



ODYSSEY  
ENERGY LIMITED

ABN 73 116 151 636

# 2016

## ANNUAL REPORT

# CORPORATE DIRECTORY

## DIRECTORS

Mr Ian Middlemas      Chairman  
Mr Mark Pearce      Non-Executive Director  
Mr David Cruse      Non-Executive Director

## COMPANY SECRETARY

Mr Clint McGhie

## REGISTERED AND PRINCIPAL OFFICE

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## SHARE REGISTER

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## STOCK EXCHANGE LISTING

Australian Securities Exchange  
Home Branch – Perth  
Level 40, Central Park 152-158 St Georges Terrace, Perth WA 6000

## ASX CODE

ODY – Fully paid ordinary shares

## SOLICITORS

DLA Piper

## AUDITOR

Deloitte Touche Tohmatsu

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The Directors of Odyssey Energy Limited present their report on the consolidated entity consisting of Odyssey Energy Limited ("the Company" or "Odyssey" or "Parent Entity") and the entities it controlled at the end of, or during, the year ended 30 June 2016 ("Consolidated Entity" or "Group").

## **DIRECTORS**

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

|                  |                        |
|------------------|------------------------|
| Mr Ian Middlemas | Chairman               |
| Mr David Cruse   | Non-Executive Director |
| Mr Mark Pearce   | Non-Executive Director |

Unless otherwise disclosed, Directors held their office from 1 July 2015 until the date of this report.

## **CURRENT DIRECTORS AND OFFICERS**

### **Ian Middlemas**

#### **Chairman**

#### **Qualifications – B.Com, CA**

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 8 September 2005. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Apollo Minerals Limited (July 2016 – present), Cradle Resources Limited (May 2016 – present), Paringa Resources Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), Prairie Mining Limited (August 2011 – present), Syntonic Limited (April 2010 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Papillon Resources Limited (May 2011 – October 2014), Sierra Mining Limited (January 2006 – June 2014) and Decimal Software Limited (July 2013 – April 2014).

### **Mark Pearce**

#### **Non-Executive Director**

#### **Qualifications – B.Bus, CA, FCIS, F Fin**

Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies and has worked for several large international Chartered Accounting firms. Mr Pearce is also a Fellow of the Governance Institute of Australia and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director and Company Secretary of the Company on 8 September 2005. During the three year period to the end of the financial year, Mr Pearce has held directorships in Apollo Minerals Limited (July 2016 – present), Salt Lake Potash Limited (August 2014 – present), Prairie Mining Limited (August 2011 – present), Syntonic Limited (April 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present) and Decimal Software Limited (July 2013 – April 2014).

## DIRECTORS' REPORT

(Continued)

### CURRENT DIRECTORS AND OFFICERS (Continued)

#### David Cruse

Non-Executive Director

Qualifications – B.Pharm

Mr Cruse has had a long career in commerce and finance. He was a stockbroker for over 20 years, where he held senior management positions and directorships in the stockbroking industry, with particular focus on capital markets. Recently, Mr Cruse has been involved in the identification and commercialisation of a number of resource (including oil and gas) projects.

Mr Cruse was appointed a director of Odyssey Energy Limited on 3 October 2008. During the three year period to the end of the financial year, Mr Cruse has held a directorship in RTG Mining Inc. (March 2013 – present) and CGA Mining Limited (November 2009 – February 2013).

#### Clint McGhie

Company Secretary

Qualifications – B.Com, CA, ACIS, Ffin

Mr McGhie is a Chartered Accountant and Chartered Secretary. He commenced his career at a large international Chartered Accounting firm, before moving to commerce in the role of financial controller and company secretary. Mr McGhie now works in the corporate office of a number of public listed companies focussed on the resources sector.

Mr McGhie was appointed Company Secretary of Odyssey Energy Limited on 28 October 2015.

### PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year consisted of oil and gas exploration, appraisal and development activities. There has been no change in the nature of those activities.

### DIVIDENDS

No dividends have been declared, provided for or paid in respect of the year ended 30 June 2016 (2015: nil).

### EARNINGS PER SHARE

|                                  | 2016<br>Cents | 2015<br>Cents |
|----------------------------------|---------------|---------------|
| Basic and diluted loss per share | (0.23)        | (0.29)        |

### CORPORATE STRUCTURE

Odyssey Energy Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report including the entities it incorporated and controlled during the financial year.

## OPERATING AND FINANCIAL REVIEW

### Operations

Activities during and subsequent to the financial year end included:

- The Company continued in its efforts to identify and acquire suitable new business opportunities in the oil and gas, resources and other sectors including technology, both domestically and overseas;
- The Company has been searching for additional oil or gas leases and in June 2016, secured a small acreage position (710 acres) with gas rights in McLean County, Kentucky, USA;
- The McClean County Project is adjacent to historical gas wells, and the Company will assess the available historical data in order to determine how to best proceed with the project;
- The Company continued to monitor and evaluate the best method to extract value from the McClain County Project noting that major US Operators are continuing to develop the Woodford Shale gas and gas-liquids plays in the Anadarko Basin in central Oklahoma; and
- As at 30 June 2016, the Company had approximately \$3.95 million in cash reserves placing the Company in a strong position to conduct its current activities and to pursue new business development opportunities.

#### **McLean County Project – Odyssey 100% WI**

The Company has been searching for additional oil or gas leases and in June 2016, was successful in securing a small acreage position following the acquisition of a 100% working interest in a project area in McLean County, Kentucky, USA.

The project, comprising three gas leases consisting of four (4) tracts of property totalling 710 acres, is located adjacent to the Rough Creek Fault System, which is a large regional fault system. Several historical gas wells are contained within or adjacent to the project.

The Company will consider available historical data to determine future activity for this project area, which may include expansion of the lease area footprint and/or exploration activities.

The system for obtaining title to gas leases in the USA is complex given that numerous parties may hold the undivided mineral rights to a particular tract of land. This can be a lengthy and expensive process. It is therefore customary that such title opinions are not sought until the Company proposes to conduct a drilling operation and/or expend significant amounts of money on a particular lease. As a result, limited title work has been conducted to date, and further title work will need to be completed before any substantial exploration expenditure is incurred.

#### **McClain County Oil & Gas Project**

Odyssey holds a 50% working interest in the Project area in the Anadarko Basin in Oklahoma comprising 1,626 gross acres, and targeting gas and oil in the Woodford Shale at between 6,000 and 8,000 feet.

Major US operators have been focusing on developing this Shale as a liquids-rich gas play, with permitting and drilling activity slightly increasing over recent months in adjacent counties. While activity in the region continues to expand the evaluation is still largely focused on greater depths than the prospective section in the Company's acreage.

## DIRECTORS' REPORT

(Continued)

### OPERATING AND FINANCIAL REVIEW (Continued)

#### Corporate

##### Business Development

During the year, the Company continued to assess a number of new business opportunities targeting oil and gas and other sectors including technology, both domestically and overseas. However, other than the acquisition of the gas leases in the McLean County, no agreements have been reached or licences granted and the Directors are not able to assess the likelihood or timing of a successful acquisition or grant of any opportunities.

The Company appointed Merchant Corporate Finance Pty Ltd ("Merchant") in February 2016 to introduce potential assets that the Company may be interested in acquiring. As part of the engagement, Merchant (and its nominees) were issued 1,000,000 Performance Rights that would only vest on the successful settlement of a transaction introduced by Merchant to the Company. The Performance Rights lapsed on 30 June 2016.

##### Results of Operations

|                                                           | 2016<br>\$       | 2015<br>\$       |
|-----------------------------------------------------------|------------------|------------------|
| Loss of the Consolidated Entity before income tax expense | (246,864)        | (273,289)        |
| Income tax expense                                        | -                | -                |
| Net loss for the year                                     | <b>(246,864)</b> | <b>(273,289)</b> |

##### Financial Position

The Company had cash reserves of \$3,950,186 at 30 June 2016 (2015: \$4,182,313).

At 30 June 2016, the Company had net assets of \$3,926,557 (2015: \$4,173,421), a decrease of 5.9% compared with the previous year, which is consistent with and attributable to the current year's net loss after tax.

##### Business Strategies and Prospects for Future Financial Years

The objective of the Group is to create long-term shareholder value through the discovery, development and acquisition of potentially viable projects in the energy sector.

To date, the Group has not commenced production, nor has it identified a resource. To achieve its objective, the Group currently has the following business strategies and prospects over the medium to long term:

- continuing to examine other new business development opportunities in the energy sector, both locally and overseas;
- apply for new oil and gas exploration interests; and
- explore other non-energy related business development opportunities in the resources sector.

All of these activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be able to be achieved. The material business risks faced by the company that are likely to have an effect on the Group's future prospects, and how the Group manages these risks, include:

- **New Projects and Acquisitions** – The Company has to date and will continue to actively pursue and assess other new business opportunities in the resources sector and in particular the energy sector. These new business opportunities may take the form of direct project acquisitions, joint ventures, farm-ins, acquisition of tenements/permits, or direct equity participation. The acquisition of projects (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If a proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on the Company. If any acquisition is completed, the Company will need to reassess, at that time, the funding allocated to any current projects and new projects, which may result in the Company reallocating funds from other projects and/or the raising of additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with a new project/business activities will remain. In the event of a new investment or acquisition by the Company, ASX may require the Company to seek Shareholder approval and to meet the admission requirements under Chapters 1 and 2 of the Listing Rules as if the Company were a new listing. There would be costs associated in re-complying with the admission requirements and the Company's securities may be suspended from trading on ASX. If a new investment or acquisition is not completed, then the Company may not be in a position to comply with the ongoing Listing Rules, which includes but is not limited to, maintaining a sufficient level of operations and financial position. Given the nature of oil and gas exploration, this may also occur if the Company abandons and/or relinquishes a project which is no longer considered viable;
- **The Company's exploration properties may never be brought into production** – The exploration for, and development of, energy and/or resource projects involve a high degree of risk. Few properties which are explored are ultimately developed into production. To mitigate this risk, the Company will undertake systematic and staged exploration and testing programs on its projects. However there can be no guarantee that the exploration activities will result in a successful discovery of economically recoverable reserves;
- **The Company's activities will require further capital** – The exploration and any development of future and current projects will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development of the Company's projects or even a loss of project interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- **The Company may be adversely affected by fluctuations in commodity prices** – **The price of oil and gas** fluctuates widely and is affected by numerous factors beyond the control of the Company. Future production, if any, from the Company's projects will be dependent upon the price of oil or gas being adequate to make these projects economic. The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Company's operations change, this policy will be reviewed periodically going forward; and
- **Global financial conditions may adversely affect the Company's growth and profitability** – Many industries, including the energy and resources industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. Due to the current nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth and ability to finance its activities. If these increased levels of volatility and market turmoil continue, the Company's activities could be adversely impacted and the trading price of the Company's shares could be adversely affected.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- Effective 27 June 2016, the Company secured a small acreage position (710 acres) with gas rights in McLean County, Kentucky, USA.

## DIRECTORS' REPORT

(Continued)

### SIGNIFICANT EVENTS AFTER BALANCE DATE

There are no matters or circumstances which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2016, of the Consolidated Entity.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation, including Oklahoma, USA. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities. There have been no significant known breaches by the Consolidated Entity during the financial year.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will seek to progress exploration, appraisal and field development activities on its oil and gas projects. The Company will also continue to examine new opportunities in the energy sector.

These activities are inherently risky and there can be no certainty that the Group will be able to successfully achieve the objectives. In the opinion of the Directors, any further disclosure of information regarding likely developments in the operations of the Group and the expected results of these operations in subsequent financial years may prejudice the interests of the Company and accordingly further information has not been disclosed.

### INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF ODYSSEY

The following table sets out each Director's relevant interest in Shares of the Company as at the date of this report:

|                  | Interest in Securities at the date of<br>this Report |
|------------------|------------------------------------------------------|
|                  | Shares <sup>1</sup>                                  |
| Mr Ian Middlemas | 5,775,000                                            |
| Mr David Cruse   | 2,028,379                                            |
| Mr Mark Pearce   | 2,256,000                                            |

**Notes:**

<sup>1</sup> "Shares" means fully paid ordinary shares in the capital of the Company.

### SHARE OPTIONS

At the date of this report there are no options issued over unissued capital.

During the year ended 30 June 2016 and up to the date of this report, no Ordinary Shares have been issued as a result of the exercise of options.

## MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2016, and the number of meetings attended by each director.

| Current Directors | Board Meetings<br>Number Eligible to Attend | Board Meetings<br>Number Attended |
|-------------------|---------------------------------------------|-----------------------------------|
| Mr Ian Middlemas  | 3                                           | 3                                 |
| Mr David Cruse    | 3                                           | 2                                 |
| Mr Mark Pearce    | 3                                           | 3                                 |

The Board currently does not have any committees, however this will be reviewed should the size and nature of the Company's activities change.

## REMUNERATION REPORT - AUDITED

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

### Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

#### Directors

|                  |                        |
|------------------|------------------------|
| Mr Ian Middlemas | Chairman               |
| Mr David Cruse   | Non-Executive Director |
| Mr Mark Pearce   | Non-Executive Director |

#### Other KMP

|                 |                                               |
|-----------------|-----------------------------------------------|
| Mr Dylan Browne | Company Secretary (resigned 28 October 2015)  |
| Mr Clint McGhie | Company Secretary (appointed 28 October 2015) |

Unless otherwise disclosed, the KMP held their position from 1 July 2015 until the date of this report.

### Remuneration Policy

The remuneration policy for the Group's KMP (including the Managing Director – if applicable) has been developed by the Board taking into account:

- the size of the Group;
- the size of the management team for the Group;
- the nature and stage of development of the Group's current operations; and
- market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

## DIRECTORS' REPORT

(Continued)

### REMUNERATION REPORT – AUDITED (Continued)

#### Remuneration Policy (Continued)

- the Company is currently focused on identifying new business projects, and undertaking exploration, appraisal and development activities;
- risks associated with small cap resource companies whilst acquiring, exploring and developing projects; and
- other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the successful commercialisation, production and sales of gas from one or more of its current projects, or the acquisition of a profitable project.

#### Remuneration Policy for Executives (if applicable)

The Group currently has no executives. The Group's remuneration policy is to provide executives (upon appointment) a fixed remuneration component and a performance based component (including incentive and/or performance based securities, see below). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning KMP objectives with shareholder and business objectives.

##### **Fixed Remuneration**

Fixed remuneration consists of base salary, as well as employer contributions to superannuation funds and other non-cash benefits.

Fixed remuneration is reviewed annually by the Board (if applicable). The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

##### **Performance Based Remuneration – Short Term Incentive**

Executives (if applicable) may be entitled to an annual cash bonus upon achieving various key performance indicators ("KPI's"), as set by the Board. The Board has focused the Consolidated Entity's efforts on finding and completing new business opportunities. The Board considers that the prospects of the Consolidated Entity and resulting impact on shareholder wealth are largely linked to the success of this approach, rather than by referring to current or prior year earnings.

Accordingly, the Board may pay a bonus to executive KMP's based on the success in generating suitable new business opportunities. A further bonus may also be paid upon the successful completion of a new business acquisition. No bonuses were paid during the current financial year.

##### **Performance Based Remuneration – Long Term Incentive**

The Board may issue incentive securities to some executives (if applicable) as a key component of the incentive portion of their remuneration, in order to attract and retain the services of any executives and to provide an incentive linked to the performance of the Consolidated Entity. The Board considers that for each executive who may receive securities in the future, their experience in the resources industry will greatly assist the Consolidated Entity in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of incentive securities to be granted to any executives will be commensurate to their value to the Consolidated Entity.

The Board has a policy of granting incentive securities to executives (if applicable) with exercise prices at and/or above market share price (at the time of agreement). As such, incentive securities granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Consolidated Entity increases sufficiently to warrant exercising the incentive securities granted.

Other than service-based vesting conditions, there are not expected to be additional performance criteria if incentive securities are granted to executives, as given the speculative nature of the Consolidated Entity's activities and the small management team responsible for its running, it is considered the performance of the executives and the performance and value of the Consolidated Entity are closely related. If other forms of incentive securities are issued, then performance milestones may be applied.

The Company's Securities Trading Policy prohibits KMP's from entering into arrangements to limit their exposure to Incentive Securities granted as part of their remuneration package.

### **Remuneration Policy for Non-Executive Directors**

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, incentive securities have been used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Total directors' fees paid to all non-executive directors are not to exceed \$150,000 per annum. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors may in limited circumstances receive incentive securities in order to secure their services.

Fees for the Chairman are presently \$36,000 (2015: \$36,000) and fees for other Non-Executive Directors are \$20,000 per annum (2015: \$20,000). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

### **Relationship between Remuneration of KMP and Shareholder Wealth**

During the Company's project identification, acquisition, exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there is no relationship between the Board's policy for determining the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash bonuses, when applicable, will be based on achieving various non-financial key performance indicators to be determined by the Board. However, as noted above, KMP's may receive Incentive Securities in the future which generally will only be of value should the value of the Company's shares increase sufficiently to warrant exercising the Incentive Securities.

### **Relationship between Remuneration of KMP and Earnings**

As discussed above, the Company is currently undertaking new project acquisition, exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining the nature and amount of remuneration of KMP.

### **General**

In addition to a focus on operating activities, the Board is also focused on finding and completing new business and other corporate opportunities. The Board considers that the prospects of the Company and resulting impact on shareholder wealth will be enhanced by this approach. Accordingly, a bonus may be paid upon the successful completion of a new business or corporate transaction. No bonuses were paid or are payable in respect to the current financial year.

Where required, Key Management Personnel receive superannuation contributions, currently equal to 9.50% of their salary, and do not receive any other retirement benefit. From time to time, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Key Management Personnel is valued at cost to the company and expensed. Incentive securities are valued using the Binomial option valuation methodology. The value of these incentive securities is expensed over the vesting period.

## DIRECTORS' REPORT

(Continued)

### REMUNERATION REPORT – AUDITED (Continued)

#### Remuneration of Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and KMP of the Company for the year ended 30 June 2016 and 30 June 2015 are as follows:

|                              | Short-term    |                    | Post-employment          | Share based Payments         | Total         | Performance Related |
|------------------------------|---------------|--------------------|--------------------------|------------------------------|---------------|---------------------|
|                              | Salary & Fees | Other <sup>3</sup> | Super-annuation benefits | Value of Unlisted Securities |               |                     |
| 2016 Directors               | \$            | \$                 | \$                       | \$                           | \$            | %                   |
| <b>Directors</b>             |               |                    |                          |                              |               |                     |
| Mr Ian Middlemas             | 36,000        | -                  | 3,420                    | -                            | 39,420        | -                   |
| Mr David Cruse               | 20,000        | -                  | 1,900                    | -                            | 21,900        | -                   |
| Mr Mark Pearce               | 20,000        | -                  | 1,900                    | -                            | 21,900        | -                   |
| <b>Other KMP</b>             |               |                    |                          |                              |               |                     |
| Mr Clint McGhie <sup>1</sup> | -             | -                  | -                        | -                            | -             | -                   |
| Mr Dylan Browne <sup>2</sup> | -             | -                  | -                        | -                            | -             | -                   |
| <b>Total</b>                 | <b>76,000</b> | <b>-</b>           | <b>7,220</b>             | <b>-</b>                     | <b>83,220</b> | <b>-</b>            |

|                              | Short-term    |                    | Post-employment          | Share based Payments         | Total         | Performance Related |
|------------------------------|---------------|--------------------|--------------------------|------------------------------|---------------|---------------------|
|                              | Salary & Fees | Other <sup>3</sup> | Super-annuation benefits | Value of Unlisted Securities |               |                     |
| 2015 Directors               | \$            | \$                 | \$                       | \$                           | \$            | %                   |
| <b>Directors</b>             |               |                    |                          |                              |               |                     |
| Mr Ian Middlemas             | 36,000        | -                  | 3,420                    | -                            | 39,420        | -                   |
| Mr David Cruse               | 20,000        | -                  | 1,900                    | -                            | 21,900        | -                   |
| Mr Mark Pearce               | 20,000        | -                  | 1,900                    | -                            | 21,900        | -                   |
| <b>Other KMP</b>             |               |                    |                          |                              |               |                     |
| Mr Dylan Browne <sup>2</sup> | -             | -                  | -                        | -                            | -             | -                   |
| <b>Total</b>                 | <b>76,000</b> | <b>-</b>           | <b>7,220</b>             | <b>-</b>                     | <b>83,220</b> | <b>-</b>            |

#### Notes:

<sup>1</sup> Mr McGhie was appointed on 28 October 2015. Mr McGhie provides services as the Company Secretary through a services agreement with Apollo Group Pty Ltd ('Apollo'). During the year ended 30 June 2016, Apollo was paid, or is payable, \$180,000 for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Group.

<sup>2</sup> Mr Browne was appointed on 31 October 2012 and resigned on 28 October 2015. Mr Browne provided services as the Company Secretary through a services agreement with Apollo Group Pty Ltd ('Apollo'). During the year ended 30 June 2015, Apollo was paid \$208,000 for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Group.

<sup>3</sup> During the year, no remuneration was paid in the form of a long-term incentive bonus, non-monetary benefit, prescribed benefit or other benefit to key management personnel.

### Shareholdings of Key Management Personnel

| 2016             | Held at<br>1 July 2015<br>(#) | Granted as<br>Reumer-<br>ation<br>(#) | Sales<br>(#) | Purchases <sup>1</sup><br>(#) | Net Change<br>Other <sup>2</sup><br>(#) | Held at<br>30 June<br>2016<br>(#) |
|------------------|-------------------------------|---------------------------------------|--------------|-------------------------------|-----------------------------------------|-----------------------------------|
| <b>Directors</b> |                               |                                       |              |                               |                                         |                                   |
| Mr Ian Middlemas | 5,775,000                     | -                                     | -            | -                             | -                                       | 5,775,000                         |
| Mr David Cruse   | 2,028,379                     | -                                     | -            | -                             | -                                       | 2,028,379                         |
| Mr Mark Pearce   | 2,256,000                     | -                                     | -            | -                             | -                                       | 2,256,000                         |
| <b>Other KMP</b> |                               |                                       |              |                               |                                         |                                   |
| Mr Clint McGhie  | 556,250 <sup>1</sup>          | -                                     | -            | -                             | -                                       | 556,250                           |
| Mr Dylan Browne  | 537,500                       | -                                     | -            | -                             | -                                       | 537,500 <sup>2</sup>              |
|                  | <b>11,153,129</b>             | -                                     | -            | -                             | -                                       | <b>11,153,129</b>                 |

| 2015             | Held at<br>1 July 2014<br>(#) | Granted as<br>Reumer-<br>ation<br>(#) | Sales<br>(#) | Purchases <sup>3</sup><br>(#) | Net Change<br>Other <sup>4</sup><br>(#) | Held at<br>30 June<br>2015<br>(#) |
|------------------|-------------------------------|---------------------------------------|--------------|-------------------------------|-----------------------------------------|-----------------------------------|
| <b>Directors</b> |                               |                                       |              |                               |                                         |                                   |
| Mr Ian Middlemas | 23,100,000                    | -                                     | -            | 3,465,000                     | (20,790,000)                            | 5,775,000                         |
| Mr David Cruse   | 8,113,528                     | -                                     | -            | 1,217,027                     | (7,302,176)                             | 2,028,379                         |
| Mr Mark Pearce   | 9,024,000                     | -                                     | -            | 1,353,600                     | (8,121,600)                             | 2,256,000                         |
| <b>Other KMP</b> |                               |                                       |              |                               |                                         |                                   |
| Mr Dylan Browne  | 150,000                       | -                                     | -            | 522,500                       | (135,000)                               | 537,500                           |
|                  | <b>40,387,528</b>             | -                                     | -            | <b>6,558,127</b>              | <b>(36,348,776)</b>                     | <b>10,596,879</b>                 |

**Notes:**

<sup>1</sup> Mr McGhie was appointed on 28 October 2015 and this balance reflects the number of shares he held on that date.

<sup>2</sup> Mr Browne resigned on 28 October 2015 and this balance reflects the number of shares he held on that date.

<sup>3</sup> Acceptance of pro-rata entitlements issue and shortfall issue at an issue price of \$0.05.

<sup>4</sup> 1:10 consolidation of capital following shareholder approval

### Option holdings of Key Management Personnel

There were no options on issue during the year ended 30 June 2016.

## DIRECTORS' REPORT

(Continued)

### REMUNERATION REPORT – AUDITED (Continued)

#### Option holdings of Key Management Personnel (Continued)

|                  | Held at<br>1 July<br>2014<br>(#) | Granted as<br>Reumer-<br>ation<br>(#) | Net Change<br>Other <sup>1</sup><br>(#) | Options<br>Expired<br>(#) | Held at<br>30 June<br>2015<br>(#) | Vested and<br>exercisable<br>at 30 June<br>2015<br>(#) |
|------------------|----------------------------------|---------------------------------------|-----------------------------------------|---------------------------|-----------------------------------|--------------------------------------------------------|
| <b>2015</b>      |                                  |                                       |                                         |                           |                                   |                                                        |
| <b>Directors</b> |                                  |                                       |                                         |                           |                                   |                                                        |
| Mr Ian Middlemas | 10,100,000                       | -                                     | (9,090,000)                             | (1,010,000)               | -                                 | -                                                      |
| Mr David Cruse   | 3,853,504                        | -                                     | (3,468,154)                             | (385,350)                 | -                                 | -                                                      |
| Mr Mark Pearce   | 4,004,000                        | -                                     | (3,603,600)                             | (400,400)                 | -                                 | -                                                      |
| <b>Other KMP</b> |                                  |                                       |                                         |                           |                                   |                                                        |
| Mr Dylan Browne  | -                                | -                                     | -                                       | -                         | -                                 | -                                                      |
|                  | <b>17,957,504</b>                | <b>-</b>                              | <b>(16,161,754)</b>                     | <b>(1,795,750)</b>        | <b>-</b>                          | <b>-</b>                                               |

**Notes:**

<sup>1</sup> 1:10 consolidation of capital following shareholder approval

#### Incentive Securities Granted to Key Management Personnel

No incentive securities were granted as part of their remuneration to key management personnel during the 2016 or 2015 financial years.

There were no incentive securities granted, exercised or that lapsed for any Key Management Personnel of the Company or Group during the financial 2016 and 2015 years.

#### Employment Contracts with Key Management Personnel

Mr Ian Middlemas, Non-Executive Chairman, has a letter of appointment confirming the terms and conditions of his appointment as a non-executive director and chairman of the Company dated 9 October 2015. Mr Middlemas receives a fee of \$36,000 per annum plus superannuation.

Mr David Cruse, Non-Executive Director, has a letter of appointment confirming the terms and conditions of his appointment as a non-executive director of the Company dated 9 October 2015. Mr Cruse receives a fee of \$20,000 per annum plus superannuation.

Mr Mark Pearce, Non-Executive Director, has a letter of appointment confirming the terms and conditions of his appointment as a non-executive director of the Company dated 9 October 2015. Mr Pearce receives a fee of \$20,000 per annum plus superannuation.

Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$180,000 (2015: \$208,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in advance and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit and Loss and Other Comprehensive Income. The balance payable to Apollo Group Pty Ltd included in the statement of financial position at 30 June 2016 is nil (2015: nil).

#### End of the audited Remuneration Report.

## **INSURANCE OF OFFICERS AND AUDITORS**

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During or since the end of the financial year, the Company or Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by a person who is or has been a director, officer or auditor of the Company or Group.

## **NON-AUDIT SERVICES**

There were no non-audit services provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is on page 14 of the Annual Financial Report and forms part of this report.

This report is made in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Directors



**MARK PEARCE**  
Director

22 September 2016

## AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu  
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The Board of Directors  
Odyssey Energy Limited  
Level 9, 28 The Esplanade  
PERTH WA 6000

22 September 2016

Dear Board Members

### **Odyssey Energy Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Odyssey Energy Limited.

As lead audit partner for the audit of the financial statements of Odyssey Energy Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

**DELOITTE TOUCHE TOHMATSU**

A handwritten signature in blue ink that reads "David Newman".

**David Newman**  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited.

**CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS AND OTHER COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2016



|                                                                                   | Notes | 2016<br>\$       | 2015<br>\$       |
|-----------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Continuing operations</b>                                                      |       |                  |                  |
| Revenue                                                                           | 2     | 100,888          | 103,775          |
| Administration costs                                                              | 3(a)  | (285,357)        | (364,726)        |
| Business development costs                                                        |       | (25,270)         | (6,900)          |
| Exploration costs                                                                 |       | (37,125)         | (5,438)          |
| <b>Loss before income tax expense</b>                                             |       | <b>(246,864)</b> | <b>(273,289)</b> |
| Income tax expense                                                                | 4     | -                | -                |
| <b>Loss for the year</b>                                                          |       | <b>(246,864)</b> | <b>(273,289)</b> |
| <b>Loss attributable to members of Odyssey Energy Limited</b>                     |       | <b>(246,864)</b> | <b>(273,289)</b> |
| <b>Other comprehensive income, net of income tax:</b>                             |       |                  |                  |
| <i>Items that will not be reclassified subsequently to profit or loss</i>         |       | -                | -                |
| <i>Items that may be reclassified subsequently to profit or loss</i>              |       | -                | -                |
| <b>Other comprehensive income for the year, net of tax</b>                        |       | <b>-</b>         | <b>-</b>         |
| <b>Total comprehensive loss for the year</b>                                      |       | <b>(246,864)</b> | <b>(273,289)</b> |
| <b>Total comprehensive loss attributable to members of Odyssey Energy Limited</b> |       | <b>(246,864)</b> | <b>(273,289)</b> |
| Basic and diluted loss per share from continuing operations (cents per share)     | 15    | (0.23)           | (0.29)           |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION**  
AS AT 30 JUNE 2016

|                                     | Notes | 2016<br>\$       | 2015<br>\$       |
|-------------------------------------|-------|------------------|------------------|
| <b>Current Assets</b>               |       |                  |                  |
| Cash and cash equivalents           | 16(b) | 3,950,186        | 4,182,313        |
| Trade and other receivables         | 5     | 16,975           | 20,474           |
| <b>Total Current Assets</b>         |       | <b>3,967,161</b> | <b>4,202,787</b> |
| <b>Non-current Assets</b>           |       |                  |                  |
| Available-for-sale financial assets | 6     | -                | -                |
| <b>Total Non-current Assets</b>     |       | <b>-</b>         | <b>-</b>         |
| <b>TOTAL ASSETS</b>                 |       | <b>3,967,161</b> | <b>4,202,787</b> |
| <b>Current Liabilities</b>          |       |                  |                  |
| Trade and other payables            | 7     | 40,604           | 29,366           |
| <b>Total Current Liabilities</b>    |       | <b>40,604</b>    | <b>29,366</b>    |
| <b>TOTAL LIABILITIES</b>            |       | <b>40,604</b>    | <b>29,366</b>    |
| <b>NET ASSETS</b>                   |       | <b>3,926,557</b> | <b>4,173,421</b> |
| <b>EQUITY</b>                       |       |                  |                  |
| Contributed equity                  | 8(a)  | 29,074,804       | 29,074,804       |
| Reserves                            | 9(a)  | 94,859           | 94,859           |
| Accumulated losses                  |       | (25,243,106)     | (24,996,242)     |
| <b>TOTAL EQUITY</b>                 |       | <b>3,926,557</b> | <b>4,173,421</b> |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2016



|                                                                     | Notes | 2016<br>\$       | 2015<br>\$       |
|---------------------------------------------------------------------|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                         |       |                  |                  |
| Interest received                                                   |       | 102,218          | 97,197           |
| Payments to suppliers and employees                                 |       | (365,932)        | (450,281)        |
| Refunds of GST received                                             |       | 31,587           | 30,474           |
| <b>Net cash outflow from operating activities</b>                   | 16(a) | <b>(232,127)</b> | <b>(322,610)</b> |
| <b>Cash flows from investing activities</b>                         |       |                  |                  |
| Other investing activities                                          |       | -                | -                |
| <b>Net cash outflow from investing activities</b>                   |       | <b>-</b>         | <b>-</b>         |
| <b>Cash flows from financing activities</b>                         |       |                  |                  |
| Proceeds from issue of shares                                       |       | -                | 3,275,304        |
| Transaction costs from issue of shares                              |       | -                | (75,882)         |
| <b>Net cash inflow from financing activities</b>                    |       | <b>-</b>         | <b>3,199,422</b> |
| <b>Net (decrease)/increase in cash and cash equivalents held</b>    |       | <b>(232,127)</b> | <b>2,876,812</b> |
| <b>Cash and cash equivalents at the beginning of financial year</b> |       | <b>4,182,313</b> | <b>1,305,501</b> |
| <b>Cash and cash equivalents at the end of the financial year</b>   | 16(b) | <b>3,950,186</b> | <b>4,182,313</b> |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN  
EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2016

|                                                             | Issued<br>Capital<br>\$ | Foreign<br>Currency<br>Translation<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total Equity<br>\$ |
|-------------------------------------------------------------|-------------------------|-----------------------------------------------------|-----------------------------|--------------------|
| <b>Balance at 1 July 2015</b>                               | <b>29,074,804</b>       | <b>94,859</b>                                       | <b>(24,996,242)</b>         | <b>4,173,421</b>   |
| Net loss for the year                                       | -                       | -                                                   | (246,864)                   | (246,864)          |
| <b>Total comprehensive loss for the year</b>                | <b>-</b>                | <b>-</b>                                            | <b>(246,864)</b>            | <b>(246,864)</b>   |
| <b>Transactions with owners recorded directly in equity</b> |                         |                                                     |                             |                    |
| Issue of shares                                             | -                       | -                                                   | -                           | -                  |
| Share issue costs                                           | -                       | -                                                   | -                           | -                  |
| <b>Balance 30 June 2016</b>                                 | <b>29,074,804</b>       | <b>94,859</b>                                       | <b>(25,243,106)</b>         | <b>3,926,557</b>   |
| <b>Balance at 1 July 2014</b>                               | <b>25,875,382</b>       | <b>94,859</b>                                       | <b>(24,722,953)</b>         | <b>1,247,288</b>   |
| Net loss for the year                                       | -                       | -                                                   | (273,289)                   | (273,289)          |
| <b>Total comprehensive loss for the year</b>                | <b>-</b>                | <b>-</b>                                            | <b>(273,289)</b>            | <b>(273,289)</b>   |
| <b>Transactions with owners recorded directly in equity</b> |                         |                                                     |                             |                    |
| Issue of shares                                             | 3,275,304               | -                                                   | -                           | 3,275,304          |
| Share issue costs                                           | (75,882)                | -                                                   | -                           | (75,882)           |
| <b>Balance 30 June 2015</b>                                 | <b>29,074,804</b>       | <b>94,859</b>                                       | <b>(24,996,242)</b>         | <b>4,173,421</b>   |

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016



**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in preparing the financial report of the Company, Odyssey Energy Limited and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2016 are stated to assist in a general understanding of the financial report.

Odyssey Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report of the Company for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 20 September 2016.

**(a) Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") and interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated statements, the Company is a for-profit entity.

The financial report has also been prepared on a historical cost basis, except for other financial assets at fair value through profit or loss and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

**(b) Statement of Compliance**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- *AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* which completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that standard to be effectively withdrawn.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2016. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements:

| Standard/Interpretation                                                                                                            | Application Date of Standard | Application Date for Group |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------|
| AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation   | 1 January 2016               | 1 July 2016                |
| AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle | 1 January 2016               | 1 July 2016                |
| AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101                          | 1 January 2016               | 1 July 2016                |
| AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107                          | 1 January 2017               | 1 July 2017                |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Odyssey Energy Limited ("Company" or "Parent Entity") as at 30 June 2016 and the results of all subsidiaries for the year then ended. Odyssey Energy Limited and its subsidiaries together are referred to as the Consolidated Entity or Group.

Control is only achieved when the Group has the power over the investee (i.e. ability to direct relevant activities of the investee), is exposed, or has rights, to variable returns from its involvement with the investee, and when it has the ability to use its power to affect its returns. When the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, the potential voting rights held by the Company, other vote holders or other parties and any rights arising from other contractual arrangements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Entity, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the Company.

#### (d) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors .

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable,
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

## (e) Foreign Currency Translation

Both the functional and presentation currency of the Parent Entity at 30 June 2016 was Australian Dollars.

The following table sets out the functional currency of the foreign company controlled by the Parent Entity during the year:

| Company Name       | Functional Currency   |
|--------------------|-----------------------|
| OEL E&P (USA), Inc | United States Dollars |

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to the profit and loss statement with the exception of differences in foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit and loss statement. Tax charges and tax credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Where the functional currency of a subsidiary of the Parent Entity is not Australian Dollars the assets and liabilities of the subsidiary at reporting date are translated into the presentation currency of the Parent Entity at the rate of exchange ruling at the reporting date and the profit and loss statements are translated by applying the monthly average exchange rate.

Any exchange differences arising on this retranslation are taken directly to other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity and relating to that particular foreign operation is recognised in profit and loss.

## (f) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

### *Interest*

Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying value amount of the financial asset.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
(Continued)

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Income Tax**

The income tax expense for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

The Parent Entity and its wholly owned Australian controlled entities (if any) have not implemented the tax consolidation legislation.

**(h) Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

#### (i) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### (j) Cash and Cash Equivalents

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently carried at amortised cost less an allowance for any uncollectible amounts. Trade receivables are due for settlement no more than 30 days from the date of recognition. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

#### Impairment

If there is objective evidence that an impairment loss on trade and other receivables carried at amortised cost has been incurred, the amount of 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) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

#### (l) Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either loans and receivables, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

Purchases and sales of investments are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the profit and loss statement as gains and losses. Reversals of previous impairments of available-for-sale assets are not recognised through profit and loss.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

#### **(m) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### **(n) Trade and Other Payables**

Trade and other payables are recognised initially at fair value and subsequently at amortised cost and represent liabilities for the goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days.

#### **(o) Contributed Equity**

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or incentive securities are shown in equity as a deduction, net of tax, from the proceeds.

#### **(p) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

#### **(q) Earnings per Share (EPS)**

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 the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after 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.

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2016**

(Continued)

#### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(r) Oil and Gas Properties**

Oil and gas properties are carried at cost and include acquisition costs, drilling, completion, operating costs and transferred exploration and evaluation expenditure.

Oil and gas properties are amortised using a units-of-production method, based on the ratio of actual production to remaining proved and probable reserves (2P) as estimated by independent petroleum engineers.

The recoverability of the carrying amount of the oil and gas property is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

##### **(s) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

##### **(t) Share Based Payments**

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where ordinary shares are issued, the transaction is recorded at fair value based on the quoted price of the ordinary shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

##### **(u) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss statement net of any reimbursement.

## (v) Critical Accounting Estimates, Assumptions and Judgements

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

### (i) Critical accounting estimates and assumptions

#### (A) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows.

The Company has an investment in Cre8tek Limited (formerly Marion Energy Limited), which is classified as an available for sale financial asset. Following an announcement regarding an acquisition, Cre8tek shares were suspended from trading on 5 May 2016 and remain suspended at the date of this report. The price of the last trade in Cre8tek shares prior to suspension from trading was \$0.038 and the value of the Company's holding in Cre8tek shares is considered immaterial.

|                                    | Notes | 2016<br>\$     | 2015<br>\$     |
|------------------------------------|-------|----------------|----------------|
| <b>2. REVENUE AND OTHER INCOME</b> |       |                |                |
| <b>(a) Revenue</b>                 |       |                |                |
| Interest revenue                   |       | 100,888        | 103,775        |
|                                    |       | <b>100,888</b> | <b>103,775</b> |
| <b>3. EXPENSES</b>                 |       |                |                |
| <b>(a) Employee Expenses</b>       |       |                |                |
| KMP remuneration                   | 10(b) | 83,220         | 83,220         |
|                                    |       | <b>83,220</b>  | <b>83,220</b>  |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
(Continued)

**4. INCOME TAX**

**(a) Recognised in the statement of comprehensive income**

|                                                                | 2016     | 2015     |
|----------------------------------------------------------------|----------|----------|
|                                                                | \$       | \$       |
| <b>Current income tax</b>                                      |          |          |
| Current income tax benefit                                     | (73,869) | (66,120) |
| Adjustments in respect of current income tax of previous years | (21,867) | 8,664    |
| <b>Deferred income tax</b>                                     |          |          |
| Origination and reversal of temporary differences              | 5,620    | (13,797) |
| Deferred tax assets not brought to account                     | 90,116   | 71,253   |
|                                                                | -        | -        |

**(b) Reconciliation between Tax Expense and Accounting Loss Before Income Tax**

|                                                                | 2016      | 2015      |
|----------------------------------------------------------------|-----------|-----------|
|                                                                | \$        | \$        |
| Accounting loss before income tax                              | (246,864) | (273,289) |
| At the domestic income tax rate of 30% (2015: 30%)             | (74,059)  | (81,987)  |
| Expenditure not allowable for income tax purposes              | 5,810     | 2,070     |
| Adjustments in respect of current income tax of previous years | (21,867)  | 8,664     |
| Deferred tax assets not brought to account                     | 90,116    | 71,253    |
| <b>Income tax expense attributable to loss</b>                 | -         | -         |

**(c) Deferred Income Tax**

Deferred income tax at balance date relates to the following:

|                                                              | 2016        | 2015        |
|--------------------------------------------------------------|-------------|-------------|
|                                                              | \$          | \$          |
| <b>Deferred Tax Liabilities</b>                              |             |             |
| Accrued interest                                             | 2,216       | 2,615       |
| Deferred tax assets used to offset deferred tax liabilities  | (2,216)     | (2,615)     |
|                                                              | -           | -           |
| <b>Deferred Tax Assets</b>                                   |             |             |
| Available-for-sale financial assets                          | 7,326,000   | 7,326,000   |
| Exploration and evaluation assets                            | 122,869     | 122,869     |
| Accrued expenditure                                          | 7,980       | 7,815       |
| Capital Allowances                                           | 16,427      | 22,611      |
| Tax losses available to offset against future taxable income | 1,189,194   | 1,096,073   |
| Deferred tax assets used to offset deferred tax liabilities  | (2,216)     | (2,615)     |
| Deferred tax assets not brought to account                   | (8,660,254) | (8,572,753) |
|                                                              | -           | -           |

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

#### (d) Tax Consolidation

The Company and its wholly-owned Australian resident entities have implemented the tax consolidation legislation.

|                                                        | 2016          | 2015          |
|--------------------------------------------------------|---------------|---------------|
|                                                        | \$            | \$            |
| <b>5. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES</b> |               |               |
| Accrued interest                                       | 7,386         | 8,716         |
| GST receivable                                         | 9,589         | 11,758        |
| <b>Total trade and other receivables</b>               | <b>16,975</b> | <b>20,474</b> |

|                                                                    | Notes | 2016         | 2015         |
|--------------------------------------------------------------------|-------|--------------|--------------|
|                                                                    |       | \$           | \$           |
| <b>6. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS</b> |       |              |              |
| Shares in listed company – fair value at time of acquisition       | (a)   | 17,531,250   | 17,531,250   |
| Less impairment in value since acquisition                         |       | (17,531,250) | (17,531,250) |
| <b>Fair value at reporting date</b>                                |       | <b>-</b>     | <b>-</b>     |

- (a) The Company holds 27,500 shares in Cre8tek Limited (formerly Marion Energy Limited) following a 1 for 100 share consolidation in October 2015. Odyssey originally received these shares following the sale of its subsidiary OEL Operating (USA) to Cre8tek Limited.

Cre8tek's securities were reinstated to official quotation on the ASX on 5 February 2016. Following an announcement regarding an acquisition, Cre8tek shares were suspended from trading on 5 May 2016 and remain suspended at the date of this report. The price of the last trade in Cre8tek shares prior to suspension from trading was \$0.038 and the value of the Company's holding in Cre8tek shares is considered immaterial.

|                                                          | 2016          | 2015          |
|----------------------------------------------------------|---------------|---------------|
|                                                          | \$            | \$            |
| <b>7. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES</b> |               |               |
| Accounts payable <sup>(a)</sup>                          | 14,004        | 3,316         |
| Accrued expenses                                         | 26,600        | 26,050        |
| <b>Total trade and other payables</b>                    | <b>40,604</b> | <b>29,366</b> |

- (a) Terms & Conditions  
Trade creditors are non interest bearing and are normally settled on 30 day terms.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
(Continued)

|                                                            | Notes       | 2016<br>\$        | 2015<br>\$        |
|------------------------------------------------------------|-------------|-------------------|-------------------|
| <b>8. CONTRIBUTED EQUITY</b>                               |             |                   |                   |
| <b>(a) Issued and paid up capital</b>                      |             |                   |                   |
| 109,176,820 (2015: 109,176,820) fully paid ordinary shares | <b>8(b)</b> | <b>29,074,804</b> | <b>29,074,804</b> |

**(b) Movements in Ordinary Share Capital for Years Ended 30 June 2016 and 30 June 2015 were as follows:**

| Date               | Details                          | Number of Ordinary Shares | Issue Price<br>\$ | \$                |
|--------------------|----------------------------------|---------------------------|-------------------|-------------------|
| <b>1-Jul-2015</b>  | <b>Opening Balance</b>           | <b>109,176,820</b>        |                   | <b>29,074,804</b> |
| <b>30-Jun-2016</b> | <b>Closing Balance</b>           | <b>109,176,820</b>        | -                 | <b>29,074,804</b> |
| <b>1-Jul-2014</b>  | <b>Opening Balance</b>           | <b>436,707,975</b>        | -                 | <b>25,875,382</b> |
| 7-Aug-2014         | Share consolidation <sup>1</sup> | (393,037,247)             | -                 | -                 |
| 28-Nov-2014        | Entitlements Offer               | 65,506,092                | \$0.05            | 3,275,304         |
| Jul-14 to Jun-15   | Share issue costs                | -                         | -                 | (75,882)          |
| <b>30-Jun-2015</b> | <b>Closing Balance</b>           | <b>109,176,820</b>        |                   | <b>29,074,804</b> |

**Notes:**

<sup>1</sup> On 7 August 2014, the Company completed a 1 for 10 capital consolidation ("Consolidation") thereby reducing the number of shares on issue to 43.7 million.

**(c) Terms and Conditions of Ordinary Shares**

*(i) General*

The ordinary shares ("Shares") are ordinary shares and rank equally in all respects with all ordinary shares in the Company and have no par value.

The rights attaching to the Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office.

*(ii) Reports and Notices*

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

*(iii) Voting*

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the Chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(iv) *Variation of Shares and Rights Attaching to Shares*

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(v) *Unmarketable Parcels*

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than \$500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(vi) *Changes to the Constitution*

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

|                                                   | 2016   | 2015   |
|---------------------------------------------------|--------|--------|
|                                                   | \$     | \$     |
| <b>9. RESERVES</b>                                |        |        |
| <b>(a) Reserves</b>                               |        |        |
| Foreign currency translation reserve (Note 9 (c)) | 94,859 | 94,859 |

**(b) Movements in Options and Rights for Years ended 30 June 2016 and 30 June 2015 were as follows:**

| Date               | Details                      | Number of \$0.05 Listed Options | Number of Performance Rights | \$ |
|--------------------|------------------------------|---------------------------------|------------------------------|----|
| <b>1-Jul-2015</b>  | <b>Opening Balance</b>       | -                               | -                            | -  |
| 26-Feb-2016        | Issue of Performance Rights  | -                               | 1,000,000                    | -  |
| 30-Jun-2016        | Expiry of Performance Rights | -                               | (1,000,000)                  | -  |
| <b>30-Jun-2016</b> | <b>Closing Balance</b>       | -                               | -                            | -  |
| <b>1-Jul-2014</b>  | <b>Opening Balance</b>       | 185,489,080                     | -                            | -  |
| 7-Aug-2014         | Consolidation of Capital     | (166,940,224)                   | -                            | -  |
| 31-Dec-2014        | Expiry of Options            | (18,548,856)                    | -                            | -  |
| <b>30-Jun-2015</b> | <b>Closing Balance</b>       | -                               | -                            | -  |

**(c) Nature and Purpose of Reserves**

(i) *Foreign Currency Translation Reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
(Continued)

**10. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Details of Key Management Personnel**

The Key Management Personnel of the Group during or since the end of the financial year were as follows:

**Directors**

|                  |                        |
|------------------|------------------------|
| Mr Ian Middlemas | Chairman               |
| Mr David Cruse   | Non-Executive Director |
| Mr Mark Pearce   | Non-Executive Director |

**Other KMP**

|                 |                                               |
|-----------------|-----------------------------------------------|
| Mr Clint McGhie | Company Secretary (appointed 25 October 2015) |
| Mr Dylan Browne | Company Secretary (resigned 25 October 2015)  |

Unless otherwise disclosed, the KMP held their position from 1 July 2015 until the date of this report.

**(b) Key Management Personnel Compensation**

| Company and Consolidated     | 2016          | 2015          |
|------------------------------|---------------|---------------|
|                              | \$            | \$            |
| Short-term employee benefits | 76,000        | 76,000        |
| Post-employment benefits     | 7,220         | 7,220         |
| <b>Total compensation</b>    | <b>83,220</b> | <b>83,220</b> |

**(c) Loans to Key Management Personnel**

There were no loans made to any key management personnel during the year ended 30 June 2016 (2015: Nil).

**(d) Other Transactions**

Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$180,000 (2015: \$208,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in advance and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit and Loss and Other Comprehensive Income. The balance payable to Apollo Group Pty Ltd included in the statement of financial position at 30 June 2016 is nil (2015: nil).

**11. CONTROLLED ENTITIES**

All controlled entities are included in the consolidated financial statements. The parent entity does not guarantee to pay the deficiency of its controlled entities in the event of a winding up of any controlled entity. The financial year-end of the controlled entities is the same as that of the parent entity.

| Name of Controlled Entity         | Place of Incorporation | % of Shares held 2016 | % of Shares held 2015 |
|-----------------------------------|------------------------|-----------------------|-----------------------|
| OEL E&P (USA), Inc <sup>(a)</sup> | USA                    | 100                   | 100                   |
| NWS O & G Pty Ltd <sup>(b)</sup>  | Australia              | 100                   | 100                   |

The above named investments in controlled entities have a carrying value at balance date of nil.

- (a) Incorporated on 24 June 2008.  
(b) Incorporated on 7 May 2014.

## 12. RELATED PARTIES

### Transactions with Related Parties in the Consolidated Group

The consolidated group consists of Odyssey Energy Limited (the ultimate parent entity in the wholly owned group) and its controlled entities (see Note 11).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

|                                                                                                       | 2016          | 2015          |
|-------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                       | \$            | \$            |
| <b>13. REMUNERATION OF AUDITORS</b>                                                                   |               |               |
| Amounts due to Deloitte Touche Tohmatsu for an audit or review of the financial report of the Company | 22,600        | 21,750        |
| <b>Total Auditor's Remuneration</b>                                                                   | <b>22,600</b> | <b>21,750</b> |

## 14. SEGMENT INFORMATION

The Consolidated Entity operates in one segment, being the resources sector in the United States of America. This is the basis on which internal reports are provided to the Directors, who are the chief operating decision makers, for assessing performance and determining the allocation of resources within the Consolidated Entity.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
(Continued)

|                                               | 2016<br>cents | 2015<br>cents |
|-----------------------------------------------|---------------|---------------|
| <b>15. EARNINGS PER SHARE</b>                 |               |               |
| <b>(a) Basic and diluted loss per share</b>   |               |               |
| From continuing operations                    | (0.23)        | (0.29)        |
| <b>Total basic and diluted loss per share</b> | <b>(0.23)</b> | <b>(0.29)</b> |

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

|                                                                   | Consolidated<br>2016<br>\$ | 2015<br>\$       |
|-------------------------------------------------------------------|----------------------------|------------------|
| Net loss used in calculating basic and diluted earnings per share | <b>(246,864)</b>           | <b>(273,289)</b> |

|                                                                                                                                                   | Number of<br>Shares<br>2016 | Number of<br>Shares<br>2015 |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Weighted average number of ordinary shares and potential ordinary shares used in calculating basic earnings per share                             | 109,176,820                 | 93,014,208                  |
| Effect of dilutive securities (see below)                                                                                                         | -                           | -                           |
| <b>Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share</b> | <b>109,176,820</b>          | <b>93,014,208</b>           |

**(b) Non-dilutive Securities**

As at balance date, there were nil non-dilutive Securities.

**(c) Conversions, Calls, Subscriptions or Issues after 30 June 2016**

Nil.

|                                                                                                              | 2016<br>\$       | 2015<br>\$       |
|--------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>16. STATEMENT OF CASH FLOWS</b>                                                                           |                  |                  |
| <b>(a) Reconciliation of Net Loss After Income Tax Expense to Net Cash Outflow from Operating Activities</b> |                  |                  |
| Net loss after income tax expense                                                                            | (246,864)        | (273,289)        |
| <b>Changes in assets and liabilities</b>                                                                     |                  |                  |
| Change in trade and other receivables                                                                        | 3,499            | (3,297)          |
| Change in trade and other payables                                                                           | 11,238           | (46,024)         |
| <b>Net cash outflow from operating activities</b>                                                            | <b>(232,127)</b> | <b>(322,610)</b> |
| <b>(b) Reconciliation of Cash Assets</b>                                                                     |                  |                  |
| Cash at bank and on hand                                                                                     | <b>3,950,186</b> | <b>4,182,313</b> |

**(c) Non-cash financing and investing activities**

During the current year, there were no non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows (2015: nil).

|                                      | 2016<br>\$       | 2015<br>\$       |
|--------------------------------------|------------------|------------------|
| <b>17. PARENT ENTITY DISCLOSURES</b> |                  |                  |
| <b>(a) Financial Position</b>        |                  |                  |
| <b>Assets</b>                        |                  |                  |
| Current Assets                       | 3,967,159        | 4,202,785        |
| Non-Current Assets                   | 2                | 2                |
| <b>Total Assets</b>                  | <b>3,967,161</b> | <b>4,202,787</b> |
| <b>Liabilities</b>                   |                  |                  |
| Current Liabilities                  | 40,604           | 29,366           |
| <b>Total Liabilities</b>             | <b>40,604</b>    | <b>29,366</b>    |
| <b>Equity</b>                        |                  |                  |
| Contributed equity                   | 29,074,804       | 29,074,804       |
| Accumulated losses                   | (25,148,247)     | (24,901,383)     |
| <b>Total Equity</b>                  | <b>3,926,557</b> | <b>4,173,421</b> |
| <b>(b) Financial Performance</b>     |                  |                  |
| Loss for the year                    | (246,864)        | (273,289)        |
| <b>Total comprehensive income</b>    | <b>(246,864)</b> | <b>(273,289)</b> |

**(c) Commitments and Contingencies**

The Parent entity has no commitments for expenditure nor any contingent assets or liabilities at balance date.

**18. SHARE-BASED PAYMENTS**

**(a) Recognised Share-based Payment Expense**

From time to time, the Group provides incentive options to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required.

During the past two years, the following equity-settled share-based payments have been made:

|                                                                      | 2016<br>\$ | 2015<br>\$ |
|----------------------------------------------------------------------|------------|------------|
| Expense arising from equity-settled share-based payment transactions | -          | -          |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
(Continued)

**18. SHARE-BASED PAYMENTS (Continued)**

**(b) Summary of Rights Granted**

The following share-based payment arrangements were granted during the last two years:

| 2016          | Security Type | Number    | Grant Date | Note | Expiry Date | Exercise Price \$ | Fair Value \$ |
|---------------|---------------|-----------|------------|------|-------------|-------------------|---------------|
| <b>Series</b> |               |           |            |      |             |                   |               |
| Series 1      | Right         | 1,000,000 | 26-Feb-16  | (1)  | 30-Jun-16   | -                 | 0.325         |

**Note:**

<sup>1</sup> The Performance Rights were each convertible into two (2) ordinary shares and ten (10) unlisted options (exercisable at \$0.06 each on or before the later of 28 March 2017 or the date that is 12 months after the date that escrow provisions (if any) fall away) upon vesting. Performance Rights vest on the later of the date that the Milestone is satisfied and the date that the holder gives a notice to the Company confirming that they would like the Performance Rights to vest. The Milestone will be satisfied in the event that the holder introduces a transaction to the Company, the Company executes a binding agreement and completes the transaction. The Performance Rights lapsed on 30 June 2016.

**(c) Option and Performance Right Pricing Model**

The fair value of the performance rights granted is estimated as at the date of grant using the seven day volume weighted average share price prior to issuance for the two (2) ordinary shares to be issued on conversion of the Performance Rights and the Binomial option valuation model for the ten (10) unlisted options to be issued on conversion of the Performance Rights, taking into account the terms and conditions upon which the options will be issued upon conversion.

The following table lists the inputs to the valuation model used for Performance Rights granted by the Group during the years ended 30 June 2016 and 30 June 2015:

| 2016                                              |                    |
|---------------------------------------------------|--------------------|
| Inputs                                            | Performance Rights |
| Exercise Price                                    | -                  |
| Grant date share price                            | \$0.058            |
| Dividend yield <sup>(1)</sup>                     | -                  |
| Volatility <sup>(2)</sup>                         | 95%                |
| Risk free interest rate                           | 1.56%              |
| Grant date                                        | 26-Feb-16          |
| Expiry date                                       | 30-Jun-16          |
| Expected life of performance right <sup>(3)</sup> | 0.33 years         |
| Fair value at grant date <sup>(4)</sup>           | \$0.325            |

**Notes:**

- (1) The dividend yield reflects the assumption that the current dividend payout will remain unchanged.  
(2) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.  
(3) The expected life of the rights is based on the expiry date of the rights.  
(4) The fair value at grant date comprises \$0.116 for the two (2) ordinary shares issued on conversion of the Performance Rights and \$0.209 for the ten (10) unlisted options issued on conversion.

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### (a) Overview

The Group's principal financial instruments comprise available for sale financial assets, receivables, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Given the nature and size of the business, no formal risk management committees have been established, however responsibility for control and risk management is delegated to the appropriate level of management with the chief executive officer and chief financial officer (or their equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of the operations and financial position of the Company and Group. The Board also reviews risks that relate to operations and financial instruments as required, but at least every six months.

Given the uncertainty as to the timing and amount of cash inflows and outflows, the Company has not implemented any additional strategies to mitigate the financial risks and no hedging has been put in place. As the Company's operations change, the Directors will review this policy periodically going forward.

The Company's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains.

The Company currently does not engage in any hedging or derivative transactions to manage market risk.

### (b) Credit Risk

Credit risk is the risk of financial loss to the Company or Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents, and trade and other receivables.

There are no significant concentrations of credit risk within the Consolidated Entity. The carrying amount of the Consolidated Entity's financial assets represents the maximum credit risk exposure, as represented below:

|                             | Notes | 2016<br>\$       | 2015<br>\$       |
|-----------------------------|-------|------------------|------------------|
| Cash and cash equivalents   | 16(b) | 3,950,186        | 4,182,313        |
| Trade and other receivables | 5     | 16,975           | 20,474           |
|                             |       | <b>3,967,161</b> | <b>4,202,787</b> |

The Consolidated Entity does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

### 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (b) Credit Risk (Continued)

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Consolidated Entity trades only with recognised, creditworthy third parties. It is the Consolidated Entity's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant. At 30 June 2016, none (2015: none) of the Consolidated Entity's receivables are past due.

With respect to credit risk arising from cash and cash equivalents, the Consolidated Entity's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company and Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due. This is monitored by the preparation of monthly cash flow reports, and regular forecasts as required but at least every six months.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

|                          | Carrying<br>Amount<br>\$ | Contractual<br>cash flows<br>\$ | 6 months<br>or less<br>\$ | 6-12<br>months<br>\$ | 1-2 years<br>\$ | 2-5 years<br>\$ |
|--------------------------|--------------------------|---------------------------------|---------------------------|----------------------|-----------------|-----------------|
| <b>2016</b>              |                          |                                 |                           |                      |                 |                 |
| <b>Group</b>             |                          |                                 |                           |                      |                 |                 |
| Trade and other payables | 40,604                   | (40,604)                        | (40,604)                  | -                    | -               | -               |
| <b>2015</b>              |                          |                                 |                           |                      |                 |                 |
| <b>Group</b>             |                          |                                 |                           |                      |                 |                 |
| Trade and other payables | 29,366                   | (29,366)                        | (29,366)                  | -                    | -               | -               |

#### (d) Currency Risk

##### (i) Exposure to currency risk

The Company and the Group are exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its foreign controlled entity. The functional currency of the Company is Australian Dollars (AUD) and of its foreign controlled entity is United States Dollars (USD).

As the Company's loan to its foreign controlled entity is denominated in AUD the Company has not been exposed to currency risk in respect to this balance. Foreign currency gains/losses recorded by the subsidiary are taken to foreign currency reserve.

Foreign currency risk also arises on translation of the net assets of the controlled entity into AUD for consolidation purposes. The foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

As a result of activities overseas, the Group's statement of financial position can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in foreign currencies. The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

(ii) *Sensitivity analysis for currency risk*

There would be no material impact on consolidated profit or loss and equity balances arising from changes in the currency risk variables as there have been no significant foreign currency transactions.

**(e) Interest Rate Risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of available-for-sale financial assets, receivables and payables, are non-interest bearing.

(i) *Exposure to interest rate risk*

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

|                                               |     | 2016             | 2015             |
|-----------------------------------------------|-----|------------------|------------------|
|                                               |     | \$               | \$               |
| <b>Interest-bearing financial instruments</b> |     |                  |                  |
| Cash at bank and on hand                      | (A) | 3,950,186        | 4,182,313        |
|                                               |     | <b>3,950,186</b> | <b>4,182,313</b> |

(A) The weighted average interest rate of the Company cash balances was 2.25% (2015: 2.49%) and for total consolidated cash balances this rate was 2.25% (2015: 2.49%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

(ii) *Cash flow sensitivity analysis for variable rate instruments*

A sensitivity of 20% has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 20% movement in interest rates at the reporting date would have increased (decreased) equity and profit and 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       |              |
|---------------------------|----------------|--------------|--------------|--------------|
|                           | 20% increase   | 20% decrease | 20% increase | 20% decrease |
| <b>2016</b>               |                |              |              |              |
| <b>Group</b>              |                |              |              |              |
| Cash and cash equivalents | 17,765         | (17,765)     | 17,765       | (17,765)     |
| <b>2015</b>               |                |              |              |              |
| <b>Group</b>              |                |              |              |              |
| Cash and cash equivalents | 20,868         | (20,868)     | 20,868       | (20,868)     |

**(f) Commodity Price Risk**

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

#### 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### (g) Equity Price Risk

###### (i) Exposure to equity price risk

The Company is exposed to equity price risk arising from its equity investment in Cre8tek Limited formerly Marion Energy Limited. The equity investment is currently held for strategic rather than trading purposes. The Company does not actively trade these investments and no hedging or derivative transactions have been used to manage equity price risk. The Company's investment is classified as available-for-sale and is carried at fair value.

The Company's investment in Cre8tek Limited is classified as an available for sale financial asset. Following an announcement regarding an acquisition, Cre8tek shares were suspended from trading on 5 May 2016 and remain suspended at the date of this report. The price of the last trade in Cre8tek shares prior to suspension from trading was \$0.038 and the value of the Company's holding in Cre8tek shares is considered immaterial.

With respect to equity price risk arising from the Company's equity investments, the maximum exposure is equal to the carrying amount of the Company's equity investments, which is currently nil.

A deferred tax asset has not been recognised in respect of this investment (refer Note 4).

##### (h) Fair Value

The net fair value of financial assets and financial liabilities approximate their carrying value. The methods for estimating fair values are outlined in the relevant notes to the Financial Statements.

##### (i) Capital Management

The Board's policy is to maintain a suitable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Company, the Board's objective is to minimise debt going forward and to raise funds as required through the issue of new shares. However, the Board will undertake short term borrowings to provide temporary funding where appropriate. The Company is currently examining new business opportunities where acquisition/working capital requirements of a new project may involve additional funding in some format (which may include debt, where appropriate). There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

#### 20. COMMITMENTS AND CONTINGENCIES

##### (a) Commitments

The Group has no commitments for expenditure. However, it should be noted that the Group intends to conduct exploration and appraisal activities on its oil and gas leases.

##### (b) Contingencies

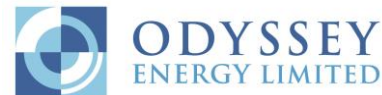
At balance date the Group has no contingent assets or liabilities.

#### 21. EVENTS AFTER THE REPORTING PERIOD

There are no matters or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2016, of the Company or Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2016, of the Company or Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2016, of the Company or Consolidated Entity.

## DIRECTORS' DECLARATION



In accordance with a resolution of the directors of Odyssey Energy Limited:

1. In the opinion of the directors:
  - (a) the attached financial statements, notes and the additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
    - (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
    - (ii) section 297 (gives a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Group); and
  - (b) 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 attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the Board

A handwritten signature in black ink, appearing to read "M Pearce".

**MARK PEARCE**  
Director

22 September 2016



Deloitte Touche Tohmatsu  
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## **Independent Auditor's Report to the members of Odyssey Energy Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Odyssey Energy Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, 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 as set out on pages 15 to 41.

#### *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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated 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 that we 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.

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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

# Deloitte.

## *Auditor's Independence Declaration*

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

## *Opinion*

In our opinion:

- (a) the financial report of Odyssey 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 12 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.

## *Opinion*

In our opinion the Remuneration Report of Odyssey Energy Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



**DELOITTE TOUCHE TOHMATSU**



**David Newman**

Partner

Chartered Accountants

Perth, 22 September 2016

## CORPORATE GOVERNANCE

Odyssey Energy Limited (**Odyssey** or **Company**) and the entities it controls believe corporate governance is a critical pillar on which business objectives and, in turn, shareholder value must be built.

The Board of Odyssey has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by the Company.

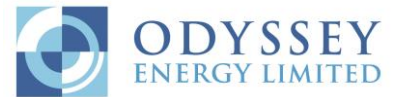
These documents are available in the Corporate Governance section of the Company's website, [www.odysseyenergy.com.au](http://www.odysseyenergy.com.au). These documents are reviewed at least annually to address any changes in governance practices and the law.

The Company's Corporate Governance Statement 2016, which is current as at 30 June 2016 and has been approved by the Company's Board, explains how Odyssey complies with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' in relation to the year ended 30 June 2016. The Corporate Governance Statement is available in the Corporate Governance section of the Company's website, [www.odysseyenergy.com.au/corporate-governance/](http://www.odysseyenergy.com.au/corporate-governance/) and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

In addition to the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' the Board has taken into account a number of important factors in determining its corporate governance policies and procedures; including the:

- relatively simple operations of the Company, which currently only undertakes mineral exploration and development activities;
- cost verses benefit of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the resources sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively small market capitalisation and economic value of the entity; and
- direct shareholder feedback.

## ASX ADDITIONAL INFORMATION



The shareholder information set out below was applicable as at 31 August 2016.

### 1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

#### Ordinary Shares

| Name                                                        | No of Ordinary Shares Held | Percentage of Issued Shares |
|-------------------------------------------------------------|----------------------------|-----------------------------|
| HSBC Custody Nominees (Australia) Limited                   | 10,612,800                 | 9.72%                       |
| Arredo Pty Ltd                                              | 5,250,000                  | 4.81%                       |
| Argonaut Equity Partners Pty Limited                        | 5,000,000                  | 4.58%                       |
| Minturn Pty Ltd <Prima Superannuation Fund AC>              | 4,125,347                  | 3.78%                       |
| Croesus Mining Pty Ltd <Steinepreis Super Fund A/C>         | 3,950,000                  | 3.62%                       |
| Keil Investments Pty Ltd <The Keil Priv Pen Fund A/C >      | 3,950,000                  | 3.62%                       |
| Nutsville Pty Ltd <Indust Electric Co S/F A/C>              | 3,371,685                  | 3.09%                       |
| Reef Investments Pty Ltd <T D Nairn Super Fund A/C>         | 2,368,750                  | 2.17%                       |
| BT Portfolio Services Limited <Warrell Holdings S/F A/C>    | 2,000,000                  | 1.83%                       |
| Mikado Corporation Pty Ltd <JFC Superannuation Fund A/C>    | 2,000,000                  | 1.83%                       |
| Neven Nikola Botica <Botica Family No1 A/C>                 | 1,900,137                  | 1.74%                       |
| Enerview Pty Ltd                                            | 1,750,000                  | 1.60%                       |
| Mr John Paul Welborn                                        | 1,710,000                  | 1.57%                       |
| N & J Mitchell Holdings Pty Ltd <Ord Street Properties A/C> | 1,550,000                  | 1.42%                       |
| Cosmos Nominees Pty Ltd <The Plastics Centre S/F A/C>       | 1,500,000                  | 1.37%                       |
| Mr Mark Pearce + Mrs Natasha Pearce <NMLP Family A/C>       | 1,500,000                  | 1.37%                       |
| Flue Holdings Pty Ltd                                       | 1,473,974                  | 1.35%                       |
| DRFT Management Pty Ltd <D Roberts Invest No2 A/C>          | 1,187,286                  | 1.09%                       |
| Bouchi Pty Ltd                                              | 1,177,500                  | 1.08%                       |
| The Alpine Bark Hut Pty Ltd <The Alpine Investment A/C>     | 1,060,945                  | 0.97%                       |
| <b>Total Top 20</b>                                         | <b>57,438,424</b>          | <b>52.61%</b>               |
| Others                                                      | 51,738,396                 | 47.39%                      |
| <b>Total Ordinary Shares on Issue</b>                       | <b>109,176,820</b>         | <b>100.00%</b>              |

## ASX ADDITIONAL INFORMATION

(Continued)

### 2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

| Distribution      | Ordinary Shares        |                    |
|-------------------|------------------------|--------------------|
|                   | Number of Shareholders | Number of Shares   |
| 1 - 1,000         | 127                    | 68,340             |
| 1,001 - 5,000     | 151                    | 412,729            |
| 5,001 - 10,000    | 78                     | 601,766            |
| 10,001 - 100,000  | 188                    | 6,994,412          |
| More than 100,000 | 132                    | 101,099,573        |
| <b>Totals</b>     | <b>676</b>             | <b>109,176,820</b> |

There were 321 holders of less than a marketable parcel of ordinary shares.

### 3. VOTING RIGHTS

See Note 8(c) of the Notes to the Financial Statements.

### 4. SUBSTANTIAL SHAREHOLDERS

As at 31 August 2016, Substantial Shareholder notices have been received from the following:

| Substantial Shareholder                                  | Number of Shares |
|----------------------------------------------------------|------------------|
| City Natural Resources High Yield Trust Plc              | 10,366,050       |
| Nutsville Pty Ltd                                        | 7,137,320        |
| Argonaut Limited                                         | 6,000,000        |
| Arredo Pty Ltd                                           | 5,775,000        |
| N&J Mitchell Holdings Pty Ltd and Croesus Mining Pty Ltd | 5,550,000        |

### 5. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Odyssey Energy Limited's listed securities.

### 6. EXPLORATION/PROJECT INTERESTS

As at 31 August 2016, the Company has an interest in the following projects:

| Project                | Net Acreage Participation | Odyssey Working Interest |
|------------------------|---------------------------|--------------------------|
| McLean County Project  | 710                       | 100.0%                   |
| McClain County Project | 1,626                     | 50.0%                    |

## 7. RESERVES STATEMENT

As at 30 June 2016 (and 30 June 2015), Odyssey has not reported any petroleum reserves and resources.

### *Governance*

When required, the Company will engage external consultants and qualified petroleum reserves and resources evaluator(s) to prepare and estimate petroleum reserves and resources. Management and the Board will review these estimates and underlying assumptions for reasonableness and accuracy. The results of petroleum reserve and resource estimates will then be reported in accordance with applicable rules (including ASX Listing Rules).

Where material changes occur during the year to the project, including the project's size, title, exploration results or other technical information, previous petroleum reserve and resource estimates (if any) and market disclosures will be reviewed for completeness.

When applicable, the Company will review its petroleum reserve and resource estimates as at 30 June each year. A revised petroleum reserve and/or resource estimate will be prepared as part of the annual review process where a material change has occurred in the assumptions or data used in previously reported petroleum reserve and/or resource estimates. However, there are circumstance where this may not be possible, in which case a revised petroleum reserve and/or resource estimate will be prepared and reported as soon as practicable.



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