) was based on the gain attributable to the ordinary shareholders of \$3,332,981 (30 June 2015 loss: \$7,484,902) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2016 of 824,377,274 (30 June 2015: 2,124,256,410 shares) being calculated as follows:

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---|--------------------|----------------------|
| Earnings per share | | |
| Loss attributable to the ordinary shareholders | | |
| Profit/(loss) for the period | 3,332,981 | (7,484,902) |
| Attributed to: | | |
| Members of the parent entity | 2,551,079 | (8,666,725) |
| Non-controlling interests | 781,902 | 1,181,823 |
| Weighted average number of ordinary shares | | |
| Opening balance | 806,819,893 | 4,034,097,761 |
| Movement during the year | 17,557,381 | (1,909,841,351) |
| | <u>824,377,274</u> | <u>2,124,256,410</u> |
| Earnings/(loss) - cents per share | <u>0.4043</u> | <u>(0.3524)</u> |
| Continuing operations | 0.3095 | (0.4080) |
| Discontinued operations | 0.0948 | 0.0556 |

17. Cash and cash equivalents

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---------------|------------------|------------------|
| Cash at bank | 3,301,194 | 2,235,015 |
| Term deposits | 20,620 | 20,620 |
| | <u>3,321,814</u> | <u>2,255,635</u> |

Effective interest rates were 2.5% - 2.75% and average maturity was 45 days.

18. Trade and other receivables

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|-------------------------------------|------------------|------------------|
| Trade receivables | 143,562 | 831,239 |
| Receivables due from Mallee Pty Ltd | - | 24,571 |
| Financial assets | <u>143,562</u> | <u>855,810</u> |

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

19. Other current assets

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|-------------|------------------|------------------|
| Prepayments | 88,329 | 132,797 |
| | <u>88,329</u> | <u>132,797</u> |

20. Property, plant and equipment

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---|------------------|------------------|
| Plant and equipment at cost | 153,989 | 348,884 |
| Less: accumulated depreciation | (53,985) | (198,093) |
| | <u>100,004</u> | <u>150,791</u> |
| | - | - |
| Property, plant and equipment | | |
| <i>Reconciliation of carrying amounts</i> | | |
| <i>Land and buildings</i> | | |
| Opening balance | 21,830 | - |
| Additions | - | 21,875 |
| Depreciation expense | (547) | (45) |
| | <u>21,283</u> | <u>21,830</u> |
| <i>Furniture and Fixtures</i> | | |
| Opening balance | 6,778 | 4,532 |
| Additions | - | 3,202 |
| Depreciation expense | (886) | (956) |
| | <u>5,892</u> | <u>6,778</u> |
| <i>Office equipment</i> | | |
| Opening balance | 42,125 | 47,052 |
| Additions | - | 27,204 |
| Disposal | (18,409) | - |
| Change in foreign exchange | - | (5,728) |
| Depreciation expense | (9,957) | (26,403) |
| | <u>13,759</u> | <u>42,125</u> |
| <i>Software Assets</i> | | |
| Opening balance | 51,484 | - |
| Additions | - | 57,745 |
| Depreciation expense | (14,436) | (6,261) |
| | <u>37,048</u> | <u>51,484</u> |
| <i>Motor vehicles</i> | | |
| Opening balance | 28,574 | - |
| Additions | - | 29,120 |
| Depreciation expense | (6,552) | (546) |
| | <u>22,022</u> | <u>28,574</u> |
| | <u>100,004</u> | <u>150,791</u> |

21. Exploration and evaluation expenditure

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---|-------------------|-------------------|
| Exploration and evaluation assets | 48,012,854 | 57,269,040 |
| Movement in exploration and evaluation expenditure | | |
| Opening Balance | 57,269,040 | 53,802,799 |
| Demerger of Woma Energy Ltd | (6,044,880) | (1,686,412) |
| Expenditure incurred during the period | 753,324 | 5,110,453 |
| Depreciation/amortisation for exploration assets | (15,660) | (15,660) |
| Impairment for exploration and evaluation assets | (3,938,165) | (21,878) |
| Foreign currency movement | (10,805) | 79,738 |
| | <u>48,012,854</u> | <u>57,269,040</u> |

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

Where activities in the area of interest have, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves the exploration and evaluation assets are assessed for impairment. Impairment will occur if sufficient data exists to determine technical feasibility and commercial viability and the facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Based on a review of exploration and evaluation expenditure capitalised to each area of interest, \$3,938,165 of exploration and evaluation expenditure has been written off during the year ended 30 June 2016 in relation to areas where no further exploration or evaluation of hydrocarbon resources are currently budgeted or planned.

22. Financial Assets

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--------------------------------------|------------------|------------------|
| Available-for-sale financial assets: | | |
| Listed equity securities | - | 2,657,288 |
| Unlisted equity securities | - | 654,847 |
| | <u>-</u> | <u>3,312,135</u> |

Both the listed and unlisted equity securities are denominated in \$AUD. The listed equity securities consist of 2,199,077 Leucrotta Exploration Inc shares and are publicly traded in Canada. The unlisted equity securities are shares in Point Loma Energy Ltd – the Transerv Group holds an approximate 11% share of Point Loma Energy Ltd. The Point Loma Energy Ltd shares were disposed of as part of the Demerger of Woma Energy Limited and the Leucrotta Exploration Inc shares were disposed of on market during the 2016 financial year.

23. Trade and other payables

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--------------------------------|------------------|------------------|
| Current: | | |
| Trade creditors | 126,827 | 841,835 |
| Other payables | 427,209 | 206,982 |
| Total trade and other payables | <u>554,036</u> | <u>1,048,817</u> |

All amounts are short-term. The carrying value of trade payables and other payables are considered to be a reasonable approximation of fair value.

24. Provisions

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--------------------------------|------------------|------------------|
| Current Provisions: | | |
| Annual leave | 49,730 | 81,224 |
| Long service leave | 62,382 | - |
| | <u>112,112</u> | <u>81,224</u> |
| Non-Current Provisions: | | |
| Annual leave | 31,010 | - |
| Long service leave | 8,934 | 49,245 |
| Decommissioning liabilities | - | 128,048 |
| | <u>39,944</u> | <u>177,293</u> |
| | <u>152,056</u> | <u>258,517</u> |

25. Financial liabilities

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---------------------------------|------------------|------------------|
| Borrowings - Carnaby Energy Ltd | - | 1,344,490 |
| | <u>-</u> | <u>1,344,490</u> |

26. Deferred tax liabilities

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---|------------------|------------------|
| Deferred tax liability comprises temporary differences attributable to: Amounts recognised in profit and loss: | | |
| Capitalised exploration | - | 220,806 |
| Deferred tax liability | <u>-</u> | <u>220,806</u> |
| | - | - |
| <i>Movements:</i> | | |
| Opening balance | 220,806 | 199,532 |
| Credited to income statement | (220,806) | 9,954 |
| Foreign currency movement | - | 11,320 |
| Closing balance | <u>-</u> | <u>220,806</u> |

27. Issued capital

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---------------------|-------------------|-------------------|
| Ordinary Shares | 52,646,771 | 68,063,521 |
| Cost of share issue | - | (1,110,717) |
| | <u>52,646,771</u> | <u>66,952,804</u> |

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to one vote per share at meetings of the company.

Reconciliation of movement in issued capital

For the year ended 30 June 2016

| Ordinary shares | Number of shares | Issue price | AUD |
|-----------------------------|------------------|-------------|--------------|
| Opening balance | 806,819,893 | | 68,063,521 |
| New share issue | 444,444 | | 20,000 |
| Exercise of options | 28,000,000 | | 196,000 |
| Demerger of Woma Energy Ltd | | | (14,522,033) |
| Closing balance | 835,264,337 | | 53,757,488 |

Less share issue costs:

Opening balance (1,110,717)

Share issue costs at the end of the year (1,110,717)

52,646,771

For the year ended 30 June 2015

| Ordinary shares | Number of shares | Issue price | AUD |
|---------------------|------------------|-------------|------------|
| Opening balance | 4,034,097,761 | | 68,063,521 |
| Consolidation (1:5) | (3,227,277,868) | | - |
| Closing balance | 806,819,893 | | 68,063,521 |

Less share issue costs:

Opening balance (1,110,717)

Share issue costs at the end of the year (1,110,717)

66,952,804

28. Reserves

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--------------------------------------|------------------|------------------|
| Share based payments reserve | 67,367 | 324,940 |
| Foreign currency translation reserve | 1,381,617 | 1,087,998 |
| | 1,448,984 | 1,412,938 |

| | Foreign currency translation reserve AUD | Share based payments reserve AUD |
|--|--|--|
| Balance at 1 July 2015 | 1,087,998 | 324,940 |
| Exchange differences on translating foreign operations | 293,619 | - |
| Share options expired | - | (324,940) |
| Share options vested | - | 67,367 |
| Balance at 30 June 2016 | 1,381,617 | 67,367 |

Share based payments reserve

The reserve represents the value of options issued under the compensation arrangement that the consolidated entity is required to include in the consolidated financial statements.

This reserve will be reversed against share capital when the underlying options are exercised by the employee or consultant or expire. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

29. Equity-Non Controlling Interest

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--|------------------|------------------|
| Contributed Equity | 5,509,972 | 5,509,972 |
| Opening share of loss attributed to non-controlling interest | (2,803,387) | (3,912,817) |
| | 2,706,585 | 1,597,155 |
| Recognition of change in loss attributable to change in non-controlling interest of Carnaby Energy Ltd | - | 123,517 |
| Recognition of change in non-controlling interest of Carnaby Energy Ltd | - | (195,910) |
| Accrued interest on shareholder loans | 468,958 | - |
| Current share of profit attributed to non-controlling interest | 781,902 | 1,181,823 |
| | 3,957,445 | 2,706,585 |

The non-controlling interest has a 33.7% (2015: 33.7%) equity holding in Carnaby Energy Ltd.

No dividends were paid to the NCI during the years 2016 and 2015.

Summarised financial information for Carnaby Energy Ltd, before intragroup eliminations, is set out below:

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--|--------------------|--------------------|
| Current assets | 170,841 | 354,118 |
| Non-current assets | - | 2,678,084 |
| Total assets | 170,841 | 3,032,202 |
| Current liabilities | (89,024) | (731,148) |
| Non-current liabilities | (2,351,577) | (6,909,164) |
| Total liabilities | (2,440,601) | (7,640,312) |
| Equity attributable to owners of the Parent | 1,504,851 | 3,055,177 |
| Non-controlling interest | 764,909 | 1,552,933 |
| Revenue | 34,790 | 1,295,911 |
| Profit for the year attributable to owners of the Parent | 1,538,283 | 2,325,069 |
| Profit for the year attributable to NCI | 781,902 | 1,181,823 |
| Profit for the year | 2,320,185 | 3,506,892 |
| Other comprehensive income for the year (all attributable to owners of the parent) | - | - |
| Total comprehensive income for the year attributable to owners of the Parent | 1,538,283 | 2,325,069 |
| Total comprehensive income for the year attributable to NCI | 781,902 | 1,181,823 |
| Total comprehensive income for the year | 2,320,185 | 3,506,892 |

The summarised cash flow amounts for Carnaby Energy Limited are as follows:

Cash flows from equity non-controlling interest

| | | |
|--|-----------------|------------------|
| Net cash flows from operating activities | (81,799) | (1,480,892) |
| Net cash flows from investing activities | - | 3,488,797 |
| Net cash flows from financing activities | - | (2,274,135) |
| Net cash flows | (81,799) | (266,230) |

30. Reconciliation of cash flow from operating activities

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|--|------------------|--------------------|
| Cash flows used in operating activities | | |
| Profit/(loss) for the period | 3,332,981 | (7,484,902) |
| Adjustments for: | | |
| Depreciation and amortisation expense | 31,521 | 31,521 |
| Unrealised loss on marketable securities | - | 2,457,378 |
| Loss on disposal of available for sale financial assets | 546,389 | 1,455,562 |
| Loss on disposal of assets | 20,019 | 1,212,904 |
| Profit from discontinued operations | (8,730,301) | - |
| Impairment expense | 3,938,165 | - |
| Interest recorded as investing cashflows | - | 1,229,526 |
| Bad debt expense | 67,048 | - |
| Foreign exchange gain | (94,345) | (44,429) |
| Equity settled share-based payment expenses | 67,367 | 324,940 |
| Operating profit before changes in working capital and provisions | (821,156) | (817,500) |
| Decrease in other receivables and prepayments | 756,716 | 302,742 |
| Decrease in trade and other payables | (494,781) | (703,083) |
| Net cash used in operating activities | (559,221) | (1,217,841) |

31. Related Party Transactions

Detailed disclosures relating to Directors and Key Management Personnel are set out in the Directors' Report under the section entitled Remuneration Report.

The totals of remunerations paid to Key Management Personnel of the Company and the consolidated entity during the year are as follows:

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|------------------------------|--------------------|--------------------|
| Short-term employee benefits | (1,117,991) | (1,184,548) |
| Post-employment benefits | (43,112) | (62,422) |
| Share-based payments | - | (324,940) |
| | <u>(1,161,103)</u> | <u>(1,571,910)</u> |

The aggregate amounts recognised during the year relating to directors and their related parties were as follows:

| | Transactions value year end | | Balance outstanding as at | |
|-------------------------------|-----------------------------|----------------|---------------------------|-----------------|
| | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 |
| TB & S Consulting Pty Ltd (i) | 394,226 | 383,471 | 104,268 | - |
| Saval Consulting Pty Ltd (ii) | 30,000 | 182,669 | - | (51,900) |
| Verona Capital Pty Ltd (ii) | 30,000 | - | - | - |
| Leopard Energy Pty Ltd (iii) | 18,000 | - | - | - |
| Mtani Pty Ltd (iv) | 97,800 | - | 25,200 | - |
| | <u>570,026</u> | <u>566,140</u> | <u>129,468</u> | <u>(51,900)</u> |

- i. TB and S Consulting Pty Ltd is a company associated with Mr Stephen Keenihan. The charges from TB and S Consulting were for consultancy fees and reimbursement for travel costs incurred in the ordinary course of business.
- ii. Saval Consulting Pty Ltd and Verona Capital Pty Ltd are companies associated with Mr Craig Burton. The charges from Saval Consulting Pty Ltd are for director's fees and the charges from Verona Capital Pty Ltd are for consulting fees.
- iii. Leopard Energy Pty Ltd is a company associated with Mr Brett Lawrence. The charges from Leopard Energy Pty Ltd were for directors fees.
- iv. Mtani Pty Ltd is a company associated with Mr David Messina. The charges from Mtani Pty Ltd were for director's fees and consultancy fees.

The terms and conditions of the transactions were no more favourable than those available, or which might be reasonably available, on similar transactions to non-director related entities on an arms-length basis.

32. Share –based payments

Options are granted and approved by the directors and shareholders.

Options are granted to directors, employees, consultants and others. Entitlements to the options are exercisable as soon as they have vested and performance conditions have been met. There are no cash settlement alternatives. Options granted carry no dividend or voting rights.

The expense recognised in profit or loss in relation to share-based payments is disclosed in Note 11.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of any movements in share options issued during the year:

| | No 2016 | WAEP 2016 | 2015 | WAEP 2015 |
|--|--------------|-----------|---------------|-----------|
| Outstanding at the beginning of the year | 28,000,000 | | 613,500,000 | |
| Granted during the year | 1,675,000 | 0.005 | 120,000,000 | 0.005 |
| Forfeited during the year | - | | - | |
| Exercised during the year | (28,000,000) | | - | |
| Consolidation (5:1) during the year | - | | (586,800,000) | |
| Expired during the year | - | | (118,700,000) | |
| | 1,675,000 | 0.005 | 28,000,000 | 0.005 |

The number of options vested and exercisable as at 30 June 2016 was 1,675,000 (2015: 28,000,000).

The outstanding balance of options over ordinary shares as at 30 June 2016 represented by:

| Grant date | Exercisable | Expiry date | Exercise price | Number of options | Value of Share Based Payments |
|------------|-------------|-------------|----------------|-------------------|-------------------------------|
| 17-Nov-15 | 17-Nov-15 | 10-Jul-18 | \$0.060 | 1,675,000 | \$ 67,367 |

The outstanding balance of options over ordinary shares as at 30 June 2015 represented by:

| Grant date | Exercisable | Expiry date | Exercise price | Number of options | Value of Share Based Payments |
|------------|-------------|-------------|----------------|-------------------|-------------------------------|
| 12-Jun-14 | 12-Jun-14 | 31-Mar-19 | \$0.025 | 28,000,000 | \$ 324,940 |

The weighted average remaining contractual life for the share options outstanding as at 30 June 2016 is two years. The exercise price for options outstanding at the end of the year is A\$0.060 (2015: A\$0.025).

Fair value of options granted

Options granted during the year ended 30 June 2016; the fair value of options granted during the financial year was \$0.04 with a weighted average of \$0.04. The fair value at grant date is determined using the binomial method of valuing options that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following table lists the inputs to the model used for valuation of options:

| | 6C Options |
|---|------------|
| Dividend yield (%) | Nil |
| Expected volatility (%) | 120% |
| Risk-free interest rate (%) | 3.11% |
| Expected life of option (year) | 2.52 |
| Option exercise price (\$) | \$0.060 |
| Weighted average share price at grant date (\$) | \$0.060 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

33. Parent company disclosures

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|------------------------------|------------------|-------------------|
| Current Assets | 1,031,135 | 1,041,498 |
| Non-Current Assets | 1,892 | 19,937,801 |
| Total Assets | 1,033,027 | 20,979,299 |
| Current Liabilities | 416,968 | 135,499 |
| Non-Current Liabilities | - | - |
| Total Liabilities | 416,968 | 135,499 |
| Net Assets | 616,059 | 20,843,800 |
| Contributed Equity | 9,539,175 | 24,628,802 |
| Share based payments reserve | 67,367 | 324,940 |
| Foreign translation reserve | 1,885,725 | 1,885,725 |
| Accumulated losses | (10,876,208) | (5,995,667) |
| Total Equity | 616,059 | 20,843,800 |

The Company has no contingent liabilities or commitments and no guarantees due to subsidiaries at 30 June 2016.

34. Financial instruments**Financial Risk Management****Overview**

The consolidated entity has exposure to the following risks from its use of financial instruments:

- * credit risk;
- * liquidity risk; and
- * market risk.

The consolidated entity's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- * Meet all its financial commitments; and
- * Maintain the capacity to fund the consolidated entity's operating activities.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the consolidated entity through regular reviews of the risks.

Market, liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of business. These risks are managed under Board approved directives which underpin treasury practices and processes.

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers.

Trade and other receivables

The consolidated entity operates in the mining exploration and production sector. As at 30 June 2016 there were no significant concentrations of credit risk on the statement of financial position.

Impairment losses

None of the Company's other receivables are past due (2015: nil). As at 30 June 2016 there is no allowance for impairment in respect to other receivables for the consolidated entity (2015: nil).

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

Financial Instruments

| | 30-Jun-16 AUD | 30-Jun-15 AUD |
|---------------------------|------------------|------------------|
| Other receivables | 143,562 | 814,574 |
| Cash and cash equivalents | 3,321,814 | 2,255,635 |
| | <u>3,465,376</u> | <u>3,070,209</u> |

30-Jun-2016

Financial assets measured at fair value
Financial assets not measured at fair value
Trade and other receivables
Cash and cash equivalents

| Non-current assets | | Carrying Amount | | Current assets | | Total | Level 1 |
|-----------------------------|---|-----------------------------|---|---------------------------|---|------------------|---------|
| Trade and other receivables | Other investments including derivatives | Trade and other receivables | Other investments including derivatives | Cash and cash equivalents | | | |
| - | - | 143,562 | - | - | - | 143,562 | - |
| - | - | - | - | 3,321,814 | - | 3,321,814 | - |
| - | - | <u>143,562</u> | - | <u>3,321,814</u> | - | <u>3,465,376</u> | - |

30-Jun-2015

Financial assets measured at fair value
Financial assets not measured at fair value
Trade and other receivables
Cash and cash equivalents

| Non-current assets | | Carrying Amount | | Current assets | | Total | Level 1 |
|-----------------------------|---|-----------------------------|---|---------------------------|---|------------------|---------|
| Trade and other receivables | Other investments including derivatives | Trade and other receivables | Other investments including derivatives | Cash and cash equivalents | | | |
| - | - | 855,810 | - | - | - | 855,810 | - |
| - | - | - | - | 2,255,635 | - | 2,255,635 | - |
| - | - | <u>855,810</u> | - | <u>2,255,635</u> | - | <u>3,111,445</u> | - |

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The consolidated entity manages liquidity risks by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | Carrying Amount | | | Current liabilities | | Total | Level 1 |
|--|--------------------------|----------------------|----------------|--------------------------|----------------------|-----------|---------|
| | Trade and other payables | Loans and borrowings | Bank overdraft | Trade and other payables | Loans and borrowings | | |
| 30-Jun-2016 | | | | | | | |
| Financial liabilities measured at fair value | | | | | | | |
| Financial liabilities not measured at fair value | | | | | | | |
| Finance lease liabilities | 12,188 | - | - | 6,359 | - | 18,548 | - |
| Trade and other payables | 39,944 | - | - | 666,148 | - | 706,092 | - |
| | 52,132 | - | - | 672,507 | - | 724,640 | - |
| 30-Jun-2015 | | | | | | | |
| Financial assets measured at fair value | | | | | | | |
| Financial assets not measured at fair value | | | | | | | |
| Finance lease liabilities | 5,715 | - | - | 171,653 | - | 177,368 | - |
| Trade and other payables | 177,293 | 1,344,490 | - | 1,130,041 | - | 2,651,824 | - |
| | 183,008 | 1,344,490 | - | 1,301,694 | - | 2,829,192 | - |

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Interest rate risk

At the reporting date the interest rate profile of the Company's and the consolidated entity's interest-bearing financial instruments was:

| | 2016 | 2015 |
|----------------------------------|-----------|-----------|
| Variable rate instruments | | |
| Financial assets | 3,321,814 | 2,255,635 |
| | 3,321,814 | 2,255,635 |

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

| | Profit or loss | | Equity | |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 100bp increase AUD | 100bp decrease AUD | 100bp increase AUD | 100bp decrease AUD |
| 30 June 2016 | | | | |
| Variable rate instruments | 33,218 | (33,218) | 33,218 | (33,218) |
| Cash flow sensitivity | 33,218 | (33,218) | 33,218 | (33,218) |
| 30 June 2015 | | | | |
| Variable rate instruments | 22,556 | (22,556) | 22,556 | (22,556) |
| | 22,556 | (22,556) | 22,556 | (22,556) |

Fair values

Fair values versus carrying amounts – there is little or no difference between carrying amounts and fair values of financial assets and liabilities.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the consolidated entity defines as net operating income divided by total shareholders' equity.

| | 2016 | 2015 |
|--|------------|-------------|
| Equity attributable to shareholders of the Company | 52,646,771 | 66,952,804 |
| Equity | 52,646,771 | 66,952,804 |
| Total assets | 51,666,563 | 63,976,208 |
| Equity ratio | 98% | 96% |
| Average equity | 56,032,025 | 64,594,967 |
| Net Profit | 3,332,981 | (7,484,902) |
| Return on Equity in % | 5.95% | -11.59% |

There were no changes in the consolidated entity's approach to capital management during the year. As at 30 June 2016, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

35. Consolidated entities**(a) Parent entity**

The parent entity of the group is Transerv Energy Limited, incorporated in Australia.

Registered office:

Level 2, 6 Thelma Street
West Perth WA 6005

(b) Subsidiaries

The consolidated financial statements incorporate assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described under 1(a).

| Name of Entity | Country of incorporation | 2016 Equity holding % | 2015 Equity holding % |
|--|--------------------------|-----------------------|-----------------------|
| Subsidiaries of Transerv Energy Ltd | | | |
| Tejon Energy Pty Ltd | Australia | 100 | 100 |
| Tejon Energy Inc (100% subsidiary of Tejon Energy Pty Ltd) | USA | 100 | 100 |
| Latent Petroleum Pty Ltd | Australia | 100 | 100 |
| Carnaby Energy Ltd | Canada | 66.3 | 66.3 |
| Subsidiaries of Latent Petroleum Pty Ltd | | | |
| Woma Energy Ltd | Canada | 0 | 100 |

No dividends were paid to the NCI during the years 2016 and 2015.

36. Contingent Liabilities

As at 30 June 2016, the Group has a bank guarantee held at the ANZ bank lodged in favour of The Environmental Protection Authority. The bank guarantee is for \$119,000, the facility limit is \$219,000. There are no other contingent liabilities at 30 June 2016.

37. Commitments

The Group leases a photocopier/printer under operating leases. The future minimum lease payments are as follows;

| | Minimum Lease Payments Due | | | |
|-----------|----------------------------|--------------|---------------|---------|
| | Within 1 year | 1 to 5 years | After 5 years | Total |
| 30-Jun-16 | 6,359 | 12,188 | - | 18,548 |
| 30-Jun-15 | 171,653 | 5,715 | - | 177,368 |

Lease expense during the period amounted to \$253,200 (2015: \$222,197) representing the minimum lease payments.

The rental agreement for the photocopier/printer was for a term of 36 months and will expire in June 2019.

38. Subsequent events

During July 2016 Transerv Energy Ltd formed a strategic alliance with Norwest Energy Ltd (NWE) to facilitate the farmout and drilling of the 160 million barrel Xanadu Prospect in TP-15. The alliance also involves the other onshore permits in which NWE has an interest in the Perth Basin – which include EP368, EP426, EP413, L14 and EP492. Both companies plan to accelerate the exploration of these areas through farmout drilling.

Under a term sheet signed on 7 July 2016, Transerv will contribute 20% of the costs to earn a 15% interest in TP/15. The intent is for the farmout to be completed by 31 December 2016 or such later date as agreed. If the farmout process has not delivered farmout agreements that fund 100% of the drilling costs of Xanadu-1 by the agreed time, Transerv shall have no further obligations under the term sheets with respect to TP/15 and will not earn an interest in the Permit.

As part of this Alliance, TSV acquired via a share placement 100m shares for \$200,000 in NWE and have the right to participate in farmout wells and earn a material interest in all the Perth Basin areas in which NWE is a participant on the successful completion of appropriate farmout arrangements.


Other than the above, no material matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity.

- 1 In the opinion of the Directors of Transerv Energy Ltd ("the Company"):
 - a. The financial statements and notes set out on pages 22 to 59, are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - ii. Complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - b. the financial report also complies with International Financial Reporting standards as disclosed in note 2(a);
 - c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 30 June 2016.

Dated at Perth this 27th day of September 2016.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Stephen Keenihan
Managing Director

Corporate Governance Statement

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition).

In 2010, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities.

Following a comprehensive review in 2012-13, the ASX Corporate Governance Council issued a third edition of the Principles and Recommendations. The third edition reflects global developments in corporate governance since the second edition. The opportunity was also taken to simplify the structure of the Principles and Recommendations and to afford greater flexibility to listed entities in terms of where they make their governance disclosures.

The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2012-13 Amendments (3rd Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website: www.transerv.com.au

1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1:** Companies should disclose the respective roles and responsibilities of its board and management; and those matters expressly reserved to the board and those delegated to management.
- **Recommendation 1.2:** Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.
- **Recommendation 1.3:** Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.
- **Recommendation 1.4:** The company secretary of the Company should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.
- **Recommendation 1.5:** Companies should have a diversity policy which includes requirements for the board or a relevant committee of the board to set measureable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; disclose that policy or a summary of it; and disclose as at the end of each reporting period the measureable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

- **Recommendation 1.6:** Companies should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.
- **Recommendation 1.7:** A Company should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Non-Executive Chairman, the Managing Director, and the Executive Director, all of whom are accountable to the Board.

Further, the Board takes specific responsibility for:-

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Executive Directors;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
 - Organisational performance and the achievement of strategic goals and objectives
 - Compliance with the Company's code of conduct
 - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders'

wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. Senior executives' performance is reviewed on a regular basis by the Board.

The Company secretary is responsible for advising the Board on governance matters, monitoring that the Board follows policy and procedure, timely completion and dispatch of Board papers and the accurate capture of business at Board meetings in minutes. Communication between directors and company secretary is regular and direct.

Diversity Policy

The Board has adopted a Diversity Policy as per Recommendation 1.5. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Gender Diversity

As a priority, the Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

Women Employees, Executives and Board Members

The Company and its consolidated entities have three (3) female employees/executives:

- its Company Secretary and Chief Financial Officer;
- Company Accountant; and
- an executive assistant;

which represent approximately 37% of the total number employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company but the Board is committed to seeking qualified female candidates as and when a Board position becomes available.

Monitoring of Board Performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

- An annual Board Effectiveness Review has been implemented that considers the individual effectiveness of Directors as well as the collective effectiveness of the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2, 1.3, 1.4, 1.5, 1.6 and 1.7.

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** If the Board does not have a nomination committee that fact needs to be disclosed and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
- **Recommendation 2.2:** The Company should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.
- **Recommendation 2.3:** The Company should disclose the names of the directors considered by the board to be independent directors; if a director has an interest, position, association or relationship of a type that could be seen to impact independence but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and the length of service of each director.
- **Recommendation 2.4:** A majority of the board of the Company should be independent directors.
- **Recommendation 2.5:** The chair of the Board should be an independent director and, in particular, should not be the same person as the CEO of the Company.
- **Recommendation 2.6:** The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company's practice:

Independence

Corporate Governance Council Recommendation 2.4 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. The Board as a whole comprises a Non-Executive Chairman, a Managing Director, and an Executive Director. Notwithstanding that the Company does not currently comply with Recommendations 2.3, 2.4 and 2.5, given the stage of development of the Company and the current nature and scope of the Company's activities, the Company believes that the current composition of the Board is appropriate.

Composition

The directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives.

The term in office held by each director in office at the date of this report is as follows and details of the professional skills and expertise of each of the directors are set out in the Directors' Report.

| Name | Position | Term in Office |
|------------------|---|----------------|
| Charles Morgan | Non-executive Chairman | 9 months |
| Stephen Keenihan | Executive Director from 20 August 2013 to 9 October 2015; Managing Director 9 October 2015 | 5½ years |
| David Messina | Executive Director | 2 months |

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

Insurance

The Group has in place a Directors and Officers liability insurance policy providing a specified level of cover for current and former Directors and Executive Officers of the Group against liabilities incurred whilst acting in their respective capacity.

Nomination committee

The Company does not currently have a separate nomination committee and hereby discloses this fact as required by recommendation 2.1. Given the size of the Company and the Board and the nature and scope of the Company's activities, the Board does not believe any marked efficiencies or enhancements would be achieved by the creation of a separate Nomination Committee.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.2 and 2.6. The Company is not compliant with Recommendations 2.3, 2.4 and 2.5 as outlined.

3. PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1:** Companies should establish a code of conduct for its directors, senior executives and employees; and disclose that code or a summary of it.

The Company's practice:

Ethical Standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Based on the above information the Company believes it is fully compliant with Recommendations 3.1.

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should, where it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.
- **Recommendation 4.2:** The board should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
- **Recommendation 4.3:** A Company that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's practice:

Audit Committee

- Given the size of the Company and the Board (three Directors) the Board has not established a separate audit committee and hereby discloses this fact. The duties and responsibilities typically delegated to such a committee are carried out by the full Board.

The processes the Board applies in performing this function include:-

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The Board, consisting of members with financial expertise and detailed knowledge and experience of the oil and gas exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and the Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 30 June 2016 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Based on the above information the Company believes it is fully compliant with Recommendation 4.1, 4.2 and 4.3.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

- **Recommendation 5.1:** Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and disclose that policy or a summary of it.

The Company's practice:

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- (a) Notify the ASX immediately upon becoming aware of any information that a reasonable person would expect to have a material effect on the price and value of the company's securities, unless that information is not required to be disclosed under the listing rules;
- (b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and

- (c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.
- (d) The Managing Director and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Managing Director and the Company Secretary, including:
- (e) Media releases;
- (f) Analyst briefings and presentations; and
- (g) The release of reports and operational results.

Continuous disclosure is a standing agenda item for all Board meetings.

Based on the above information, the Company believes that it is fully compliant with Recommendation 5.1.

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should provide information about itself and its governance to investors via its website.
- **Recommendation 6.2:** Companies should design and implement an investor relations program to facilitate effective two-way communication with investors.
- **Recommendation 6.3:** Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
- **Recommendation 6.4:** Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company's practice:

Shareholder Communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:-

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;

- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.
- The Company's full policy on shareholder communication can be found on our website.
- Based on the above information the Company believes it is fully compliant with Recommendations 6.1, 6.2, 6.3 and 6.4.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies whom do not have a risk committee/s that satisfy recommendation 7.1 (a) should disclose that fact and the processes it employs for overseeing the entity's risk management framework.
- **Recommendation 7.2:** The board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and disclose, in relation to each reporting period, whether such a review has taken place.
- **Recommendation 7.3:** The Company should disclose if it has an internal audit function, how the function is structured and what role it performs; or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.
- **Recommendation 7.4:** A Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company's practice:

RISK MANAGEMENT

Recognise and Manage Risk

The Company does not have a risk committee and hereby discloses that fact. Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Executive Director has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, and levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The board should establish a remuneration committee; or if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
- **Recommendation 8.2:** The Company should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company's practice:

Remuneration committee

The Company does not currently have a separate remuneration committee and hereby discloses this fact. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

Remuneration policies

Remuneration of Directors is formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Directors and the executive team. The Board may engage external consultants for independent advice in the future as it deems necessary.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and senior executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and Motivation of senior executives

2. Attraction of quality management to the Company
3. Performance incentives (if appropriate) which allow executives to share the rewards of the success of the Company

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to the Remuneration Report above. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.1 and Recommendation 8.2.

| Principle | Reference in the Company's Corporate Governance Statement |
|--|---|
| <p>Principle 1 – Lay solid foundations for Management and oversight Companies should establish and disclose the respective roles and responsibilities of Board and Management and how their performance is monitored and evaluated.</p> <p>Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.</p> <p>Recommendation 1.2: A Company should (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p> <p>Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p> <p>Recommendation 1.4: The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p> <p>Recommendation 1.5: Companies should have a diversity policy which includes requirements for the board or a relevant committee of the board to set measureable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; disclose that policy or a summary of it; and disclose as at the end of each reporting period the measureable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> <p>Recommendation 1.6: Companies should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> <p>Recommendation 1.7: A Company should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>See pg 61</p> |

Principle 2 - Structure the Board to add value

See pg 64

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: The Board of a Company should have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Recommendation 2.2: The Company should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Recommendation 2.3: The Company should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type that the Principles of Good Corporate Governance and Best Practice Recommendations (3rd Edition) considers relevant to assessing the independence of a director, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

Recommendation 2.4: A majority of the Board of the Company should be independent directors.

Recommendation 2.5: The Chair of the Board of a Company should be an independent director and, in particular, should not be the same person as the CEO of the Company.

Recommendation 2.6: A Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Principle 3 – Act ethically and responsibly

See pg 65

Companies should actively promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code.

| | |
|--|-----------|
| <p>Principle 4 - Safeguard integrity in financial reporting Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.</p> <p>Recommendation 4.1: The Board should establish an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> <p>Recommendation 4.2: The Board of the Company, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p> <p>Recommendation 4.3: A Company that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p> | See pg 66 |
| <p>Principle 5 - Make timely and balanced disclosure Companies should promote timely and balanced disclosure of all material matters concerning the Company.</p> <p>Recommendation 5.1: Companies should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.</p> | See pg 67 |
| <p>Principle 6 - Respect the rights of shareholders Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.</p> <p>Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.</p> <p>Recommendation 6.2: Companies should design and implement an investor relations program to facilitate effective two-way communication with investors.</p> <p>Recommendation 6.3: Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p> <p>Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p> | See pg 68 |

Principle 7- Recognise and manage risk

See pg 69

Companies should establish a sound system of risk oversight and management and periodically review the effectiveness of that framework.

Recommendation 7.1: Companies should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Recommendation 7.2: The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.

Recommendation 7.3: A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages those risks.

Principle 8- Remunerate fairly and responsibly

See pg 70

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The Board should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Recommendation 8.2: Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

EXCHANGE LISTING

Transerv Energy Ltd shares are listed on the Australian Securities Exchange. The Company's ASX code is TSV.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 21 September 2016

| Rank | Name | Units | % of Units |
|------|---|------------|------------|
| 1. | MR STEPHEN LESLIE KEENIHAN + MRS SHERIDAN JAY KEENIHAN <SL & SJ KEENIHAN S/F A/C> | 72,947,334 | 8.73 |
| 2. | SEASPIN PTY LTD <THE APHRODITE A/C> | 60,100,294 | 7.43 |
| 3. | MR RUSSELL STEPHENSON + MRS PAMELA STEPHENSON <STEPHENSON SUPER FUND A/C> | 50,161,231 | 6.01 |
| 4. | VILLEMARETTE NOMINEES PTY LTD <VILLEMARETTE FAMILY A/C> | 46,856,085 | 5.61 |

CLASS OF SHARES AND VOTING RIGHTS

At 21 September 2016 there were 2,001 holders of 835,264,337 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

DISTRIBUTION OF SHAREHOLDERS

| Spread of Holdings | Ordinary Shares |
|-------------------------|-----------------|
| 1 - 1,000 | 8,588 |
| 1,001 - 5,000 | 150,773 |
| 5,001 - 10,000 | 686,753 |
| 10,001 - 100,000 | 49,967,758 |
| 100,001 - 9,999,999,999 | 784,450,465 |
| Total | 835,264,337 |

The number of shareholders holding less than a marketable parcel is 795.

UNLISTED OPTIONS

| Securities | Number of Securities on issue | Number of Holders | Name of Holders holding more than 20% | Number Held |
|---|-------------------------------|-------------------|---|--------------------|
| Options exercisable at 0.06 cents on or before 10 July 2018 | 1,675,000 | 2 | Read Corporate Pty Ltd Sibella Capital Pty Ltd | 837,500 837,500 |

ESCROWED SECURITIES

The Company does not have any securities on issue that are subject to escrow restrictions.

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 21 SEPTEMBER 2016

| Rank | Name | Units | % of Units |
|------|---|------------|------------|
| 1. | MR STEPHEN LESLIE KEENIHAN + MRS SHERIDAN JAY KEENIHAN <SL & SJ KEENIHAN S/F A/C> | 72,947,334 | 8.73 |
| 2. | SEASPIN PTY LTD <THE APHRODITE A/C> | 62,100,294 | 7.43 |
| 3. | RUSSELL STEPHENSON + PAMELA STEPHENSON <STEPHENSON SUPER FUND A/C> | 50,161,231 | 6.01 |
| 4. | VILLEMARETTE NOMINEES PTY LTD <VILLEMARETTE FAMILY A/C> | 46,856,085 | 5.61 |
| 5. | MR DON FORSHAW BATLEY | 21,000,000 | 2.51 |
| 6. | ARGONAUT INVESTMENTS PTY LTD <ARGONAUT INVESTMENT A/C> | 18,932,000 | 2.27 |
| 7. | ONE MANAGED INVESTMENT FUNDS LIMITED <TECHNICAL INVESTING ABSOLUT R> | 16,069,949 | 1.92 |
| 8. | NATIONAL NOMINEES LIMITED | 14,929,111 | 1.79 |
| 9. | BART SUPERANNUATION PTY LIMITED <4F INVESTMENTS SUPERFUND A/C> | 13,010,001 | 1.56 |
| 10. | ORABANT PTY LTD <C MEULENGRAAF SUPER A/C> | 11,000,000 | 1.32 |
| 11. | BT PORTFOLIO SERVICES LIMITED <MARKEY FAMILY A/C> | 10,000,000 | 1.20 |
| 12. | COSMOS NOMINEES PTY LTD <THE PLASTICS CENTRE S/F A/C> | 10,000,000 | 1.20 |
| 13. | DRILL INVESTMENTS PTY LTD | 8,800,000 | 1.05 |
| 14. | ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C> | 6,900,000 | 0.83 |
| 15. | DAVKAZ INVESTMENTS PTY LIMITED | 6,400,907 | 0.77 |
| 16. | LONG JPJ PTY LTD <LONG SUPER FUND A/C> | 6,050,880 | 0.72 |
| 17. | MR DAVID JOHN GRRECH | 4,798,766 | 0.57 |
| 18. | ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C> | 4,681,010 | 0.56 |
| 19. | EGR INVESTMENTS PTY LTD | 4,500,000 | 0.54 |
| 20. | TOOWONG PASTURES PTY LTD | 4,200,000 | 0.50 |

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

PERMITS

| AUSTRALIAN LAND INTERESTS | | | | |
|---------------------------|-------------------|----------|-------------------|--------|
| Lease or Project | Legal Description | Interest | Location | Rights |
| Warro JV | EP321 | 57% | Western Australia | 100% |
| Warro JV | RL6 | 57% | Western Australia | 100% |
| Warro JV | RL7 | 57% | Western Australia | 100% |